

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2012



Kentucky 
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Commonwealth of Kentucky
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2012

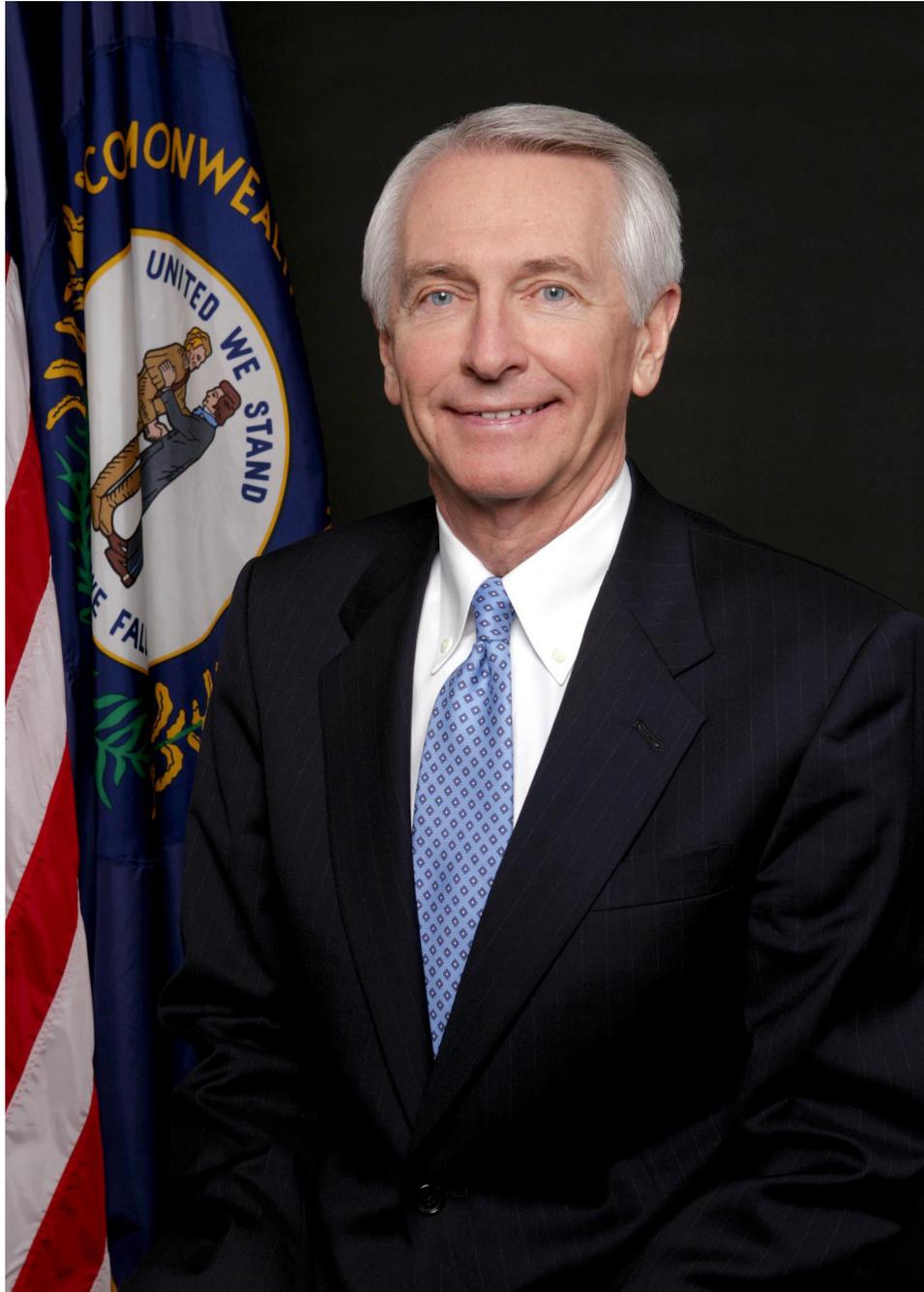
Steven L. Beshear, Governor



Prepared by:
Finance and Administration Cabinet
Lori H. Flanery, Secretary

Office of the Controller
Edgar C. Ross, Controller

Statewide Accounting Services
Donald Sweasy, Executive Director



Steven L. Beshear
Governor



CONTENTS
INTRODUCTORY SECTION

Letter of Transmittal	2
Controller’s Letter	8
Certificate of Achievement for Excellence in Financial Reporting.....	9
Organizational Chart and List of Principal Officials.....	10

FINANCIAL SECTION

Report of the Auditor of Public Accounts.....	12
Management’s Discussion and Analysis.....	16

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Assets	25
Statement of Activities.....	26

Governmental Funds Financial Statements

Balance Sheet-Governmental Funds	29
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets.....	30
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds to the Statement of Activities.....	32

Proprietary Funds Financial Statements

Statement of Fund Net Assets	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets	36
Statement of Cash Flows.....	38

Fiduciary Funds Financial Statements

Statement of Fiduciary Net Assets-All Fiduciary Funds.....	41
Statement of Changes in Fiduciary Net Assets-All Fiduciary Funds.....	42

Component Units Financial Statements

Statement of Net Assets	44
Statement of Activities.....	46

Notes to Financial Statements	51
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**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual (Budgetary Basis)-General Fund.....	122
Budget and Actual (Budgetary Basis)-Budgeted Special Revenue Funds.....	126

Notes to Required Supplementary Information

Budgetary Reporting	136
Budgetary Basis vs. GAAP	137
Infrastructure Assets Reported Using the Modified Approach	138
Entity Risk Pools-Claims Development Information	140

OTHER SUPPLEMENTARY INFORMATION**Combining and Individual Fund Statements and Schedules – Non-Major Funds****Non-Major Governmental Funds**

Combining Balance Sheet	146
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	148

Schedule of Fund Activities

Schedule of Revenues by Source-General Fund	151
Schedule of Expenditures by Function, Cabinet, and Object-General Fund	152
Schedule of Revenues and Expenditures by Type-Transportation Fund	154

Internal Service Funds

Combining Statement of Fund Net Assets	156
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	158
Combining Statement of Cash Flows	160

Capital Assets

Capital Assets Used in the Operation of Governmental Funds by Source	163
Capital Assets Used in the Operation of Governmental Funds Schedule by Function	164
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function	166

Pension (and Other Post Employment Benefit) Trust Funds

Combined Statement of Fiduciary Net Assets	168
Combined Statement of Changes in Fiduciary Net Assets	169
Combining Statement of Fiduciary Net Assets-Pension and OPEB Trust Funds – Pension Funds	170
Combining Statement of Changes in Fiduciary Net Assets-Pension and OPEB Trust Funds-Pension Funds	172
Combining Statement of Fiduciary Net Assets-Insurance Funds	174
Combining Statement of Changes in Fiduciary Net Assets-Insurance Funds	176

Agency Funds

Combining Statement of Fiduciary Net Assets	179
Combining Statement of Changes in Assets and Liabilities	180

Non-Major Component Units-Combining

Combining Statement of Net Assets-Non-Major Component Units	182
Combining Statement of Activities-Non-Major Component Units	183

Non-Major Component Units-Authorities

Combining Statement of Net Assets-Authorities	186
Combining Statement of Activities-Authorities	190
Combining Statement of Cash Flows-Authorities	193

Non-Major Component Units-Universities, Colleges, and Related Entities

Combining Statement of Net Assets-Universities, Colleges, and Related Entities	196
Combining Statement of Activities-Universities, Colleges, and Related Entities	198

STATISTICAL SECTION

Fund Balances – Governmental Funds-
For the Last Ten Fiscal Years 202

Changes in Fund Balance-Governmental Funds-
For the Last Ten Fiscal Years 204

Net Assets by Component
For the Last Ten Fiscal Years 206

Government-Wide Expenses, Program Revenues, and Net (Expense)/Revenue
For the Last Ten Fiscal Years 208

Personal Income Tax Information-Calendar Years 2000 and 2010 212

Assessed and Estimated Actual Value of Taxable Property
For Calendar Years 2002-2011 215

Property Tax Levies and Collections
For Calendar Years 2002-2011 215

Ratios of Outstanding Debt by Type for the Last Ten Fiscal Years 216

University and College Revenue Bond Coverage for the Last Ten Fiscal Years 218

Top Ten Manufacturers/Supportive Service Firms 218

Demographic Statistics for the Calendar Years 2002-2011 218

Sources of Personal Income-For Calendar Years 2002-2011 219

Operating Indicators By Function Last Seven Fiscal Years 220

Capital Asset Statistics By Function Last Seven Fiscal Years 221

Operating Information State Government Employees by Function Last Ten Fiscal Years 222

INTRODUCTORY SECTION



STEVEN L. BESHEAR
Governor

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LORI H. FLANERY
Secretary

December 14, 2012

The Honorable Steven L. Beshear, Governor
Members of the Kentucky General Assembly
Citizens of Kentucky

INTRODUCTION

Section 48.800 (3) of the Kentucky Revised Statutes (K.R.S.) requires the Finance and Administration Cabinet to submit a complete report of the financial transactions of the preceding year and of the financial condition of the Commonwealth as of the end of that fiscal year. In accordance with this statute, it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 2012. This report is prepared by the Finance and Administration Cabinet, Office of the Controller, Office of Statewide Accounting Services, which assumes responsibility for the accurate, complete, and fair presentation of the data contained herein. The information presented fully describes the Commonwealth's financial condition and results of operations of the primary government and component units for which it is financially accountable. All appropriate disclosures necessary for the reader to gain the maximum understanding of Kentucky's financial affairs are included.

The accompanying financial statements have been audited by the Office of the Auditor of Public Accounts of the Commonwealth of Kentucky. Their examination was conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The independent auditor concluded that the Commonwealth of Kentucky's financial statements as of and for the year ended June 30, 2012, are fairly presented in conformity with GAAP. The report of the independent auditor appears elsewhere in this report.

PROFILE OF THE COMMONWEALTH OF KENTUCKY

The Reporting Entity and Its Services

This report includes all funds and component units for which the Commonwealth is financially accountable, based on criteria established by the Governmental Accounting Standards Board's (GASB) Statement 14 as amended by GASB 39. The component units which are blended into the Commonwealth's primary government and function as actual parts of the Commonwealth are: the State Property and Buildings Commission, Kentucky Asset/Liability Commission, Turnpike Authority of Kentucky, Board of Agriculture, Kentucky Savings Bond Authority, Kentucky Retirement System, Judicial Form Retirement System, Kentucky Public Employees' Deferred Compensation Authority, Kentucky Tobacco Settlement Trust Corporation, Kentucky Teachers' Retirement System, Kentucky School Facilities Construction Commission, and Kentucky Gas Pipeline Authority.

The Commonwealth's discretely presented component units are: the Bluegrass State Skills Corporation, Kentucky Lottery Corporation, Kentucky River Authority, Kentucky State Fair Board, Kentucky Center for the Arts Corporation, Kentucky Educational Television Authority, Kentucky Economic Development Finance Authority, Kentucky Higher Education Assistance Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Artisan Center, Kentucky Agricultural Finance Corporation, Kentucky Grain Insurance Corporation, Kentucky Local Correctional Facilities Construction Authority, Kentucky Horse Park Foundation, Kentucky Council on Postsecondary Education, Kentucky Community Technical College System, and the eight state-supported universities.

Additional detailed information pertaining to Commonwealth's component units is located within the Financial Section (particularly Note 1) of this report.

The Commonwealth and Its Services

Located in south central United States along the west side of the Appalachian Mountains, Kentucky was once a part of Virginia. After its split with Virginia, Kentucky retained its "commonwealth" (meaning government based on the consent of the people) status and adopted its Constitution in 1792. The Commonwealth provides the full range of services contemplated by statute, including economic development, educational and human services, energy and natural resources management, law enforcement, correctional and public protection services, transportation, public improvements, and general legislative, administrative, and judicial services. The Commonwealth's chief executive is the Governor who is popularly elected every four years and may serve for two terms. Policies are directed through the various Cabinets. The General Assembly, or state Legislature, has two components: the Senate and the House of Representatives. The Senate has 38 members who are elected to four-year terms and the House has 100 members who are elected to two-year terms. The Legislature meets annually and has the power to enact all laws, subject to limits imposed by the state constitution. Revenue-raising issues must be initiated in the House. All other bills may be introduced by either the House or the Senate.

Budgetary Controls

The Commonwealth uses a biennial budget to assist with planning and control duties. Budgetary control is maintained at the budget unit level and is described in the notes to the Required Supplementary Information. Encumbrance accounting is utilized to insure the availability of funding before contracts are finalized. Contracts which result in overruns of available balances are not released until budget revisions are approved. Outstanding encumbrances for long-term construction projects in the Transportation Fund and the Capital Projects Fund are included in assigned fund balance, at a minimum. Encumbrances in all other funds lapse at the end of the fiscal year.

ECONOMIC CONDITION AND OUTLOOK

National Economy

At the end of FY12, it was clear that no segment of the state or national economy was emerging as a bulwark against the threats facing the continued, modest recovery. Overall, the economy continues to follow a slow and moderate path of recovery. Each quarter brings a rotation of which sectors are showing renewed signs of improvement and which sectors experience abating growth.

For the first quarter of FY13, the housing market showed continued signs of further recovery with new housing starts and home prices both continuing their upward trend and the corresponding inventory of unsold homes continuing to decline. Additional positive signs were observed in consumer spending, especially in light-vehicle sales. The pent up demand for replacement of cars and light trucks in the past few years has begun to occur, or perhaps even run full course.

The latest flag bearer of the recovery's weak momentum has cycled back through to the same economic sectors that provided initial sparks of a more pronounced and rapid rebound. Exports, fixed business investment, and manufacturing sectors have all shown signs of succumbing to the headwinds imposed by continued weakness in the global economy and domestic political uncertainty.

Manufacturing, once seen as a story of robust revitalization and revival, has experienced a significant reduction in capacity utilization and has expanded in only one of the last four months. The strength of the domestic auto industry has kept the manufacturing sector from experiencing significant contraction, but the view going forward shows reasons for concern. Export orders are continuing to decline as the Euro zone continues to experience a deepening recession and the developing world, largely influenced by China, experiences a marked slowdown in growth.

The previous quarterly report noted weak performance in the labor market, and that performance has continued in the intervening months. The most recent three months have witnessed average payroll employment growth of less than 125,000 per month. Furthermore, the unemployment rate was falling due to individuals exiting the workforce, rather than finding employment. The Global Insight forecast assumes that monthly payroll increases continue in the range of 135,000 per month for the next three quarters.

Against this backdrop, the Federal Reserve made the case for and began further monetary accommodation in the form of “QE3”, a program of quantitative easing focused on the purchase of mortgage backed securities, and continued guidance on “near-zero” interest rates through FY15. The Federal Reserve’s actions are intended to continue to lower long-term interest rates and borrowing costs. Up to this point in the economic recovery, capital equipment purchases have been a driver of GDP growth, but the rate of growth in this sector has begun to slow. By targeting low long-term borrowing rates, the Fed hopes to encourage firms to continue to make capital investments. The announcement of an open-ended commitment to purchase \$40 billion in mortgage backed securities per month is forecasted to lower mortgage rates by 20-25 basis points. However, the overall effect of these rates on the housing market and consumers looking to purchase or refinance a home will be muted by the continued stringent credit requirements for mortgages.

A further deterrent to capital investing and risk-taking is the extreme uncertainty in Federal fiscal and tax policy. The Budget Control Act of 2011 resolved the debate over raising the nation’s debt ceiling that was ongoing in the summer of 2011 by creating the “fiscal cliff” at the end of 2012. The “fiscal cliff” is the colloquial name for the automated reduction and sequestration of \$1.2 trillion in discretionary spending and the expiration of numerous tax laws and provisions. Among the laws set to change at midnight on December 31, 2012, are the end of last year’s temporary payroll tax cuts (resulting in a 2 percent tax increase for workers), the end of certain tax breaks for businesses, shifts in the alternative minimum tax, and the end of the tax cuts from 2001-2003.

Finally, if low interest rates are indeed going to provide an efficacious dose of stimulus, a credible source of aggregate demand must emerge. Otherwise, businesses will remain mired in a liquidity trap situation where interest rate policies will no longer have an effect on capital investment. Simply put, for businesses to have a credible inducement to invest in capital that is productive in a physical sense, they must first be convinced of improved current expectations for the sale of their products. Current expectations are a key predictor of future expectations, so as these expectations improve the internal rate of return on investment improves. The current investment lull (liquidity trap) is not a function of forbidding interest rates but rather a crisis of improving the internal rate of return on investment in physical capital.

It is currently not expected, as the Global Insight forecast assumes, that the economy will go off the “fiscal cliff”. It is expected that compromise will be reached and the deadlines for the necessary actions by Congress will be extended into the first calendar quarter of 2013. Once the deadlines are extended, the new Congress and president are expected to produce an agreement on tax changes, entitlements, and overall Federal spending which will be phased in over several years.

Overall, the outlook for the next three quarters is positive, but slow growth. GDP is expected to grow 1.7 percent over the next three quarters, and consumption is forecast to grow by 2.1 percent. Government expenditures at all levels, Federal, state, and local, will continue to decline. Oil and other energy prices will also continue to decline, helping to keep core inflation low. However, the year’s drought has significantly reduced this year’s corn and soybean harvest, and the resulting higher commodity prices will begin to be passed along to the consumer over the next few quarters.

Kentucky's Economy

As the national economy continues to slowly improve, Kentucky’s economy continues to reclaim new highs in terms of personal income and wages and salaries. Kentucky personal income and wages and salaries are 9.0 percent and 8.3 percent respectively higher than their pre-recession peaks. Annual growth rates over the past two years have varied from 2.2 to 5.1 percent for each measure. The current forecast, for the remainder of FY13, calls for 4.1 percent and 4.0 percent growth in those two categories. This represents very similar growth to the national economy as US personal income is expected to grow by 4.2 percent and US wages and salaries are expected to grow by 4.1 percent over the next three quarters.

Kentucky’s non-farm employment is expected to grow consistently during the final three quarters of FY13 with a gain of 1.6 percent. A significant portion of the job growth is anticipated to come from the goods producing sector which includes mining, construction and manufacturing. The combined growth in these sectors is estimated at 5.1 percent representing over 15,000 new jobs.

Manufacturing employment in the Commonwealth has grown by 11.1 percent since the bottom of the past recession. This trend is expected to continue through the remaining three quarters of FY13 with a 6.2 percent increase. Although the mining sector has been under extreme pressure from market and regulatory forces, the sector should experience similar gains with an increase of 7.4 percent in the remainder of FY13.

Among the major sectors in Kentucky’s economy, service producing industries continue to account for approximately two-thirds of Kentucky jobs. The service sector has now surpassed the pre-recession peak in employment. The service-providing industries are forecasted to expand by 1.4 percent with the creation of 16,000 jobs. Among the service sectors, business services are expected to post the strongest gains with an increase of 1.9 percent.

Employment in government—including federal, state, and local—is expected to continue the recent trend and decline by 1.0 percent.

Long-Term Financial Planning

Debt financing of the Commonwealth is classified as either appropriation supported debt or non-appropriation supported debt. Appropriation supported debt carries the name of the Commonwealth and is either a general obligation of the state or a lease revenue obligation of an issuing agency created by the Kentucky General Assembly to finance various projects subject to state appropriation for all or a portion of the debt service on the bonds. Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other entities within the state. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and does not constitute a debt, liability, obligation, or pledge of the faith and credit of the Commonwealth.

Debt Administration

The amount of debt service for general bonded debt, the ratio of this amount to total expenditures for general governmental functions, and the amount of debt per capita are useful indicators to citizens, investors, and management regarding the Commonwealth’s debt position. The data for 2012 are:

	<u>Debt Service (thousands)</u>	<u>Ratio to Total General Governmental Expenditures</u>	<u>Debt Per Capita</u>
General Bonded Debt	\$850,411	4.15 %	\$1,500

No general obligation bonds were authorized or outstanding at June 30, 2012.

A detailed analysis of the Commonwealth’s debt issuance during the fiscal year ended 2012 is presented in Note 15.

Major Initiatives

Fiscal year 2012 was the second fiscal year of the Commonwealth’s 2010-12 biennial budget period. The Commonwealth of Kentucky is one of the few states that enact a biennial budget in an even-numbered year; meaning that the FY12 budget was enacted in the 2010 Regular Session of the Kentucky General Assembly. The FY12 was the second consecutive year with General Fund revenue growth following two years of declines. General Fund revenue growth was 3.8 percent, resulting in a year-end surplus of \$45 million. Road Fund revenues increased by 7.8 percent, resulting in a \$50 million year-end surplus. General Fund spending increased by 7.4 percent with nearly all of the increase attributable to the replacement of federal stimulus funds in Medicaid, Education, and Justice; in excess of \$700 million. Most other areas of government spending were again reduced; the fifth consecutive year. Some areas of the government have incurred up to 37 percent General Fund reductions since the recession began.

There was a Special Session in March of 2011 that revised the FY12 budget. The Special Session was held primarily to assist in addressing a FY11 shortfall in the budget of the Medicaid program. General Fund resources of \$164 million were added to the Medicaid budget financed mostly by shifting appropriations from FY12 Medicaid budget and the addition of previously unrecognized resources.

Overall, the FY12 General Fund spending increased by 7.4 percent at the same time the budget incorporated \$250 million in spending reductions, involving most Kentucky state agencies. When combined with budget reductions that have taken place since the beginning of the recession in 2008, many state agency budgets have been cut by 25 to 37 percent. There were several areas that required an increase in General Fund spending, but they were few in number, and primarily related to the replacement of expired federal stimulus funds and increase in pension contribution costs.

Fiscal year 2012 was the first year of implementation for two major policy initiatives: the statewide implementation of managed care in the Medicaid program, and the implementation of several of the reforms enacted in 2011 affecting Corrections and the revision in the controlled substances portion of the penal code. The movement of Medicaid's non-waiver populations into managed care was effective for 8 months of the fiscal year. The estimated savings were budgeted to be \$257 million; \$74 million in state funds and \$183 million in federal funds. The implementation of managed care is estimated to save almost \$1.3 billion from all funds through FY14, a 32 month period. Several of the changes in Corrections contributed to a flat inmate population during FY12, contrasted to a 3 percent growth that was previously forecasted.

The Commonwealth's capital program for the 2010-12 biennial period included the lowest amount of General Fund supported debt in 14 years. This was a reflection of the tight fiscal situation. The largest areas of emphasis were in local school buildings, infrastructure replacement and improvement, and several critical facility replacements in the Justice and Human Service areas. The capital budget for the 2010-12 biennial period followed two consecutive biennia with the largest capital spending investments the Commonwealth has ever budgeted.

During FY12, the Commonwealth continued to implement the fourth year of actions initiated in 2008 to address a significant policy and financial issue, the financing of the large unfunded liabilities of its pension systems, and restructuring future employee benefits to ensure a sustainable pension system. The effort puts in place a phased-in financing plan to achieve the necessary actuarial contributions to the systems. The financing plan includes specific graduated targets over a period of years. Benefits and related eligibility requirements for future employees were significantly changed to modernize the benefits and to reduce the future pension liabilities of the systems. Fiscal year 2012 was the second year in a long-term plan to sufficiently pre-fund the Teachers' Retirement System medical costs, involving additional financial participation from active school district employees, the 174 Kentucky school districts, existing retirees under age 65, and the Commonwealth.

FINANCIAL INFORMATION

The Accounting System

The Commonwealth's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Additional discussions of the various funds and how they are reported are located in the Management Discussion and Analysis (MD&A) section of this report.

In developing and operating the Commonwealth's accounting system, management of the Commonwealth placed emphasis on the adequacy of internal accounting controls. The comprehensive internal control framework is designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that financial records are reliable for preparing GAAP financial statements that are free from material misstatement and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use, and that such cost-benefit evaluation requires estimates and judgments by management. All internal control evaluations occur within this framework.

OTHER INFORMATION

Certificate of Achievement for Excellence in Financial Reporting

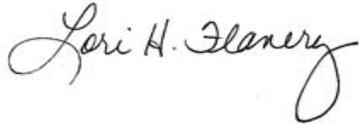
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Kentucky for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This is the 25th consecutive year the Commonwealth has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the cooperation of all branches and agencies of the Commonwealth. The professionalism demonstrated by the staffs of the Finance and Administration Cabinet's Office of Statewide Accounting Services and Division of Printing Services, as well as the Office of the Auditor of Public Accounts, is especially noteworthy. Their combined dedication made the publication of this report possible.

Respectfully submitted,

A handwritten signature in black ink that reads "Lori H. Flanery". The signature is written in a cursive style with a large, looping "L" and "F".

Lori H. Flanery, Secretary
Finance and Administration Cabinet



STEVEN L. BESHEAR
Governor

Commonwealth of Kentucky
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LORI H. FLANERY
Secretary

EDGAR C. ROSS
Controller

December 14, 2012

The Honorable Lori H. Flanery
Secretary, Finance and Administration Cabinet
383 New Capitol Annex
Frankfort, Kentucky

Dear Secretary Flanery:

Pursuant to Section 48.800 (3) of the Kentucky Revised Statutes, the Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Kentucky for the fiscal year ended June 30, 2012, is submitted herewith. It contains all funds of the primary government and component units for which it is financially accountable, based on the criteria developed by the Governmental Accounting Standards Board (GASB).

The basis of accounting upon which the report has been prepared complies with accounting principles generally accepted in the United States of America for state governments as prescribed by both GASB and the American Institute of Certified Public Accountants' (AICPA) publication Audits of State and Local Governments.

The information presents fairly and fully discloses the financial position and results of financial operations of the Commonwealth for the reporting period as measured by the financial activity of the various funds. All appropriate disclosures necessary to assist readers in their understanding and evaluation of Kentucky's financial condition have been included in this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "E. Ross".

Edgar C. Ross, Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

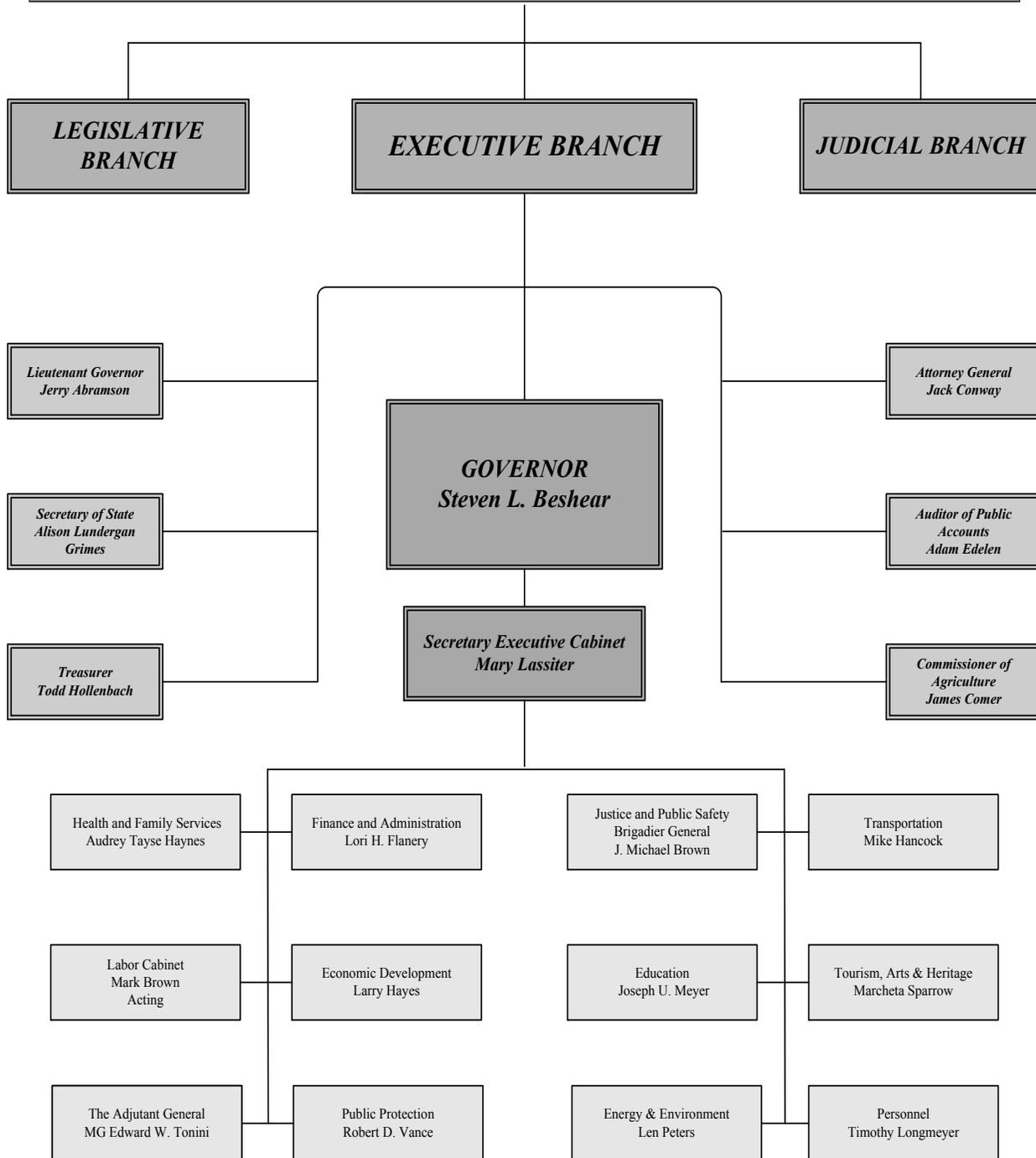
Jeffrey R. Emer

Executive Director

COMMONWEALTH OF KENTUCKY

ELECTORATE OF KENTUCKY

"UNITED WE STAND, DIVIDED WE FALL"



*Principal Officials at June 30, 2012

FINANCIAL SECTION



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of some component units and funds that comprise the Commonwealth of Kentucky. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds is based upon the reports of the other auditors. Those component units and funds were:

Certain portions of the Governmental Funds including:

- Debt Service Fund - Turnpike Authority of Kentucky
- Special Revenue Fund - Turnpike Authority of Kentucky

Certain portions of the Proprietary Funds including:

- Within the Insurance Administration Fund:
 - Kentucky Coal Workers' Pneumoconiosis Fund
 - Kentucky Workers' Compensation Fund
 - Petroleum Storage Tank Environmental Assurance Fund

Certain portions of the Internal Service Funds within the Risk Management Fund including:

- State Workers' Compensation Program
- Transportation Cabinet's Self-Insured Workers' Compensation Trust Program

Certain Fiduciary Funds including:

- Kentucky Retirement System
- Kentucky Teachers' Retirement System
- Judicial Form Retirement System
- Kentucky Public Employees' Deferred Compensation Authority

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AN EQUAL OPPORTUNITY EMPLOYER M/F/D



To the People of Kentucky
 The Honorable Steven L. Beshear, Governor
 Lori H. Flanery, Secretary
 Finance and Administration Cabinet
 Page 2

Component Units:

- Bluegrass State Skills Corporation
- Kentucky Center for the Arts Corporation
- Kentucky Economic Development Finance Authority
- Kentucky Educational Television Authority
- Kentucky Higher Education Assistance Authority
- Kentucky Lottery Corporation
- Kentucky Infrastructure Authority
- Kentucky Local Correctional Facilities Construction Authority
- Kentucky State Fair Board
- Kentucky Housing Corporation
- Kentucky Horse Park Foundation, Inc.
- Kentucky Higher Education Student Loan Corporation

Component Units - Colleges and Universities and related entities:

- University of Kentucky
- Eastern Kentucky University
- Morehead State University
- Northern Kentucky University
- Kentucky Community and Technical College System
- University of Louisville
- Kentucky State University
- Murray State University
- Western Kentucky University
- Kentucky Council on Postsecondary Education

Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

Government-Wide Financial Statements:	Percent of Assets	Percent of Revenues
Primary Government - Governmental Activities	1.23%	.14%
Primary Government - Business-Type Activities	31.39%	4.38%
Component Units	99.36%	99.90%
Fund Financial Statements:		
Governmental Funds - Non-Major Funds	32.92%	2.22%
Proprietary Funds - Business-Type Activities - Enterprise Funds	30.56%	4.30%
Proprietary Funds - Governmental Activities - Internal Service Funds	5.72%	14.17%
Fiduciary Funds - Pension and Insurance Trust Funds	100.00%	100.00%
Component Units	99.36%	99.90%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

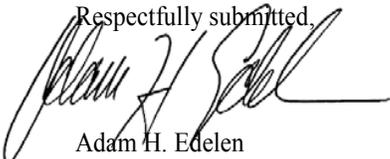
To the People of Kentucky
The Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Page 3

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the Commonwealth of Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 16 through 22, budgetary comparison schedules and corresponding notes on pages 122 through 137, and information about infrastructure assets reported using the modified approach on pages 138 and 139, and claims development information for entity risk pools on pages 140 and 141, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Kentucky's basic financial statements. The combining financial statements, presented in this report on pages 146 through 199 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Commonwealth of Kentucky. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in the audits performed by other auditors and, in our opinion, based on our audit and the reports of other auditors, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory and Statistical sections presented in this report on pages 2 through 10 and 202 through 223 are also presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

Adam H. Edelen
Auditor of Public Accounts

December 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Commonwealth of Kentucky's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2012. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide an easily readable explanation of the information in the basic financial statements. It should be read in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the Commonwealth's financial statements which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights:

The assets of the Commonwealth's governmental activities exceeded its liabilities at fiscal year ending June 30, 2012, by \$11.4 billion, a decrease of \$987 million related to current year activity. Liabilities of the Commonwealth's business-type activities exceeded assets by \$678.8 million, an increase in net assets of \$192.8 million related to current year activity. Total net assets decreased by \$794 million to \$10.7 billion.

The assets of component units exceeded liabilities at fiscal year ending June 30, 2012, by \$8.8 billion, an increase of \$111.6 million related to current year activity.

Fund Highlights:

As of the close of FY12, the Commonwealth's governmental funds reported combined ending fund balances of \$2.44 billion, a decrease of \$204.6 million in comparison with the prior year. Approximately 101 percent or \$2.45 billion of the ending fund balance is restricted. There is no unrestricted (committed, assigned, or unassigned) fund balance available for spending either at the government's discretion or upon legislative approval.

Enterprise funds reported net assets of \$(678.8) million, of which 335.3 million was restricted or invested in capital assets and the balance of \$(1.0) billion was unrestricted.

Long-Term Debt:

The Commonwealth's total long-term debt obligations (bonds and notes payable) increased by \$267.6 million to \$8.23 billion during the current fiscal year. The increase is attributable to the issuance of new debt by the Commonwealth's Primary Government to replace short-term notes used to initially fund projects, to advance refund debt outstanding to reduce future interest cost, and to fund new projects authorized and started during FY12. Additional details of these activities can be found in Note 15 beginning on Page 105.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Commonwealth's basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes other required supplementary information (General and Special Revenue Fund budgetary schedules; condition and maintenance data regarding infrastructure; and claims development information) and other supplementary information (combining financial statements). Each of these components is described below.

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad view of the Commonwealth's operations in a manner similar to a private-sector business. These statements report financial information about the entire government except fiduciary activities. The statements provide both short-term and long-term information about the Commonwealth's financial position, which assists in assessing the Commonwealth's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. They take into account all revenues and expenses of the fiscal year even if no cash has been received or paid. The government-wide financial statements include two statements: The Statement of Net Assets shows the financial position of the Commonwealth at the end of the fiscal year. The Statement of Activities presents information showing how the government's financial position has changed since the beginning of the fiscal year.

Both of the above financial statements have separate sections for three different types of state programs or activities.

These three types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with State government fall into this category. Internal Service Fund balances are reported as a part of governmental activities.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services provided by the State. The business-type activities of the Commonwealth include the operations of various Enterprise Funds as listed later in the text.

Discretely Presented Component Units – These are operations for which the Commonwealth has financial accountability but which possess certain independent qualities as well. More information on the Commonwealth’s discretely presented component units can be found in Note 1 beginning on Page 51.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law or bond covenants and additional funds are established for management and fiscal control of resources.

The fund financial statements focus on activities of state government. All of the funds of the Commonwealth can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Table 1, below, summarizes the major features of the basic financial statements and how they relate to one another.

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire government (except fiduciary funds) and the Commonwealth's component units	The activities of the Commonwealth that are not proprietary or fiduciary	Activities of the Commonwealth that are similar to private businesses	Instances where the Commonwealth is the trustee for someone else’s resources
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fund Net Assets Statement of Revenues, Expenses, and Changes in Fund Net Assets Statement of Cash Flows	Statements of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial, and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of Inflow – Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year and expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements - Notes to the financial statements provide information necessary to fully understand the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and focus on the primary government and its activities.

Required Supplementary Information - In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of required supplementary information that further explains and supports the information contained in the financial statements.

Other Supplementary Information - Supplementary information includes the introductory section, combining financial statements for non-major governmental funds, non-major discretely presented component units, the individual internal service funds and fiduciary funds, and the statistical section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Net assets may serve as a useful indicator of a government's financial position. The Commonwealth's combined net assets (governmental and business-type activities) totaled \$10.69 billion at the end of 2012, as compared to \$11.5 billion at the end of the previous year.

The largest portion of the Commonwealth's net assets, \$19.95 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending.

The second largest portion of the Commonwealth's net assets, totaling \$1.5 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net assets. The unrestricted net assets, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is \$(11) billion; therefore funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net assets when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities-shown in Note 15 to the financial statements) on the statement of net assets.

Table 2 below presents the Commonwealth's condensed statement of net assets as of June 30, 2012 and June 30, 2011, derived from the government-wide Statement of Net Assets.

Table 2: Condensed Statement of Net Assets (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current Assets	\$ 6,326,213	\$ 5,880,253	\$ 1,237,817	\$ 1,077,023	\$ 7,564,030	\$ 6,957,276
Capital Assets	22,447,545	21,892,276	349,902	348,181	22,797,447	22,240,457
Other Assets	298	301			298	301
Total Assets	28,774,056	27,772,830	1,587,719	1,425,204	30,361,775	29,198,034
Non Current Liabilities	14,367,660	13,050,478	2,142,900	2,312,374	16,510,560	15,362,852
Other Liabilities	3,041,432	2,370,285	123,665	82,795	3,165,097	2,453,080
Total Liabilities	17,409,092	15,420,763	2,266,565	2,395,169	19,675,657	17,815,932
Invested in Capital Assets						
Net of Related Debt	19,616,044	19,153,511	334,611	318,054	19,950,655	19,471,565
Restricted	1,480,299	1,269,674	729	9,518	1,481,028	1,279,192
Unrestricted	(9,731,379)	(8,071,118)	(1,014,186)	(1,199,174)	(10,745,565)	(9,270,292)
Total Net Assets	\$ 11,364,964	\$ 12,352,067	\$ (678,846)	\$ (871,602)	\$ 10,686,118	\$ 11,480,465

Changes in Net Assets

The revenues and expenses information, as shown in Table 3, was derived from the government-wide Statement of Activities and reflects how the Commonwealth's net assets changed during FY12. The Commonwealth received program revenues of 11.5 billion and general revenues (including transfers) of \$10.9 billion for total revenues of \$22.4 billion during FY12. Expenses for the Commonwealth during FY12 were \$23.2 billion, which resulted in a total decrease of the Commonwealth's net assets in the amount of \$794 million, net of contributions, transfers and special items.

Table 3: Condensed Statement of Activities (Expressed in Thousands)

	2012 Governmental Activities	2011 Governmental Activities	2012 Business-Type Activities	2011 Business-Type Activities	2012 Total	2011 Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,202,661	\$ 1,429,019	\$ 2,385,722	\$ 2,390,203	\$ 3,588,383	\$ 3,819,222
Operating Grants and Contributions	6,381,991	7,071,327	705,465	953,112	7,087,456	8,024,439
Capital Grants and Contributions	836,370	697,927	1,032	2,326	837,402	700,253
General Revenues:						
Income Taxes	3,844,512	3,768,846			3,844,512	3,768,846
Sales Taxes	5,505,336	5,152,345			5,505,336	5,152,345
Property Taxes	534,189	493,204			534,189	493,204
Other Taxes	414,196	610,314			414,196	610,314
Investment Earnings	(21,439)	7,146		56,203	(21,439)	63,349
Other	518,136	680,341	115,114	22,707	633,250	703,048
Total Revenues	<u>19,215,952</u>	<u>19,910,469</u>	<u>3,207,333</u>	<u>3,424,551</u>	<u>22,423,285</u>	<u>23,335,020</u>
Expenses:						
Governmental Activities:						
General Government	3,002,882	3,212,093			3,002,882	3,212,093
Legislative and Judicial	411,579	400,786			411,579	400,786
Commerce	132,078	113,156			132,078	113,156
Education and Humanities	5,818,383	6,036,864			5,818,383	6,036,864
Human Resources	7,623,348	7,652,130			7,623,348	7,652,130
Justice	923,628	887,611			923,628	887,611
Natural Resources and Environmental Protection	221,822	198,067			221,822	198,067
Public Protection and Regulation	156,755	164,052			156,755	164,052
Transportation	1,496,753	1,340,012			1,496,753	1,340,012
Interest Expense	403,534	377,725			403,534	377,725
Business-type Activities:						
State Parks			93,925	92,777	93,925	92,777
Kentucky Horse Park			13,970	14,804	13,970	14,804
Kentucky Public Employees Health Plan			1,687,322	1,624,444	1,687,322	1,624,444
Insurance Administration			38,081	210,849	38,081	210,849
Unemployment Compensation			1,193,572	1,521,994	1,193,572	1,521,994
Total Expenses	<u>20,190,762</u>	<u>20,382,496</u>	<u>3,026,870</u>	<u>3,464,868</u>	<u>23,217,632</u>	<u>23,847,364</u>
Increase (Decrease) in Net Assets Before Transfers						
	(974,810)	(472,027)	180,463	(40,317)	(794,347)	(512,344)
Transfers	(12,293)	(6,156)	12,293	6,156		
Change in Net Assets	<u>(987,103)</u>	<u>(478,183)</u>	<u>192,756</u>	<u>(34,161)</u>	<u>(794,347)</u>	<u>(512,344)</u>
Net Assets, July 1, as restated	12,352,067	12,830,250	(871,602)	(837,441)	11,480,465	12,040,556
Net Assets, June 30	<u>\$ 11,364,964</u>	<u>\$ 12,352,067</u>	<u>\$ (678,846)</u>	<u>\$ (871,602)</u>	<u>\$ 10,686,118</u>	<u>\$ 11,480,465</u>

Governmental Activities:

During the fiscal year, the change in net assets resulted in a decrease from the previous year. The decrease in net assets of governmental activities was \$987 million or 8 percent. Approximately 53.6 percent of the governmental activities' total revenue came from taxes, while 37.6 percent resulted from grants and contributions (including federal aid). Table 4 below presents program expenses and revenues for governmental activities. Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

Table 4 (Expressed in Thousands)

State Programs	Program Expenses	Program Revenues	Net Program Expenses (Revenue)
General Government	\$ 3,002,882	\$ 1,078,082	\$ 1,924,800
Legislative and Judicial	411,579	25,349	386,230
Commerce	132,078	78,744	53,334
Education and Humanities	5,818,383	1,107,806	4,710,577
Human Resources	7,623,348	4,788,796	2,834,552
Justice	923,628	69,071	854,557
Natural Resources and Environmental Protection	221,822	122,051	99,771
Public Protection and Regulation	156,755	100,343	56,412
Transportation	1,496,753	1,050,780	445,973
Totals	\$ 19,787,228	\$ 8,421,022	\$ 11,366,206

Business-Type Activities:

Table 5 below presents program expenses and revenues for business-type activities. The business-type activities increased the Commonwealth's net assets by \$193 million. Program revenues generated by the operations of the State Parks, Kentucky Horse Park, and Kentucky Public Employees Health Plan and Insurance Administration were not sufficient to cover program expenses. General revenues were needed to support expenses of these programs. Program revenues generated by the operations of the Unemployment Compensation, and Insurance Administration were sufficient to cover program expenses.

Table 5 (Expressed in Thousands)

State Programs	Program Expenses	Program Revenues	Net Program (Expenses) Revenue
State Parks	\$ 93,925	\$ 50,699	\$ (43,226)
Kentucky Horse Park	13,970	11,115	(2,855)
Kentucky Public Employees Health Plan	1,687,322	1,681,642	(5,680)
Insurance Administration	38,081	137,835	99,754
Unemployment Compensation	1,193,572	1,210,928	17,356
Totals	\$ 3,026,870	\$ 3,092,219	\$ 65,349

Overall Analysis

Financial highlights for the State as a whole during fiscal year ended June 30, 2012, include the following:

- The asset of the State's governmental activities continues to exceed liabilities (net assets) at the close of the fiscal year. Assets exceeded liability assets by \$11.4 billion and the condition of the State's business-type activities continued to have liabilities that exceed net assets by \$678.8 million.
- The State's total net assets decreased during the year by \$794 million. Net assets of governmental activities decreased by \$987 million, while net assets of business-type activities increased by \$193 million.
- The major reason for the decline in net assets of the governmental activities was an increase in the Employers unfunded pension contribution of \$949.4 million and an increase in long-term debt in the amount of \$267.6 million. The primary cause of the increase in business-type activities net assets is a decrease in claims and claims adjustments liability of \$102.7 million.

FINANCIAL ANALYSIS OF THE COMMONWEALTH'S INDIVIDUAL FUNDS

At June 30, 2012, the Commonwealth's governmental funds reported combined ending fund balances of \$2.4 billion, a decrease of \$205 million in comparison with the prior year. \$120.8 million is nonspendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The \$2.45 billion is restricted for certain purposes and is not available to fund current operations. The \$(134) million is considered unrestricted (committed, assigned, or unassigned). When the unrestricted balance is positive it is available for spending either at the government's discretion or upon legislative approval.

General Fund

The General Fund is the primary operating fund of the Commonwealth. The fund balance at June 30, 2012, was \$95.1 million. The balance reported reflects a decrease of \$201 million from the previously reported amount, which represents a decrease of 67.7%. The major factor for the decrease is enhanced federal participation in Medicaid; thus, increasing the state's share of these expenditures. Another major factor is the state's increase contributions to the various pension plans.

The fund balance is segregated into nonspendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of \$5.5 million represents the nonspendable amount, \$35.6 million is assigned and represents continuing appropriations and the \$54 million is unassigned and is available for spending at the government's discretion or upon legislative approval.

The following governmental funds experienced significant changes during the year:

Major Special Revenue Funds

The major special revenue funds experienced normal cyclical changes in revenues and expenditures, except for the Federal Fund, which experienced a significant decrease in grant revenue as a result of the decrease in American Reinvestment and Recovery Act (ARRA), resulting in a significant decrease in federal fund expenditures. The Transportation Fund experienced an increase in revenues due to increased tax receipts and a slight increase in expenditures, resulting in an increase in fund balance of \$166.7 million.

Proprietary Funds - The Commonwealth's proprietary funds reported net assets of \$(563.8) million, which included \$(678.8) million in the enterprise funds and \$115 million in the internal service funds. This is a total increase in net assets of \$152.7 million from the previous year.

The overall increase in net assets is due to a decrease in claims expense within the Insurance Administration Fund. In addition, in the Unemployment Compensation Fund the unemployment benefit payments decreased.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, as the national and state economy began to improve, the official revenue forecast for the General Fund was increased. The General Fund revenues, for the year, exceeded the final budgetary estimates by approximately \$83 million. The original budgeted expenditures were decreased to accommodate revenue shortfalls. Actual expenditures for the year were approximately \$350 million less than the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$23.9 billion, with accumulated depreciation of \$1.1 billion, leaving a net book value of \$22.8 billion. This investment in capital assets includes land, improvements, buildings, equipment, construction in progress, infrastructure and intangibles. Infrastructure assets are normally immovable and of value only to the Commonwealth, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the Commonwealth's investment in capital assets for the current fiscal year was about 2.4 percent in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$673 million for the year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$95 million. Additional information on the Commonwealth's capital assets can be found in Note 6 of the "Notes to the Financial Statements" of this report.

Infrastructure Assets – The Commonwealth has elected to utilize the “Modified Approach” as it relates to guidelines set forth in the GASB (Government Accounting Standards Board) Statement Number 34. Under this alternative method the Commonwealth expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include nearly 63,000 lane miles of roads and approximately 9,000 bridges that the Commonwealth has responsibility for maintaining.

- There have been no significant changes in the condition level of infrastructure assets.
- The asset condition level established by the Commonwealth has approximately been met and exceeded for the past seven years.
- Actual expenditures necessary to maintain and preserve infrastructure assets at target condition levels were approximately 12 percent more than the reported estimate of \$942.3 million for fiscal year 2012.

A more in-depth discussion of the Commonwealth’s infrastructure assets is located in the “Required Supplemental Information” section of this report.

Debt Administration - The Office of Financial Management as established in KRS 42.4201, is responsible for the oversight of the Commonwealth’s debt. The Office develops a long-term debt plan including criteria for the issuance of debt and an evaluation of the total state debt to be incurred. Debt is issued through the State Property and Buildings Commission and the Kentucky Asset/Liability Commission.

The Commonwealth of Kentucky’s bonded debt increased by \$314 million to \$6.5 billion, a 5% increase during the current fiscal year. The major factors in this increase were the issuance of bonds to fund new capital projects and to advance refund debt outstanding to reduce future interest cost. No general obligation bonds were authorized or outstanding at June 30, 2012. Additional information on the Commonwealth’s long-term debt obligations can be found in Note 15 of the notes to the financial statements of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commonwealth of Kentucky’s finances for all of Kentucky’s citizens, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the Commonwealth’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Commonwealth of Kentucky, Finance and Administration Cabinet, Office of the Controller, 702 Capital Avenue, Frankfort, KY 40601.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2012
(Expressed in Thousands)

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Assets				
Cash and cash equivalents (Note 5)	\$ 592,178	\$ 345,824	\$ 938,002	\$ 1,605,000
Cash with fiscal agents (Note 5)	54,130		54,130	
Restricted cash (Note 5)		48,646	48,646	
Investments, net of amortization (Note 5)	1,978,236	546,841	2,525,077	2,709,889
Invested security collateral	958,409		958,409	
Receivables, net (Note 4)	2,215,634	253,311	2,468,945	3,803,556
Notes receivable	6,289		6,289	
Capital lease receivable (Note 4)	385,476		385,476	
Internal balances (Note 7)	(40,119)	40,119		
Inventories	68,758	2,354	71,112	52,960
Prepaid expenses	11,075	349	11,424	18,941
Deferred charges	79,864		79,864	16,875
Deferred outflow of resource-interest rate swap (Note 15)	16,283		16,283	15,026
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (Note 5)				429,587
Investments (Note 5)		373	373	1,233,217
Capital assets (Note 6):				
Land	187,771	21,437	209,208	264,684
Improvements other than buildings	19,707	133,133	152,840	337,941
Buildings	1,340,805	264,823	1,605,628	6,394,838
Machinery and equipment	610,533	20,742	631,275	1,978,481
Other capital assets				147,539
Easements and other intangibles	173,649	2,322	175,971	
Less: Accumulated depreciation and amortization	(957,835)	(196,927)	(1,154,762)	(3,888,922)
Construction in progress	1,826,899	104,372	1,931,271	278,360
Infrastructure	19,246,016		19,246,016	
Total Capital Assets	22,447,545	349,902	22,797,447	5,512,921
Other assets	298		298	357,258
Total Assets	28,774,056	1,587,719	30,361,775	15,755,230
Liabilities				
Accounts payable (Note 4)	1,273,111	106,534	1,379,645	419,566
Tax refunds payable	325,229		325,229	
Unearned revenue	468,400	17,131	485,530	190,892
Other liabilities				120,694
Liabilities from restricted assets				3,774
Obligations under securities lending	958,409		958,409	
Derivative instrument-interest rate swap (Note 15)	16,283		16,283	16,024
Noncurrent liabilities:				
Due within one year (Note 15)	721,768	197,391	919,160	487,970
Due in more than one year (Note 15)	13,645,892	1,945,509	15,591,401	5,665,519
Total Liabilities	17,409,092	2,266,565	19,675,657	6,904,439
Net Assets				
Invested in capital assets, net of related debt	19,616,044	334,611	19,950,655	3,816,687
Restricted for:				
Debt service	120,304		120,304	403,759
Capital projects	337,399	557	337,956	211,346
Highways	1,022,596		1,022,596	
Other purposes (Note 1)		172	172	2,896,954
Unrestricted	(9,731,379)	(1,014,186)	(10,745,565)	1,522,045
Total Net Assets	\$ 11,364,964	\$ (678,846)	\$ 10,686,118	\$ 8,850,791

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

COMMONWEALTH OF KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 3,002,882	\$ 668,709	\$ 386,063	\$ 23,310
Legislative and judicial	411,579	21,750	3,599	
Commerce	132,078	53,375	25,369	
Education and humanities	5,818,383	66,246	1,037,501	4,059
Human resources	7,623,348	16,593	4,763,081	9,122
Justice	923,628	21,500	43,808	3,763
Natural resources and environmental protection	221,822	12,451	109,600	
Public protection and regulation	156,755	92,806	7,537	
Transportation	1,496,753	249,231	5,433	796,116
Interest expense	403,534			
Total Governmental Activities	<u>20,190,762</u>	<u>1,202,661</u>	<u>6,381,991</u>	<u>836,370</u>
Business-Type Activities:				
State Parks	93,925	50,064	635	
Kentucky Horse Park	13,970	9,161	922	1,032
Kentucky Public Employees Health Plan	1,687,322	1,681,642		
Insurance Administration	38,081	122,962	14,873	
Unemployment Compensation	1,193,572	521,893	689,035	
Total Business-Type Activities	<u>3,026,870</u>	<u>2,385,722</u>	<u>705,465</u>	<u>1,032</u>
Total Primary Government	<u>\$ 23,217,632</u>	<u>\$ 3,588,383</u>	<u>\$ 7,087,456</u>	<u>\$ 837,402</u>
Component Units:				
Authorities:				
Kentucky Housing Corporation	\$ 373,234	\$ 143,272	\$ 243,036	\$
Kentucky Higher Education Student Loan Corporation	47,247	59,988		
Kentucky Lottery Corporation	830,473	823,546		
Universities, Colleges, & Related Entities:				
University of Kentucky	2,345,026	1,579,833	401,144	41,273
University of Louisville	905,428	449,310	183,776	
Kentucky Community and Technical College System	671,814	106,318	92,860	
Other component units	1,711,757	923,490	183,994	4,891
Total Component Units	<u>\$ 6,884,979</u>	<u>\$ 4,085,757</u>	<u>\$ 1,104,810</u>	<u>\$ 46,164</u>
General Revenues (Note 1):				
Taxes:				
Sales and gross receipt tax				
Individual income tax				
Corporate income tax				
Property tax				
License and privilege tax				
Severance tax				
Inheritance and estate tax				
Miscellaneous taxes				
Unrestricted grants and contributions				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous general				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets at July 1, As Restated (Note 2)				
Net Assets at June 30				

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (1,924,800)	\$	\$ (1,924,800)	
(386,230)		(386,230)	
(53,334)		(53,334)	
(4,710,577)		(4,710,577)	
(2,834,552)		(2,834,552)	
(854,557)		(854,557)	
(99,771)		(99,771)	
(56,412)		(56,412)	
(445,973)		(445,973)	
(403,534)		(403,534)	
<u>(11,769,740)</u>		<u>(11,769,740)</u>	
	(43,226)	(43,226)	
	(2,855)	(2,855)	
	(5,680)	(5,680)	
	99,754	99,754	
	17,356	17,356	
	<u>65,349</u>	<u>65,349</u>	
<u>(11,769,740)</u>	<u>65,349</u>	<u>(11,704,391)</u>	
			\$ 13,074
			12,741
			(6,927)
			(322,776)
			(272,342)
			(472,636)
			(599,382)
			<u>(1,648,248)</u>
5,505,336		5,505,336	
3,474,027		3,474,027	
370,485		370,485	
534,189		534,189	
26,792		26,792	
170,980		170,980	
68,119		68,119	
148,305		148,305	
14,640		14,640	622,325
(21,439)	55,123	33,684	(2,798)
10,363		10,363	7,339
493,133	59,991	553,124	1,133,031
(12,293)	12,293		
<u>10,782,637</u>	<u>127,407</u>	<u>10,910,044</u>	<u>1,759,897</u>
(987,103)	192,756	(794,347)	111,649
12,352,067	(871,602)	11,480,465	8,739,142
<u>\$ 11,364,964</u>	<u>\$ (678,846)</u>	<u>\$ 10,686,118</u>	<u>\$ 8,850,791</u>

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

Major Funds

General Fund

The General Fund is the Commonwealth's operating fund and accounts for and reports all financial resources appropriated by the General Assembly that are not required to be accounted for in other funds.

Transportation Fund

The Transportation Fund Accounts for proceeds and reports specific revenue sources which are restricted or committed for the construction, preservation, and maintenance of roads.

Federal Fund

The Federal Fund accounts for and reports monies received from the federal government that are restricted or committed to specific programs and operations.

Agency Revenue Fund

The Agency Revenue Fund accounts for and reports specific taxes, fees, and charges that are restricted or committed to expenditures for a particular function or activity. The General Assembly usually appropriates this fund.

Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned for capital outlay as appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment other than that financed by proprietary funds, certain trust funds, and university and college funds.

Debt Service Fund

The Debt Service Fund accounts for and reports financial resources which are restricted, committed, or assigned to expenditures for repayment of principal, interest, and administrative fees due on general long-term issues of the Commonwealth and for the accumulation of financial resources used to make such payments.

Non-Major Funds

Non-Major governmental funds are presented by fund type beginning on page 146

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents (Note 5)	\$ 193,009	\$ 24,460	\$	\$ 38,539	\$ 36,707	\$ 1,253	\$ 250,184	\$ 544,152
Cash with fiscal agents (Note 5)						29,045		29,045
Restricted cash (Note 5)				19,500				19,500
Investments, net of amortization (Note 5)	70,998	613,248		422,265	309,446	3,693	518,056	1,937,706
Invested security collateral	111,924	308,928		230,299	155,886		151,371	958,408
Receivables, net (Note 4)	779,121	149,078	1,096,629	50,462	13,963		123,812	2,213,065
Notes receivable				4,115			2,174	6,289
Capital lease receivable (Note 4)						385,476		385,476
Interfunds receivable (Note 7)	64,048	1,150	24,444	107,855	56		17,723	215,276
Interfund loans receivable (Note 7)		48,285		47,690			12,133	108,108
Inventories	5,515	57,545	160	2,703			43	65,966
Total Assets	<u>\$ 1,224,615</u>	<u>\$ 1,202,694</u>	<u>\$ 1,121,233</u>	<u>\$ 923,428</u>	<u>\$ 516,058</u>	<u>\$ 419,467</u>	<u>\$ 1,075,496</u>	<u>\$ 6,482,991</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable (Note 4)	\$ 382,810	\$ 126,216	\$ 535,102	\$ 108,760	\$ 19,213	\$	\$ 9,549	\$ 1,181,650
Tax refunds payable	325,229							325,229
Interfunds payable (Note 7)	123,513	4,863	66,143	20,116			39,701	254,336
Interfund loans payable (Note 7)			95,380	8,317	3,018			106,715
Obligations under securities lending	111,923	308,928		230,299	155,886		151,372	958,408
Deferred revenue	186,027	5,995	536,372	6,529	542	385,476	95,974	1,216,915
Total Liabilities	<u>1,129,502</u>	<u>446,002</u>	<u>1,232,997</u>	<u>374,021</u>	<u>178,659</u>	<u>385,476</u>	<u>296,596</u>	<u>4,043,253</u>
Fund Balances:								
Nonspendable (Note 1)	5,515	57,545	160	26,318		29,045	2,217	120,800
Restricted for (Note 1)		699,147	301,007	482,451	339,907	4,946	625,494	2,452,952
Committed to (Note 1)				28,846			154,568	183,414
Assigned to (Note 1)	35,563			11,792			1,365	48,720
Unassigned (Note 1)	54,035		(412,931)		(2,508)		(4,744)	(366,148)
Total Fund Balances	<u>95,113</u>	<u>756,692</u>	<u>(111,764)</u>	<u>549,407</u>	<u>337,399</u>	<u>33,991</u>	<u>778,900</u>	<u>2,439,738</u>
Total Liabilities and Fund Balances	<u>\$ 1,224,615</u>	<u>\$ 1,202,694</u>	<u>\$ 1,121,233</u>	<u>\$ 923,428</u>	<u>\$ 516,058</u>	<u>\$ 419,467</u>	<u>\$ 1,075,496</u>	<u>\$ 6,482,991</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 2,439,738

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land and other non-depreciable assets	298,625	
Buildings, equipment, and other depreciable assets	1,616,971	
Infrastructure	19,246,016	
Accumulated depreciation	(699,825)	
Construction in progress	1,748,538	22,210,325

Certain revenues are earned but not available, and therefore, are deferred in the funds. 748,972

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 84,031

Internal service funds are used by management to charge the costs of Fleet Management, Computer Services, Central Printing, Prison Industries, Property Management and Risk Management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 115,025

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital lease obligations	(26,422)	
Compensated absences	(221,515)	
Pollution remediation obligations	(24,858)	
Judgements and contingencies	(16,665)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	(138,635)	
Net pension obligations	(5,162,472)	(5,590,567)

Long-term bonded debt is not due and payable in the current period and, therefore, is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds; however, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement:

Bonds payable	(6,555,730)	
Notes payable	(1,669,372)	
Unamortized premiums and discounts	(297,392)	
Less deferred amounts on refundings	(8,692)	
Accrued interest payable	(111,374)	(8,642,560)

Net Assets of Governmental Activities \$ 11,364,964

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 8,612,780	\$ 1,302,802	\$	\$ 386,441	\$	\$	\$ 101,759	\$ 10,403,782
Licenses, fees, and permits	26,154	139,875		167,894			5,719	339,642
Intergovernmental	13,958		6,999,156	44,261	39,722		1,578	7,098,675
Charges for services	220,831	8,928	1,915	551,617	598	147,955	185,333	1,117,177
Fines and forfeits	44,574	34	658	8,825			26,041	80,132
Interest and other investment income	(681)	1,144	1,613	6,504	17,745	676	3,821	30,822
Increase (decrease) in fair value of investments	(15,574)	(349)	(1,300)	(199)	(785)	(2)	(496)	(18,705)
Securities lending income	439	1,213		904	326		239	3,121
Other revenues	43,109	8,078	39,040	260,033	2,288		209,846	562,394
Total Revenues	<u>8,945,590</u>	<u>1,461,725</u>	<u>7,041,082</u>	<u>1,426,280</u>	<u>59,894</u>	<u>148,629</u>	<u>533,840</u>	<u>19,617,040</u>
Expenditures								
Current:								
General government	1,604,368		136,632	139,541			509,663	2,390,204
Legislative and judicial	367,433		3,661	38,591				409,685
Commerce	45,419		23,087	43,103			530	112,139
Education and humanities	4,106,964		1,065,629	68,460			81,386	5,322,439
Human resources	2,037,681		5,045,583	877,100			24,531	7,984,895
Justice	657,535		44,944	97,664			1,965	802,108
Natural resources and environmental protection	69,126		89,215	49,343			5,599	213,283
Public protection and regulation	17,305		7,674	72,112			60,755	157,846
Transportation	1,394	1,179,378	755,047	110,915			62,391	2,109,125
Debt service:								
Principal retirement						204,245	102,259	306,504
Interest and fiscal charges						272,357	95,609	367,966
Other expenditures						45,542	10,441	55,983
Securities lending expense	205	567		423	286		112	1,593
Capital outlay:								
Buildings					253,894			253,894
Total Expenditures	<u>8,907,430</u>	<u>1,179,945</u>	<u>7,171,472</u>	<u>1,497,252</u>	<u>254,180</u>	<u>522,144</u>	<u>955,241</u>	<u>20,487,664</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>38,160</u>	<u>281,780</u>	<u>(130,390)</u>	<u>(70,972)</u>	<u>(194,286)</u>	<u>(373,515)</u>	<u>(421,401)</u>	<u>(870,624)</u>
Other Financing Sources (Uses)								
Transfers in	158,660	1,470	2,878	413,408	53,146	292,857	617,277	1,539,696
Transfers out	(398,157)	(116,558)	(82,964)	(381,431)	(45,815)		(505,498)	(1,530,423)
Capitalized leases	754	23	136	8,626			7	9,546
Issuance of bonds:								
New issues					81,542		338,158	419,700
Refunding issues						403,358	123,760	527,118
Premiums					28,578	6,183	39,288	74,049
Discounts							(927)	(927)
Issuance of notes				47,717	35,000			82,717
Payments to refunded bond escrow agent						(347,836)	(107,637)	(455,473)
Total Other Financing Sources (Uses)	<u>(238,743)</u>	<u>(115,065)</u>	<u>(79,950)</u>	<u>88,320</u>	<u>152,451</u>	<u>354,562</u>	<u>504,428</u>	<u>666,003</u>
Net Change in Fund Balances	(200,583)	166,715	(210,340)	17,348	(41,835)	(18,953)	83,027	(204,621)
Fund Balances at July 1, As Restated (Note 2)								
	296,280	578,734	98,537	531,964	379,234	52,944	695,877	2,633,570
Increase (decrease) in inventories	(584)	11,243	39	95			(4)	10,789
Fund Balances at June 30	<u>\$ 95,113</u>	<u>\$ 756,692</u>	<u>\$ (111,764)</u>	<u>\$ 549,407</u>	<u>\$ 337,399</u>	<u>\$ 33,991</u>	<u>\$ 778,900</u>	<u>\$ 2,439,738</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**
(Expressed in Thousands)

Net Change in Fund Balances-Total Governmental Funds	\$	(204,621)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Assets disposed of, net book value	(67,267)	
Donated assets, fair market value	2,329	
Buildings, equipment, and other depreciable assets	166,377	
Infrastructure	513,611	
Accumulated depreciation	<u>(68,123)</u>	546,927

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		92,554
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Certain expenditures are reported in the funds; however, they increase assets reported on the Statement of Net Assets and have been eliminated from the Statement of Activities:

Prepaid Expenses	3,873	
Inventories	<u>10,789</u>	14,662

Internal service funds are used by management to charge the costs of Fleet Management, Computer Services, Central Printing, Prison Industries, Property Management and Risk Management to individual funds. The net revenues (expense) of certain activities of the internal service funds are reported with governmental activities.		(40,078)
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Certain expenditures are reported in the funds; however, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

Capital lease payments	4,907	
Compensated absence payments	(2,921)	
Pollution remediation payments	(5,276)	
Litigation payments	(5,430)	
Excess contributions to pension funds	<u>(949,368)</u>	(958,088)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond proceeds and premiums received	(1,102,655)	
Repayment of bond principal	306,504	
Payment to refunded bond escrow agent	455,473	
Accrued interest	(87,300)	
Loss on refunding	(12,867)	
Deferred issue costs	<u>2,386</u>	(438,459)

Change in Net Assets of Governmental Activities	\$	<u>(987,103)</u>
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THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

Enterprise Funds (All Major)

State Parks Fund

The State Parks Fund accounts for revenues earned and expenses incurred in the commercial operations of the Department of Parks.

Kentucky Horse Park Fund

The Kentucky Horse Park Fund accounts for revenues earned and expenses incurred in the commercial operations of the Kentucky Horse Park.

Insurance Administration Fund

The Insurance Administration Fund accounts for insurance risk pools operated by the state. These include:

Workers' Compensation Fund provides benefits for workers with illnesses, which are not attributable to one employer.

Coal Workers' Pneumoconiosis provides benefits for workers with pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal.

Petroleum Storage Tank Environmental Assurance Program provides for the cleanup of leaking underground storage tanks in amounts that exceed the insurance required of the owners and operators.

Mine Subsidence Insurance Program provides coverage against losses arising out of or due to mine subsidence within the commonwealth.

Bond Pool Program provides coverage to reclaim surface mined land when the permit holder has forfeited bonds posted for such purpose.

Kentucky Public Employees Health Insurance Fund

The Kentucky Public Employees Health Insurance Fund accounts for the revenues and expenses incurred in the commercial operation of the health insurance program for state employees, teachers and retirees.

Unemployment Compensation Fund

The Unemployment Compensation Fund accounts for assessed employer contributions and related unemployment compensation payments.

Internal Service Funds

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page156

COMMONWEALTH OF KENTUCKY
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	Business-Type Activities-		
	State Parks	Kentucky Horse Park	Insurance Administration
Assets			
Current assets:			
Cash and cash equivalents (Note 5)	\$ 4,115	\$ 917	\$ 72,921
Cash on deposit with the federal government (Note 5)			
Cash with fiscal agent			
Restricted cash (Note 5)		45	
Receivables, net (Note 4)	618	741	36,442
Interfunds receivable (Note 7)	1,618		2,635
Inventories	1,733	621	
Prepaid expenses	45		177
Total Current Assets	<u>8,129</u>	<u>2,324</u>	<u>112,175</u>
Noncurrent assets:			
Restricted investments (Note 5)		373	
Investments, net of amortization (Note 5)	9,322	88	433,453
Receivables, net		84	
Capital assets (Note 6):			
Land	16,984	4,453	
Improvements other than buildings	112,720	20,413	
Buildings	235,255	29,568	
Machinery and equipment	14,262	4,962	1,518
Easements and other intangibles	2,322		
Less: Accumulated depreciation and amortization	(167,767)	(28,020)	(1,140)
Construction in progress	18,881	85,491	
Total Capital Assets	<u>232,657</u>	<u>116,867</u>	<u>378</u>
Total Noncurrent Assets	<u>241,979</u>	<u>117,412</u>	<u>433,831</u>
Total Assets	<u>250,108</u>	<u>119,736</u>	<u>546,006</u>
Liabilities			
Current liabilities:			
Accounts payable (Note 4)	5,601	451	2,050
Judgments payable	262		
Interfunds payable (Note 7)	4,426	48	38,673
Interfund loans payable (Note 7)			
Claims liability (Note 15)			94,598
Claims adjustment liability (Note 15)			6,436
Capital lease obligations (Note 10) (Note 15)	47	323	
Compensated absences (Note 15)	3,004	412	744
Deferred revenue	1,338	79	
Total Current Liabilities	<u>14,678</u>	<u>1,313</u>	<u>142,501</u>
Noncurrent liabilities:			
Claims liability (Note 15)			928,760
Claims adjustment liability (Note 15)			43,791
Capital lease obligations (Note 10) (Note 15)	10,930	2,819	
Notes payable (Note 15)		1,172	
Compensated absences (Note 15)	2,459	217	994
Loans payable the federal government (Note 15)			
Other liabilities (Note 15)			
Total Noncurrent Liabilities	<u>13,389</u>	<u>4,208</u>	<u>973,545</u>
Total Liabilities	<u>28,067</u>	<u>5,521</u>	<u>1,116,046</u>
Net Assets			
Invested in capital assets, net of related debt	221,680	112,553	378
Restricted for:			
Capital projects	139	418	
Other purposes (Note 1)			
Unrestricted	222	1,244	(570,418)
Total Net Assets	<u>\$ 222,041</u>	<u>\$ 114,215</u>	<u>\$ (570,040)</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Enterprise Funds		Governmental Activities- Internal Service Funds	
Kentucky Public Employees Health Plan	Unemployment Compensation	Totals June 30, 2012	
\$ 60,635	\$ 6,521	\$ 145,109	\$ 48,026
	200,715	200,715	5,586
48,601		48,646	
49,660	164,966	252,427	2,569
79,013		83,266	2,502
		2,354	2,793
127		349	7,203
<u>238,036</u>	<u>372,202</u>	<u>732,866</u>	<u>68,679</u>
		373	
103,978		546,841	40,529
800		884	
		21,437	18,219
		133,133	3,133
		264,823	275,913
		20,742	117,930
		2,322	1,675
		(196,927)	(258,010)
		104,372	78,361
		<u>349,902</u>	<u>237,221</u>
<u>104,778</u>		<u>898,000</u>	<u>277,750</u>
<u>342,814</u>	<u>372,202</u>	<u>1,630,866</u>	<u>346,429</u>
60,745	37,687	106,534	10,987
		262	
		43,147	4,359
			595
91,437		186,035	18,608
		6,436	482
		370	3,340
128		4,288	3,240
	15,714	17,131	459
<u>152,310</u>	<u>53,401</u>	<u>364,203</u>	<u>42,070</u>
		928,760	165,966
		43,791	5,506
		13,749	16,307
		1,172	
154		3,824	1,555
	954,213	954,213	
<u>154</u>	<u>954,213</u>	<u>1,945,509</u>	<u>189,334</u>
<u>152,464</u>	<u>1,007,614</u>	<u>2,309,712</u>	<u>231,404</u>
		334,611	217,575
		557	
172		172	
190,178	(635,412)	(1,014,186)	(102,550)
<u>\$ 190,350</u>	<u>\$ (635,412)</u>	<u>\$ (678,846)</u>	<u>\$ 115,025</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Business-Type Activities-		
	State Parks	Kentucky Horse Park	Insurance Administration
Operating Revenues:			
Charges for sales and services:			
State parks sales and services	\$ 50,055	\$	\$
Horse park admissions and sales		9,161	
Insurance receipts			122,962
Unemployment insurance receipts			
Internal service fund receipts			
Other services	955	922	14,873
Total Operating Revenues	<u>51,010</u>	<u>10,083</u>	<u>137,835</u>
Operating Expenses:			
Personal services	51,772	6,022	19,746
Utilities, rental, and other services	14,150	2,347	1,927
Commodities and supplies	15,740	2,058	2,778
Grants and subsidies			
Depreciation and amortization	11,262	1,214	93
Travel	266		349
Reinsurance expense			
Claims expense	37		7,132
Claims adjustment expense			(3,434)
Other expenses		2,106	3
Total Operating Expenses	<u>93,227</u>	<u>13,747</u>	<u>28,594</u>
Operating Income (Loss)	<u>(42,217)</u>	<u>(3,664)</u>	<u>109,241</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	(639)	(13)	(23)
Interest and other investment income			15,664
Increase (decrease) in fair value of investments	(44)	(1)	39,259
Interest expense	(59)	(210)	
Other revenues (expenses)		745	(9,464)
Total Nonoperating Revenues (Expenses)	<u>(742)</u>	<u>521</u>	<u>45,436</u>
Income (Loss) before Capital Contributions and Transfers	(42,959)	(3,143)	154,677
Capital contributions		1,032	
Transfers in	33,996	6,427	20,728
Transfers out	(1,227)	(226)	(44,058)
Change in Net Assets	<u>(10,190)</u>	<u>4,090</u>	<u>131,347</u>
Net Assets at July 1, As Restated (Note 2)	232,231	110,125	(701,387)
Net Assets at June 30	<u>\$ 222,041</u>	<u>\$ 114,215</u>	<u>\$ (570,040)</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Enterprise Funds			Governmental
Kentucky Public Employees Health Plan	Unemployment Compensation	Totals June 30, 2012	Activities- Internal Service Funds
\$	\$	\$	\$
1,681,642	1,263,371	50,055	
		9,161	
		1,804,604	
		1,263,371	191,051
6,492		23,242	308
<u>1,688,134</u>	<u>1,263,371</u>	<u>3,150,433</u>	<u>191,359</u>
7,456		84,996	71,152
1,281	5	19,710	33,071
34		20,610	44,402
	1,193,567	1,193,567	504
		12,569	14,257
7		622	139
			971
1,574,514		1,581,683	48,191
82,030		78,596	97
22,000		24,109	
<u>1,687,322</u>	<u>1,193,572</u>	<u>3,016,462</u>	<u>212,784</u>
<u>812</u>	<u>69,799</u>	<u>133,971</u>	<u>(21,425)</u>
		(675)	(246)
368	(158)	15,874	(167)
35		39,249	
		(269)	(453)
		(8,719)	62
<u>403</u>	<u>(158)</u>	<u>45,460</u>	<u>(804)</u>
1,215	69,641	179,431	(22,229)
		1,032	718
		61,151	3,409
	(3,347)	(48,858)	(21,976)
<u>1,215</u>	<u>66,294</u>	<u>192,756</u>	<u>(40,078)</u>
189,135	(701,706)	(871,602)	155,103
<u>\$ 190,350</u>	<u>\$ (635,412)</u>	<u>\$ (678,846)</u>	<u>\$ 115,025</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Business-Type Activities -		
	State Parks	Kentucky Horse Park	Insurance Administration
Cash Flows from Operating Activities			
Cash received from customers - public	\$ 47,746	\$ 9,194	\$ 116,153
Cash received from customers - state	58		
Cash payments to suppliers for goods and services	(25,453)	(6,641)	(3,691)
Cash payments for employee salaries and benefits	(51,877)	(6,041)	(19,116)
Cash payments for claims expense			(87,973)
Cash payments from other sources	955	745	29,496
Cash payments to other sources	(37)		(3)
Net Cash Provided (Used) by Operating Activities	<u>(28,608)</u>	<u>(2,743)</u>	<u>34,866</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	33,996	6,427	20,728
Transfers to other funds	(1,227)	(226)	(44,058)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>32,769</u>	<u>6,201</u>	<u>(23,330)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(2,515)	(296)	(27)
Principal paid on revenue bond maturities and equipment contracts	(68)	(324)	
Interest paid on revenue bonds and equipment contracts	(58)	(210)	
Proceeds from the sale of capital assets			
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(2,641)</u>	<u>(830)</u>	<u>(27)</u>
Cash Flows from Investing Activities			
Purchase of investment securities	(1,175)	(1,517)	(119,768)
Proceeds from the sale of investment securities		(537)	110,866
Interest and dividends on investments	(44)		15,270
Net Cash Provided (Used) in Investing Activities	<u>(1,219)</u>	<u>(2,054)</u>	<u>6,368</u>
Net Increase (Decrease) in Cash and Cash Equivalents	301	574	17,877
Cash and Cash Equivalents at July 1	3,814	388	55,044
Cash and Cash Equivalents at June 30	<u>\$ 4,115</u>	<u>\$ 962</u>	<u>\$ 72,921</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (42,217)	\$ (3,664)	\$ 109,241
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	11,262	1,214	93
Interest and other investment income			
Miscellaneous nonoperating income (expense)		745	25,646
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	542	(110)	(17,882)
Interfund receivables	(1,550)		(6)
Inventories	48	(55)	
Prepaid expenses	16		(177)
Increase (decrease) in liabilities:			
Accounts payable	1,834	(890)	2,044
Interfund payables	2,419		(35)
Claims liability			(80,943)
Claims adjustment liability			(3,342)
Compensated absences	160		227
Deferred revenue	(1,242)	17	
Other liabilities	120		
Net Cash Provided (Used) by Operating Activities	<u>\$ (28,608)</u>	<u>\$ (2,743)</u>	<u>\$ 34,866</u>
Noncash Investing, Capital, and Financing Activities			
Change in fair value of investments	\$	\$ (1)	\$ 39,259
Contributions of capital assets		1,032	
Capital assets acquired through leases	10,867	221	
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 10,867</u>	<u>\$ 1,252</u>	<u>\$ 39,259</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Enterprise Funds			Governmental
Kentucky Public Employees Health Plan	Unemployment Compensation	Totals June 30, 2012	Activities - Internal Service Funds
\$ 189,763	\$ 1,237,517	\$ 1,600,373	\$ 78,944
1,427,550		1,427,608	109,511
(84,327)	(5)	(120,117)	(76,552)
(5,431)		(82,465)	(71,395)
(1,564,469)		(1,652,442)	(35,662)
64,290		95,486	370
	(1,177,688)	(1,177,728)	(1,373)
<u>27,376</u>	<u>59,824</u>	<u>90,715</u>	<u>3,843</u>
		61,151	3,409
	(3,347)	(48,858)	(21,976)
	<u>(3,347)</u>	<u>12,293</u>	<u>(18,567)</u>
		(2,838)	(5,778)
		(392)	(2,373)
		(268)	(434)
			518
		<u>(3,498)</u>	<u>(8,067)</u>
(88,768)		(211,228)	(891)
368	1,087	111,416	7,703
<u>(88,400)</u>	<u>(158)</u>	<u>15,436</u>	<u>(166)</u>
	929	<u>(84,376)</u>	<u>6,646</u>
(61,024)	57,406	15,134	(16,145)
170,260	149,830	379,336	64,171
<u>\$ 109,236</u>	<u>\$ 207,236</u>	<u>\$ 394,470</u>	<u>\$ 48,026</u>
\$ 812	\$ 69,799	\$ 133,971	\$ (21,425)
		12,569	14,257
		26,391	63
23,463	(22,473)	(16,460)	(1,623)
(28,110)		(29,666)	(26)
43		(7)	(29)
		(118)	(791)
28,317	15,879	47,184	3,857
2,879		2,384	(2,052)
(59)		(78,064)	12,302
31		(3,401)	97
	(3,381)	418	(132)
		(4,606)	(655)
		120	
<u>\$ 27,376</u>	<u>\$ 59,824</u>	<u>\$ 90,715</u>	<u>\$ 3,843</u>
\$ 35	\$	\$ 39,293	\$
		1,032	718
		11,088	12,927
<u>\$ 35</u>	<u>\$</u>	<u>\$ 51,413</u>	<u>\$ 13,645</u>

FIDUCIARY FUNDS FINANCIAL STATEMENTS

Pension (and Other Post Employment Benefit) Trust Funds account for monies received for and expenses incurred by the various public employee retirement systems administered by the Commonwealth. Kentucky uses the following pension (and other post employment benefit) trust funds:

- Kentucky Employees Retirement System**
- County Employees Retirement System**
- Judicial Retirement Plan**
- State Police Retirement System**
- Kentucky Teachers' Retirement System**
- Legislators' Retirement Plan**
- Kentucky Public Employees' Deferred Compensation Authority**

Agency funds account for monies held by the Commonwealth for custodial purposes only. Kentucky uses the following agency funds:

- Commonwealth Choice Program**
- County Fees Trust Fund**
- Special Deposit Trust Fund**

COMMONWEALTH OF KENTUCKY
STATEMENT OF FIDUCIARY NET ASSETS
ALL FIDUCIARY FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 5)	\$ 3,202,022	\$ 198,359
Investments, net of amortization (Note 5)		63,776
Pension trust fund investments (Note 5):		
Corporate and government bonds	7,981,716	
Common stocks	17,596,962	
Mortgages	886,373	
Mutual funds	765,217	
Real estate	648,949	
Invested security collateral	1,884,578	670,781
Receivables, net	421,693	12,700
Prepaid expenses	210	
Capital assets, net	20,640	
Total Assets	<u>33,408,360</u>	<u>945,616</u>
Liabilities		
Investments - accounts payable	76,259	
Accounts payable	83,442	216,682
Amounts held in custody for others		58,153
Obligations under securities lending	1,884,578	670,781
Total Liabilities	<u>2,044,279</u>	<u>945,616</u>
Net Assets		
Held in trust for:		
Employee pension and post employment benefits	31,364,081	
Total Net Assets	<u>\$ 31,364,081</u>	<u>\$</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

COMMONWEALTH OF KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds
Additions	
Contributions:	
Employer	\$ 1,784,404
Member	855,724
Total Contributions	<u>2,640,128</u>
Other Contributions:	
Recovery income	10,480
Medicare D receipts	18,098
Participant fees	10,473
Total Other Contributions	<u>39,051</u>
Investment income:	
Net increase (decrease) in fair value of investments	(413,216)
Interest	580,602
Dividends	167,760
Real estate operating income, net	30,537
Securities lending income, net	3,517
Total Investment Income	<u>369,200</u>
Less: Investment expense	78,675
Less: Securities lending expense	816
Net Investment Income	<u>289,709</u>
Other additions	
Total Additions	<u>2,968,888</u>
Deductions	
Benefit payments	3,275,795
Refunds	50,526
Administrative expenses	55,818
Capital project expense	17
Self funding insurance costs	132,144
Healthcare premiums subsidies	250,921
Other deductions, net	228,975
Total Deductions	<u>3,994,196</u>
Change in Net Assets	(1,025,308)
Net Assets Held In Trust	
Net Assets at July 1, As Restated (Note 2)	32,389,389
Net Assets at June 30	<u>\$ 31,364,081</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

COMPONENT UNITS FINANCIAL STATEMENTS

Major Component Units

Kentucky Housing Corporation

The Kentucky Housing Corporation was authorized under KRS Chapter 198A in 1972 to increase the supply of housing for persons of lower income by making and participating in insured construction loans. The Corporation also makes and participates in insured mortgage loans when financing is not available from private lenders under reasonable equivalent terms and conditions.

Kentucky Higher Education Student Loan Corporation

The Kentucky Higher Education Student Loan Corporation was empowered by KRS Chapter 164A to finance state and federally insured loans to students attending eligible post secondary institutions through direct loans to students and the purchase of student loans from lenders.

Kentucky Lottery Corporation

The Kentucky Lottery Corporation, empowered by KRS 154A, administers the Kentucky State Lottery and is pursuant to amended section 226 of the Constitution of Kentucky as ratified by voters of the Commonwealth.

Universities, Colleges, and Related Entities

The Universities, Colleges, and Related Entities account for all transactions relating to the nine State-supported universities and the community colleges and technical schools. These institutions maintain their own financial records and are not part of the central accounting system operated by the Finance and Administration Cabinet. The major component units-universities, colleges, and related entities are:

- University of Kentucky
- University of Louisville
- Kentucky Community and Technical College System

Non-Major Component Units

The non-major component units are presented beginning on page186

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2012
(Expressed in Thousands)

	UNIVERSITIES, COLLEGES, AND RELATED ENTITIES		
	University of Kentucky	University of Louisville	Kentucky Community and Technical College System
Assets			
Current assets:			
Cash and cash equivalents (Note 5)	\$ 280,606	\$ 119,973	\$ 257,901
Restricted cash (Note 5)			
Investments, net of amortization (Note 5)	8,408	15,039	38
Accounts receivable, net	252,775	74,212	32,321
Interest receivable	1,326		83
Inventories	27,698	1,154	
Prepaid expenses	5,773	243	1,232
Other current assets	1,874	7,662	
Total Current Assets	578,460	218,283	291,575
Noncurrent assets:			
Restricted cash (Note 5)	54,117	66,131	28,597
Long-term investments (Note 5)	45,420	809,562	175,416
Restricted long-term investments (Note 5)	1,045,982	4,925	
Long-term receivables, net	41,048	44,001	5,302
Deferred charges			
Capital assets (Note 6):			
Land	63,666	81,891	27,629
Improvements other than buildings	190,796	15,508	12,451
Buildings	2,219,589	1,085,551	674,863
Machinery and equipment	846,458	458,205	180,636
Other capital assets			
Less: Accumulated depreciation and amortization	(1,402,976)	(677,372)	(374,227)
Construction in progress	57,420	49,565	68,565
Total Capital Assets	1,974,953	1,013,348	589,917
Other assets	18,318	4,771	
Total Noncurrent Assets, Net	3,179,838	1,942,738	799,232
Total Assets	3,758,298	2,161,021	1,090,807
Deferred outflow of resource-interest rate swap (Note 15)			
Liabilities			
Current liabilities:			
Accounts payable and accruals	177,645	76,650	10,511
Current portion of long-term debt:			
Notes payable (Note 15)	1,921	521	
Bonds payable (Note 15)	11,221	22,645	
Capital lease obligations (Note 10)	45,516	2,571	2,407
Compensated absences (Note 16)	517		12,991
Claims liability			
Prize liability			
Deferred revenues	62,852	51,835	35,895
Payable from restricted assets			
Other current liabilities	16,768	9,260	16,436
Total Current Liabilities	316,440	163,482	78,240
Noncurrent liabilities:			
Notes payable (Note 15)	20,657	39,545	
Bonds payable (Note 15)	248,805	302,632	
Capital lease obligations (Note 10)	363,838	22,467	17,906
Prize liability			
Compensated absences (Note 16)	7,138		
Other long-term liabilities	125,033	82,257	123,082
Total Noncurrent Liabilities	765,471	446,901	140,988
Total Liabilities	1,081,911	610,383	219,228
Deferred inflow of resource-interest rate swap (Note 15)			
Net Assets			
Invested in capital assets, net of related debt	1,299,249	656,030	569,604
Restricted for:			
Debt service	4,120	32,574	
Capital projects	60,032	34,924	26,193
Other purposes (Note 1)	735,717	641,629	65,230
Unrestricted	577,269	185,481	210,552
Total Net Assets	\$ 2,676,387	\$ 1,550,638	\$ 871,579

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

AUTHORITIES				
Kentucky Housing Corporation	Kentucky Higher Education Student Loan Corporation	Kentucky Lottery Corporation	Non-Major Component Units	All Component Units Totals June 30, 2012
\$ 79,814	\$ 27,983	\$ 13,881	\$ 824,842	\$ 1,605,000
			48,778	48,778
448,061		19,470	20,210	511,226
12,048	225	29,574	131,153	532,308
	9,539		5,862	16,810
16,180			7,928	52,960
	397		11,296	18,941
44,408	188,657	270	69,638	312,509
<u>600,511</u>	<u>226,801</u>	<u>63,195</u>	<u>1,119,707</u>	<u>3,098,532</u>
	90,170		141,794	380,809
820,216	8,014	48,964	291,071	2,198,663
			182,310	1,233,217
955,931	1,334,859	5,546	867,751	3,254,438
	14,123		2,752	16,875
		442	89,967	264,684
1,089		375	118,811	337,941
5,036		7,352	2,402,447	6,394,838
4,704	13,008	35,260	440,210	1,978,481
			147,539	147,539
(6,866)	(12,857)	(36,561)	(1,378,063)	(3,888,922)
			102,810	278,360
<u>3,963</u>	<u>151</u>	<u>6,868</u>	<u>1,923,721</u>	<u>5,512,921</u>
1,500			20,160	44,749
<u>1,781,610</u>	<u>1,447,317</u>	<u>61,378</u>	<u>3,429,559</u>	<u>12,641,672</u>
<u>2,382,121</u>	<u>1,674,118</u>	<u>124,573</u>	<u>4,549,266</u>	<u>15,740,204</u>
<u>15,026</u>				<u>15,026</u>
46,449	19,774	5,930	82,607	419,566
31,881			4,253	38,576
228,920			47,250	310,036
			9,824	60,318
	1,889	103	24,345	39,845
			709	709
		38,486		38,486
			40,310	190,892
			3,774	3,774
58,217	120	3,967	15,926	120,694
<u>365,467</u>	<u>21,783</u>	<u>48,486</u>	<u>228,998</u>	<u>1,222,896</u>
	522,381		27,085	609,668
1,682,499	947,070		841,048	4,022,054
			80,113	484,324
		43,119		43,119
		928		9,213
14,261	43,333		1,147	497,141
<u>1,696,760</u>	<u>1,512,784</u>	<u>44,047</u>	<u>109,175</u>	<u>5,665,519</u>
<u>2,062,227</u>	<u>1,534,567</u>	<u>92,533</u>	<u>1,058,568</u>	<u>6,888,415</u>
<u>16,024</u>				<u>16,024</u>
3,963	151	6,868	1,280,822	3,816,687
242,966	87,695		36,404	403,759
			90,197	211,346
18,290			1,436,088	2,896,954
53,677	51,705	25,172	418,189	1,522,045
<u>\$ 318,896</u>	<u>\$ 139,551</u>	<u>\$ 32,040</u>	<u>\$ 3,261,700</u>	<u>\$ 8,850,791</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	UNIVERSITIES, COLLEGES, AND RELATED ENTITIES		
	University of Kentucky	University of Louisville	Kentucky Community and Technical College System
Expenses:			
Operating and other expenses	\$ 2,345,026	\$ 905,428	\$ 671,814
Total Expenses	<u>2,345,026</u>	<u>905,428</u>	<u>671,814</u>
Program Revenues:			
Charges for services	1,579,833	449,310	106,318
Operating grants and contributions	401,144	183,776	92,860
Capital grants and contributions	41,273		
Total Program Revenues	<u>2,022,250</u>	<u>633,086</u>	<u>199,178</u>
Net Program (Expense) Revenue	<u>(322,776)</u>	<u>(272,342)</u>	<u>(472,636)</u>
General Revenues:			
Unrestricted grants and contributions	100,049	87,699	243,185
Unrestricted investment earnings	(2,152)	(18,391)	9,178
Gain on sale of capital assets			925
Miscellaneous general	269,105	139,024	211,698
Total General Revenues	<u>367,002</u>	<u>208,332</u>	<u>464,986</u>
Change in Net Assets	<u>44,226</u>	<u>(64,010)</u>	<u>(7,650)</u>
Net Assets at July 1, As Restated (Note 2)	2,632,161	1,614,648	879,229
Net Assets at June 30	<u>\$ 2,676,387</u>	<u>\$ 1,550,638</u>	<u>\$ 871,579</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

AUTHORITIES				
Kentucky Housing Corporation	Kentucky Higher Education Student Loan Corporation	Kentucky Lottery Corporation	Non-Major Component Units	All Component Units Totals June 30, 2012
\$ 373,234	\$ 47,247	\$ 830,473	\$ 1,711,757	\$ 6,884,979
373,234	47,247	830,473	1,711,757	6,884,979
143,272	59,988	823,546	923,490	4,085,757
243,036			183,994	1,104,810
386,308	59,988	823,546	4,891	46,164
13,074	12,741	(6,927)	1,112,375	5,236,731
			(599,382)	(1,648,248)
			191,392	622,325
		3,978	4,589	(2,798)
		67	6,347	7,339
		2,471	510,733	1,133,031
		6,516	713,061	1,759,897
13,074	12,741	(411)	113,679	111,649
305,822	126,810	32,451	3,148,021	8,739,142
\$ 318,896	\$ 139,551	\$ 32,040	\$ 3,261,700	\$ 8,850,791



NOTES TO FINANCIAL STATEMENTS

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

Note 1	Significant Accounting Policies	51
Note 2	Changes in Accounting Principles, Reporting Practices, and Prior Period Adjustments	64
Note 3	Stewardship, Compliance, and Accountability	66
Note 4	Disaggregation of Accounts Payable and Accounts Receivable	66
Note 5	Equity in Pooled Cash and Investments, Cash, and Investments	68
Note 6	Capital Assets	80
Note 7	Interfund Transactions	82
Note 8	Pension Plans and Other Post Employment Benefit Trust Funds	84
Note 9	Employee Benefit Plan	92
Note 10	Lease Obligations	92
Note 11	Risk Management	93
Note 12	Risk Pools	94
Note 13	Defeasance of Long-Term Debt	97
Note 14	Related Organizations	105
Note 15	Long-Term Obligations	105
Note 16	Commitments and Contingencies	115
Note 17	Subsequent Events.....	116

Note 1

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for state governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The financial statements for the Universities, Colleges, and Related Entities Funds have been prepared according to standards established by GASB Statement 35.

B. Financial Reporting Entity

For financial reporting purposes, the Commonwealth of Kentucky includes all fund types, departments, and agencies of the Commonwealth, as well as boards, commissions, authorities, corporations, colleges, and universities. These organizational units comprise the reporting entity of the Commonwealth and are reported in accordance with GASB 14, as amended by GASB 39. Consequently, the reporting entity includes organizations that are not legally separate from the primary government and also those that are legally separate. Organizations not legally separate are reported as part of the primary government. Legally separate organizations are reported as component units if either the Commonwealth is financially accountable for the organization or when exclusion of the organization would cause the Commonwealth's financial statements to be misleading or incomplete.

Component units may be blended or discretely presented. Blended component units are those that either provide services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as that of the primary government. Amounts related to blended component units are included as if the component units were part of the primary government. All other component units are discretely presented, or shown separately from the primary government.

Audited financial statements are available for the following blended component units: Kentucky Retirement System, Kentucky Teachers' Retirement System, Judicial Form Retirement System, Kentucky Public Employees' Deferred Compensation Authority and the Turnpike Authority of Kentucky. Audited financial statements are available for all discretely presented component units except the Kentucky Agricultural Finance Authority, and the Kentucky Grain Insurance Corporation. (See pages 118 and 119 for a complete list of component units' addresses.)

Blended Component Units

The following legally separate organizations provide services entirely or almost entirely to the State or otherwise exclusively, or almost exclusively, that benefit the State, and therefore, these organizations' balances and transactions are reported as though they were part of the State's primary government by using the blending method.

Kentucky Retirement System (KRS 61.645)

The Kentucky Retirement System administers the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System. The board consists of the Commissioner of the Department of Personnel, five members elected by the retirement systems, and three members appointed by the Governor.

Kentucky Teachers' Retirement System (KRS 161.220)

The Kentucky Teachers' Retirement System is an independent agency and instrumentality of the Commonwealth. It provides pension benefit plan coverage to employees of local school districts and educational agencies of the State. The board includes two ex officio members and seven elected members.

Judicial Form Retirement System (KRS 21.530)

The Judicial Form Retirement System accounts for monies and securities, including contributions and earnings, which will be used to pay benefits to the members of the Legislators' Retirement Plan and the Judicial Retirement Plan. The board consists of eight members; three are appointed by the Supreme Court, two by the Governor, one by the President of the Senate, one by the Speaker of the House of Representatives, and one by the President and Speaker jointly.

Turnpike Authority of Kentucky (KRS 175.430)

The Turnpike Authority is a body corporate and politic. It was created solely to perform essential governmental functions and to serve the public purposes of constructing, acquiring, financing, and operating turnpike and other road projects for the use, safety, convenience and general welfare of the traveling public, by leasing such projects to the Transportation Cabinet. The Governor and six other ex officio members comprise the authority.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Kentucky Public Employees' Deferred Compensation Authority
(KRS 18A.230 to 18A.275)

The Kentucky Employees' Deferred Compensation Authority administers two deferred compensation plans as authorized by sections 457 and 401(k) of the United States Internal Revenue Code. The plans are defined contribution plans with 762 participating employers. Under provisions of the Plans, employees of the Commonwealth and agencies thereof, including persons in the public school systems, universities, or local governments, are eligible to contribute on a pre-tax basis through payroll deductions. In no event shall the 457, 401(k) or Deemed IRA trust Funds be used for, or diverted to, purposes other than the exclusive benefit of the participants and beneficiaries or in the payment of the expenses of the Plans and Trust.

Kentucky School Facilities Construction Commission (KRS 157.617)

This commission is an independent corporate agency and instrumentality of the Commonwealth. The purpose of the commission is to assist local school districts in meeting the school construction needs of the Commonwealth in a manner that will ensure an equitable distribution of funds based upon unmet needs. One ex officio member and eight members appointed by the Governor comprise the commission.

Administrative Entities

The State Property and Buildings Commission, Kentucky Asset/Liabilities Commission, Kentucky Tobacco Settlement Trust Corporation, Kentucky Savings Bond Authority, Kentucky Gas Pipeline Authority, and the Board of Agriculture are legally separate entities of an administrative nature. They are comprised of elected and appointed officials from various state agencies, and have no cost associated with them. Therefore, there is no separate presentation for these entities.

State Property and Buildings Commission (KRS 56.450)

This commission is a public body corporate that issues all revenue bonds for state agencies, unless those agencies are specifically authorized by other provisions of the Kentucky Revised Statutes to issue bonds. The commission is composed of six ex officio members.

Kentucky Asset/Liability Commission (KRS 56.861)

This commission is a public body corporate that takes a comprehensive view of the Commonwealth's finances and develops policies and strategies to minimize the impact of fluctuating revenue receipts and interest rates on the Commonwealth's interest-sensitive assets and liabilities. The commission consists of five ex officio members.

Kentucky Tobacco Settlement Trust Corporation (KRS 248.480)

The Kentucky Tobacco Settlement Trust Corporation is a public body corporate that performs essential governmental and public functions by assisting in the implementation of the national tobacco grower settlement trust agreement. The board of directors is comprised of five ex officio members and nine members appointed by the Governor with the advice and consent of the Senate and House of Representatives.

Kentucky Savings Bond Authority (KRS 293.030)

This authority is a body corporate and politic that promotes investment by the general public in bonds of the Commonwealth and helps to reduce interest costs to the Commonwealth or its agencies. The authority consists of seven commissioners, three ex officio members and four members appointed by the Governor.

Kentucky Gas Pipeline Authority (KRS 353.752)

This authority is a body corporate and politic to provide a financing mechanism for projects that will increase severance tax revenue for Kentucky, create jobs for Kentuckians, and create a competitive advantage in environmentally responsible development. The authority consists of nine members, the Secretary of the Finance and Administration Cabinet, the Secretary of the Commerce Cabinet, the Secretary of the Environmental and Public Protection Cabinet, a member designated by the Kentucky Oil and Gas Association, a member designated by the Kentucky Society of Professional Engineers, a member designated by the Kentucky Gas Association, a citizen member appointed by the governor, and two legislative members.

Board of Agriculture (KRS 246.120)

This board is a body corporate that acts as an advisory board to the Commissioner of Agriculture, aids in the collection of information concerning crops, promulgates industrial information, and acts as an immigration committee. The board consists of five ex officio members and nine citizens of the Commonwealth appointed by the Governor.

Discretely Presented Component Units

The component units' column in the combined financial statements includes the data of the discretely presented component units described below. The component units are legally separate entities. However, there is a financial interdependence or the primary government controls the selections of the board and operations. They are reported together in a separate column to reflect that they are legally separate, but their interdependence requires that they be included as part of the reporting entity.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Kentucky River Authority (KRS 151.710)

The Kentucky River Authority possesses the corporate powers that distinguish it as being legally separate from the Commonwealth. The authority is charged with developing comprehensive plans for the management of the Kentucky River Basin. The Governor appoints the twelve members of this authority. A financial benefit/burden exists between the Commonwealth and the Authority.

Kentucky Housing Corporation (KRS 198A.030)

The Housing Corporation is a body corporate and politic that performs essential governmental and public functions in improving and promoting the health and welfare of the citizens of the Commonwealth by the production of residential housing in Kentucky. The board of directors consists of six ex officio members and eight members appointed by the Governor. The Commonwealth has the ability to impose its will since it may appoint, hire, reassign or dismiss management responsible for operations.

Kentucky Higher Education Student Loan Corporation (KHESLC) (KRS 164A.050)

KHESLC is a body corporate and politic created to perform essential governmental and public functions and purposes in improving and promoting the educational opportunities of the citizens of the Commonwealth. The Corporation is governed by a board of directors appointed by the Governor, as prescribed in KRS 164A.050. The Commonwealth provides operating support to the Corporation, creating a financial benefit/burden relationship.

Bluegrass State Skills Corporation (KRS 154.12-205)

This corporation attempts to improve and promote employment opportunities of the Commonwealth's citizens by assisting the Kentucky Cabinet for Economic Development in creating and expanding programs offering skills, training and education. The board of directors consists of six ex officio members and twelve members appointed by the Governor. The Commonwealth has the ability to impose its will and there also exists a financial benefit/burden relationship.

Kentucky State Fair Board (KRS 247.090)

This board is a body corporate that accounts for revenues earned and expenses incurred in the commercial operations of the State Fair Board. Three ex officio members and twelve members appointed by the Governor make up the fifteen-member board. The Commonwealth has the ability to impose its will and there also exists a financial benefit/burden relationship.

Kentucky Center for the Arts Corporation (KRS 153.410)

The Center for the Arts is a body corporate created by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The board consists of fifteen members appointed by the Governor. The Commonwealth provides significant operating support to the corporation, creating a financial benefit/burden relationship.

Kentucky Educational Television Authority (KET) (KRS 168.030)

KET is a public body corporate and politic that prescribes and enforces regulations governing the use of educational television and television facilities and related functions. KET also produces and transmits educational television programs. The authority consists of nine members. The Governor appoints five of these members. The board elects a liaison between the authority and the department on matters of curriculum. The Council on Postsecondary Education elects a representative of the University of Kentucky and a representative of the other state universities. The authority's members elect a chairman. A component unit of KET is the Kentucky Educational Television Foundation. The foundation is a non-profit Kentucky corporation that receives, holds and administers gifts and grants in the name of and with the approval of the authority. The Commonwealth provides significant operating support to the Authority, creating a financial benefit/burden relationship.

Kentucky Economic Development Finance Authority (KEDFA) (KRS 154.20-010)

KEDFA possesses the corporate powers necessary to distinguish it as legally separate from the Commonwealth. It was established to assist business enterprises in obtaining financial resources in order to promote the Commonwealth's long-term economic growth. The Kentucky Economic Development Partnership board appoints the five members of this authority. Additionally, other component units of the authority include The Kentucky Industrial Development Authority, the Kentucky Industrial Revitalization Authority, the Kentucky JOBS Development Authority, and the Kentucky Mortgage Insurance and Guarantee Corporation. The financial statements of the component units are combined with those of the authority. Commonwealth funds may be used for operating support to the Authority, creating a financial benefit/burden relationship.

Kentucky Higher Education Assistance Authority (KHEAA) (KRS 164.742)

This authority is a body corporate and politic that operates to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions by insuring eligible student loans. The authority is governed by a board of directors consisting of 15 members appointed by the governor. KHEAA also

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

oversees the Kentucky Educational Savings Plan Trust and the Commonwealth Postsecondary Education Prepaid Trust Fund, also known as Kentucky’s Affordable Prepaid Tuition (KAPT), both of which are component units of KHEAA. Commonwealth funds are appropriated for program and operating support to the Authority, creating a financial benefit/burden relationship.

Kentucky Council on Postsecondary Education
(KRS 164.011)

This council was established in 1997 under the direction of the Kentucky Postsecondary Education Improvement Act. The board consists of 16 members—13 citizens appointed by the Governor, one faculty member, one student, and the Commissioner of Education. This council coordinates change and improvement in Kentucky’s postsecondary education system. This council strives to increase literacy, improve work-related skills, and to raise the number of students attending college and completing college degrees. The Commonwealth provides significant operating support to the Council, creating a financial benefit/burden relationship.

Kentucky Infrastructure Authority (KRS 224A.030)

This authority is a body corporate and politic created to perform essential governmental functions and to serve the local public agencies of the Commonwealth with respect to the construction and acquisition of infrastructure projects. The board consists of five ex officio members and five members appointed by the Governor. The Commonwealth provides significant operating support to the Authority, creating a financial benefit/burden relationship.

Kentucky Agricultural Finance Corporation (KAFC) (KRS 247.944)

KAFC is a corporation that seeks to improve and promote the health and general welfare of the Commonwealth’s people through the advancement of agriculture. The board of directors consists of three ex officio members and nine members appointed by the Governor. The Commonwealth provides significant operating support to the Corporation, creating a financial benefit/burden relationship.

Kentucky Grain Insurance Corporation (KGIC) (KRS 251.620)

KGIC is a body politic created to promote the Commonwealth’s welfare by improving the economic stability of agriculture and protecting grain producers in the event of a financial failure of a grain dealer or warehouseman. The board of directors consists of four ex officio members and six members appointed by the Commissioner of the Department of Agriculture. The Commonwealth is responsible for any insufficiency of funds to pay claims creating a financial benefit/burden relationship.

Kentucky Local Correctional Facilities Construction Authority
(KRS 441.615)

This authority is a body corporate and politic created to provide an additional and alternative method of constructing, reconstructing, improving or repairing, and financing jails and appurtenant facilities for any local government in the Commonwealth. The membership consists of six ex officio members and four members appointed by the Governor. The Commonwealth provides funds, staff assistants, facilities and materials required by the Authority in the conduct of its duties and activities, creating a financial benefit/burden relationship.

Appalachian/Kentucky Artisans Gateway Center Authority (The Kentucky Artisan Center) (KRS 148.561)

This authority is an independent, de jure municipal corporation and is a body corporate and politic. It is governed by a board of directors consisting of thirteen members. The authority operates and manages the Kentucky Artisan Center at Berea. The Commonwealth provides significant operating support to the Authority, creating a financial benefit/burden relationship.

Kentucky Lottery Corporation (KRS 154A.020)

The Kentucky Lottery Corporation is empowered by the Legislature to administer the Kentucky state lottery games. The board of directors is comprised of one ex officio member and seven members appointed by the Governor with the advice and consent of the Senate.

Kentucky Horse Park Foundation, Incorporated

This foundation is a legally separate tax-exempt Kentucky corporation that receives, holds, and administers gifts and grants in the name of the Kentucky Horse Park (the Park). Although the Park does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted by the donors to the activities of the Park. The Foundation’s fiscal year ended May 31, 2012, and amounts included are for the year then ended. The Commonwealth provides significant operating support to the Foundation, creating a financial benefit/burden relationship.

Universities, Colleges, and Related Entities (KRS 164.350)

Each board of regents or board of trustees is appointed by the Governor, and constitutes a body corporate with the power to receive and administer revenue and property. Commonwealth funds are appropriated for program and operating support to these entities, creating a financial benefit/burden relationship.

C. Government-Wide Financial Statements

Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities report information on all governmental and business-type activities of the primary government and its non-fiduciary component units. Governmental activities are generally characterized by their use of taxes, intergovernmental revenues, and other non-exchange revenues as funding sources. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds and fiduciary component units are not included in government-wide financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and pension and other employee benefit trust fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Therefore, deferred revenues are only reported for receipts of prepayments or revenues collected in advance (unearned revenues). Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net assets. Net assets are reported in three categories:

- (1) **Invested in capital assets, net of related debt**, consist of capital assets, net of accumulated depreciation and further reduced by debt net of cash balances, for debt related to the acquisition, construction, or improvement of those assets.
- (2) **Restricted net assets** result from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation.
- (3) **Unrestricted net assets** are those net assets that do not meet the definition of restricted net assets or invested in capital assets.

When restricted assets and unrestricted assets are both available for a particular purpose, the Commonwealth's objective is to use any restricted funds first, since unrestricted funds are available for any purpose and provide for greater financial flexibility. If the rules governing restricted assets are met, restricted assets may be the only funds used. However, there may be instances in which restricted funds may only be spent in proportion to unrestricted funds spent. Assets shown as restricted for "other purposes" for the Primary Government and Component Units are as follows:

Restricted Net Assets

(Expressed in Thousands)

Restricted for Other Purposes:	<u>Primary Government</u> <u>Business</u> <u>Type</u> <u>Activities</u>	<u>Major</u> <u>Component</u> <u>Units</u>
	Loans	\$
Education		122,301
Instruction		114,383
Scholarships and Fellowships		224,127
Research		303,527
Claims	172	
Other		666,552
Totals	<u>\$ 172</u>	<u>\$ 1,460,866</u>

A significant feature of the government-wide **Statement of Activities** is the presentation of each program's net cost. GAAP require the reporting of a program's net cost to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units. Net cost is obtained by subtracting program expenses from program revenues. Program expenses are those costs attributable to a particular function including certain indirect costs. GAAP permit both direct and indirect program expenses to be presented together in an "Expenses" column. Therefore, indirect expenses are not specifically identified with individual functions and activities.

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The Statement of Activities categorizes program revenues into three groups: charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type. The sales and gross receipts taxes reflected on the statement of activities for the governmental activities include various taxes that are computed using sales price or gross receipts of the reporting entity. For fiscal year 2012, the total amount of sales and gross receipts tax reported in the government wide statements was \$5,505,336,000 and comprised of:

Sales and Gross Receipts Tax
(Expressed in Thousands)

Sales and Use Tax	\$	3,199,029
Motor Fuels Tax		790,253
Motor Vehicles Usage Tax		416,163
Healthcare Provider Tax		283,277
Tobacco Products Tax		277,495
Insurance Premiums Tax		137,996
Limited Liability Entity Tax		204,073
Alcoholic Beverage Tax		118,862
Telecommunications Tax		64,383
Transient Room Tax		9,433
Parimutuel and Race Track Admission Tax		4,372
Total Sales and Gross Receipts Tax	<u>\$</u>	<u>5,505,336</u>

D. Fund Financial Statements

Primary Government- The accompanying financial statements are structured into three fund categories including governmental funds, proprietary funds, and fiduciary funds. Funds are characterized as either major or non-major. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (governmental or enterprise funds), and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Commonwealth's major funds are identified herein.

Governmental Funds

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The State generally includes those revenues to be received up to 30 days following the end of the accounting period. Revenues expected to be collected after 30 days beyond the end of the accounting period are considered unavailable and are reported as deferred revenues. Deferred revenues also include amounts received but unearned as of June 30.

Principal revenue sources accounted for on the modified accrual basis include federal grants, sales and use tax, coal severance tax, property tax, departmental fees, income taxes, and interest income. Motor vehicle registration fees and fines and forfeitures are accounted for on the cash basis. Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date.

In governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition; and principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

A description of major governmental funds follows:

General Fund - a major fund that accounts for and reports all financial resources appropriated by the General Assembly which are not required to be accounted for in another fund.

Special Revenue Funds - a category of governmental funds that accounts for the proceeds of specific revenue sources, other than for major capital projects, which are restricted or committed to expenditures for a specific purpose.

Included in this category are such funds as the transportation fund, federal fund, and agency revenue fund.

Transportation Fund - a major fund that accounts for and reports the proceeds of specific revenue sources that are restricted or committed to activities related to the preservation and maintenance of roads.

Federal Fund - a major fund that accounts for and reports monies received from the federal government that are restricted or committed to specific programs and operations.

Agency Revenue Fund- a major fund that accounts for and reports restricted taxes, fees, and charges that are restricted or committed to expenditures for a particular function or activity.

Capital Projects Fund - a major fund that is used to account for and report financial resources that are restricted, committed or assigned for capital outlay as appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment, other than those financed by proprietary funds and certain trust funds.

Debt Service Fund – a major fund used to account for and report financial resources which are restricted, committed, or assigned to expenditures for the repayment of general long-term obligations principle, interest, and related administrative costs.

Proprietary Funds

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expenses when they occur, regardless of the timing of the cash flows. On the statement of revenues, expenses, and changes in net assets, the term “expenses” (not “expenditures” as in governmental funds on a modified accrual basis) describes decreases in economic benefits and emphasizes the accrual basis of accounting.

Proprietary funds' revenues and expenses are divided into operating and nonoperating revenues and expenses. Although not specifically defined by GAAP, operating revenues and expenses are considered to be those resources gained and consumed to produce and deliver goods and services that are central to that fund's particular purpose. Other revenues and expenses are classified as nonoperating. Operating and nonoperating expenses are further characterized by object (personal services, depreciation expense, travel expense, etc.).

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Furthermore, the Commonwealth has adopted the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting." As permitted by GASB Statement No. 20, the primary government's enterprise funds have elected not to adopt FASB Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. Each proprietary component unit has individually made this election as disclosed in the separate audit reports.

Enterprise Funds - a category of proprietary funds used to account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of the Commonwealth and the operations of State agencies that provide goods or services to the general public on a user charge basis. Also included are the operations of the State's risk management pools.

State Parks Fund - a major fund that accounts for revenues earned and expenses incurred in the commercial operations of the Department of Parks.

Kentucky Horse Park Fund - a major fund that accounts for revenues earned and expenses incurred in the commercial operations of the Kentucky Horse Park.

Insurance Administration Fund - a major fund that accounts for insurance risk pools operated by the State, including the Workers' Compensation Special Fund, Coal Workers' Pneumoconiosis Fund, Petroleum Storage Tank Environmental Assurance Program, Mine Subsidence Insurance Program, and Bond Pool Program.

Kentucky Public Employees Health Plan - a major fund that accounts for the revenues and expenses incurred in the commercial operation of the health insurance program for state employees, teachers, and retirees.

Unemployment Compensation Fund - a major fund that accounts for assessed employer contributions collected and related unemployment compensation payments to recipients.

Internal Service Funds - a category of proprietary funds that accounts for financing goods and services provided by one agency of the Commonwealth primarily to other agencies or governments on a cost reimbursement basis. All of the proprietary funds (where the measurement focus is on the flow of economic resources) are accounted for on the accrual basis of accounting. Accordingly, revenues are recognized when they are both earned and measurable. Expenses are recognized at the time liabilities are incurred.

Since internal service funds usually exist to support governmental activities, they are normally included as part of the governmental activities reported in the government-wide statements, rather than being presented separately.

Specific activities reported under Internal Service Funds are:

1. Management/maintenance of State motor vehicle fleet
2. Industrial prison operations
3. Rental and maintenance operations for buildings
4. Computer and related data processing services
5. Printing services
6. Fire and tornado insurance programs
7. State workers' compensation program
8. Transportation Cabinet self-insured workers' compensation trust program

Fiduciary Funds

Fiduciary funds are defined as funds used to report assets held in a trustee or agency capacity for others and which, therefore, cannot be used to support the government's own programs. This category of funds includes pension (and other employee benefit) trust funds, investment trust funds, and agency funds. The Commonwealth's fiduciary fund types are described below.

Pension and (Other Post Employment Benefit) Trust Funds - account for monies received for, expenses incurred by, and net assets available for plan benefits of the various public employee retirement systems. This fund type also accounts for monies held in deferred compensation plans. Pension Trust Funds are accounted for on the accrual basis of accounting and reported in the same manner as proprietary fund types.

Agency Funds - account for monies held by the Commonwealth for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus. However, the agency fund uses the accrual basis of accounting when recognizing payables and receivables.

Specific activities listed under the Commonwealth's Agency Funds are:

1. Commonwealth Choice benefit spending accounts
2. Special Deposit Trusts holding monies for specific purposes
3. County Fees Fund holding monies for Kentucky Counties with a population of 70,000 or more

As discussed previously, because the fiduciary fund resources are not available to support government programs, fiduciary funds (and component units that are fiduciary in nature) are excluded from the government-wide financial statements. Inclusion of these funds would create a misleading view of the government's position and results of activities.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

E. Presentation of Component Units

Presentation of the underlying fund types of the individual component units (described previously) reported in the discrete column is available from each respective component unit's separately issued financial statements.

The Major Discretely Presented Component Units, including Universities and Colleges are:

- Kentucky Community and Technical College System
- Kentucky Housing Corporation
- Kentucky Higher Education Student Loan Corporation
- Kentucky Lottery Corporation
- University of Kentucky
- University of Louisville

The Non-Major Discretely Presented Component Units, including Universities, Colleges, and Related Entities are:

- Kentucky Agricultural Finance Corporation
- Kentucky Artisan Center at Berea
- Kentucky Center for the Arts Corporation
- Kentucky Economic Development Finance Authority
- Kentucky Educational Television Authority
- Kentucky Grain Insurance Corporation
- Kentucky Horse Park Foundation
- Kentucky Higher Education Assistance Authority
- Kentucky Infrastructure Authority
- Kentucky Local Correctional Facilities Construction Authority
- Kentucky River Authority
- Kentucky State Fair Board
- Bluegrass State Skills Corporation
- Kentucky Council on Postsecondary Education
- Eastern Kentucky University
- Kentucky State University
- Morehead State University
- Murray State University
- Northern Kentucky University
- Western Kentucky University

The Commonwealth has significant transactions with its component units, primarily in providing operating funds to the universities from the State's general fund. During fiscal year 2012, the primary government provided \$297,330,100 to the University of Kentucky, \$200,744,200 to the Kentucky Community and Technical College System, \$174,795,600 to the University of Louisville, and \$188,992,794 to the Kentucky Higher Education Assistance Authority. In addition, the State received \$218,722,893 in proceeds from the Kentucky Lottery Corporation.

F. Cash and Cash Equivalents

In addition to amounts held in bank accounts, cash on hand, and imprest cash, this classification includes short-term investments with an original maturity of 90 days or less (from date of purchase). Cash equivalents are generally stated at cost, which approximates market. Deferred Compensation amounts are reported at fair value. Short-term investments classified as cash equivalents at June 30, 2012 are \$3,364,719,931.

G. Investments

This classification includes long-term investments that are stated at fair value. Investments of the Deferred Compensation Plan are reported at fair value. See Note 5 for investment details.

H. Securities Lending

Cash and securities received as collateral on securities lending transactions are reported as assets in the accompanying financial statements. Liabilities resulting from the securities lending transactions are also reported. Certain component units of the state have deposits in the Commonwealth's Investment Pool, which participates in securities lending activities. The component units' position in the pool and related securities lending assets and liabilities are reported in an agency fund.

I. Receivables

Receivables in the Commonwealth's governmental and fiduciary funds primarily consist of Federal revenues, taxes, and interest on investments. Some governmental fund revenues are not susceptible to accrual prior to receipt, including licenses, fees, permits, and similar revenues that are recognized on the cash basis. Receivables in all other funds have arisen in the ordinary course of business. Receivables in the governmental funds are reported net of allowances for uncollectibles. Disaggregation of current accounts receivable and current taxes receivable are shown in Note 4.

J. Interfund Transactions

The Commonwealth has the following types of interfund transactions: Interfund services provided and used - Charges for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Reimbursements - Reimbursement of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. In addition, transfers

are recorded when a fund receiving revenue provides it to the fund that expends the resources.

The composition of the interfund transactions is presented in Note 7. Note that at the entity-wide level, the majority of interfund activity has been eliminated. This is to avoid the “doubling up” of such transactions so that revenues and expenses will not be reported more than once.

Transfers and receivables and payables between governmental activities and business-type activities have not been eliminated. Also, remaining are the results of activities between different functional categories. For example, services provided and used are not eliminated because doing so would misstate the expenses of purchasing function and the program revenues of the selling function.

K. Inventories and Prepaid Expenses

Inventories in the governmental funds and similar trust funds consist of expendable supplies held for consumption, the costs of which are recorded as an expenditure at the time of purchase.

Prepaid expenses, including the prepayment of services to vendors (e.g., prepaid insurance), are recorded similarly in the governmental fund statements.

Reserves of fund balance have been established for the inventory balances for governmental funds. Inventories in the proprietary funds and similar trust funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the costs of which are recorded as an expense as they are used.

Inventories are valued at cost (first-in, first-out, or average cost). In the Governmental Activities column of the government-wide Statement of Net Assets, inventory and prepaid expenses are reported as an asset at cost when purchased, then expensed as used.

L. Capital Assets and Depreciation

Included in capital assets are real property, equipment, intangible assets and infrastructure (e.g. roads, bridges, sidewalks and similar items). These are reported in the government-wide statement of net assets, as governmental or business type activities. Capital assets are expensed at the time of acquisition in the fund financial statements for governmental and similar trust funds.

The policy of the primary government is to capitalize assets when the useful life is greater than one year and the acquisition cost meets the capitalization threshold. The primary government capitalizes all land and infrastructure. Buildings, improvements to land, and equipment are capitalized when the acquisition cost is \$5,000 or greater. Intangible capital assets are capitalized when the cost is \$100,000 or more except software which has a threshold of \$500,000.

Component units establish their own capitalization policy and that policy may vary from that of the primary government.

The Kentucky Historical Society, Kentucky Horse Park and Kentucky Department of Parks hold and care for the State’s historical treasures. Among these are historical clothing; china; furniture and other furnishings; a variety of art and decorative art; political memorabilia; pioneer tools and equipment; guns and similar military artifacts; books, manuscripts, and photographs; musical instruments from Kentucky’s musical legends; Native American artifacts; fossilized bones and prehistory artifacts. These assets are not capitalized or depreciated as the assets could not be valued and have inexhaustible useful lives.

The primary government values capital assets at historical cost, estimated historical cost or fair market value at the time of donation. The estimate of historical cost for the primary government was based on appraised value as of June 30, 1986, indexed to the date of acquisition.

Assets are depreciated on the straight-line basis over their estimated useful lives. The table below shows the useful life by asset type for the primary government. Infrastructure assets are not being depreciated, as the Commonwealth has elected to use the modified approach, as defined by GASB statement 34. As a result, certain maintenance and preservation costs are expensed when incurred. Additions and improvements to infrastructure assets are capitalized when capacity and efficiency has increased.

Asset	Useful Life (Expressed in Years)
Land improvements	10-60
Buildings	10-75
Machinery and equipment	3-25
Infrastructure	20-40
Intangibles	2-40

It is the Commonwealth’s policy to capitalize interest expense incurred on significant assets in proprietary funds during their construction in accordance with FASB 62.

The Kentucky Center for the Arts Corporation’s discretely presented component unit financial statements for Fiscal Year 2012 do not contain the Center’s capital assets. The Finance and Administration Cabinet, Office of Statewide Accounting Services, Financial Reporting Branch, adjusted the Commonwealth of Kentucky’s Comprehensive Annual Financial Report to include the capital assets and depreciation of the Center in order to satisfy GAAP requirements.

M. Governmental Fund Equity

The Commonwealth uses two classifications for governmental fund equity; spendable and nonspendable. The nonspendable classification is further categorized as (a) not in spendable form and (b) legally or contractually required to be maintained intact. The spendable classification is categorized as restricted, committed, assigned and unassigned.

Nonspendable - represents the portion of fund balance that is not in spendable form and therefore cannot be appropriated for future expenditures. Nonspendable includes inventories, prepaid expenses, long term notes and loans receivable and any funds which are legally or contractually required to remain intact.

Spendable categories - The restricted fund category represents resources that can be spent only for the specific purposes as established by agreements external to state government; contractual agreements, agreements with creditors and grantors, and laws established by other governments. Laws enacted by the Commonwealth also restrict fund balance when both the revenue source and expenditure restrictions are enacted concurrently or in close proximity. The revenue source must be external to state government and the restriction must be legally enforceable; meaning third parties can compel the Commonwealth to comply with the restriction.

The committed fund category represents resources which have been designated to be spent only for specific purposes through legislation passed by the General Assembly and approved by the Governor. Commitment of resources is not enforceable by external parties and the commitment can be removed in much the same way as it was originally committed. Committed funds include current legally enforceable restrictions of previously levied revenue sources.

The assigned fund category represents resources that do not meet the criteria for restricted or committed because the legislation which created the revenue source did not restrict the use of funds to the degree necessary or the resources were placed in the special revenue funds by the executive branch with the intent of appropriating at a later date. In funds other than the general fund, assigned fund balance also represents the remaining amount that is not restricted or committed.

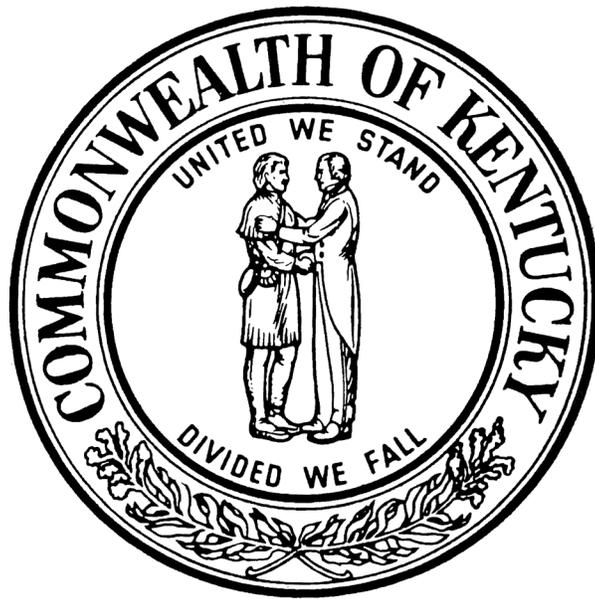
Unassigned fund balance is the classification for residual spendable fund balance for the general fund. In all other funds unassigned classification is used to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted.

The classifications of governmental fund balance are shown in the table on page 62.

The Commonwealth generally segregates restricted, committed, and assigned resources by account (sub-fund) within the governmental funds, other than the general fund. When resources meeting more than one of these spendable classifications are commingled in an account in the state's accounting system the assumed order of spending is restricted first, committed second, and finally assigned.

In accordance with KRS 42.0201(4) the state controller; the executive director of the Office of Financial Management and the state budget director are designated as the group responsible for developing and maintaining the Commonwealth's strategic financial management program and as such these parties are responsible for assigning the Commonwealth's fund balances.

KRS 45.305 established a budget reserve trust fund account within the general fund. Within thirty days of year end deposits are required to be made at the lesser of: Fifty percent (50%) of the general fund surplus or the amount necessary to make the balance equal to five percent (5%) of the actual general fund receipts collected during the fiscal year just ended. Payments to the account are suspended for the current fiscal year when the account balance is equal to or greater than five percent (5%) of the actual general fund receipts collected during the fiscal year just ended. Money in this account may be appropriated by the General Assembly.



COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Constraints on Fund Balance

(Expressed in Thousands)

	Major Special Revenue Funds			
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund
Fund Balances:				
Nonspendable:				
Inventories	\$ 5,515	\$ 57,545	\$ 160	\$ 2,703
Long-term receivables				4,115
Cash with fiscal agents				19,500
Restricted for:				
General government			185,302	170,490
Legislative and judicial			18	18,987
Commerce			5,694	72,546
Education and humanities			3,486	43,620
Human resources			44,635	36,100
Justice			6,862	25,598
Natural resources and environmental protection			50,125	2,734
Public protection and regulation			217	51,965
Transportation		699,147	4,668	60,411
Debt service				
Committed to:				
General government				8,683
Commerce				38
Education and humanities				366
Justice				115
Natural resources and environmental protection				1,461
Public protection and regulation				3,807
Transportation				14,376
Assigned to:				
General government	5,637			7,279
Legislative and judicial	14,237			199
Commerce	10,746			689
Education and humanities	4,341			519
Human resources				1,165
Justice				1,257
Natural resources and environmental protection				311
Public protection and regulation	462			360
Transportation	140			13
Unassigned	54,035		(412,931)	
Total Fund Balances	\$ 95,113	\$ 756,692	\$ (111,764)	\$ 549,407

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Debt Service Fund	Capital Projects Fund	Total
	\$	\$ 65,923
		4,115
29,045		48,545
	141,196	496,988
	328	19,333
	72,111	150,351
	6,329	53,435
	57,982	138,717
	17,741	50,201
	17,060	69,919
	1,499	53,681
	25,661	789,887
4,946		4,946
		8,683
		38
		366
		115
		1,461
		3,807
		14,376
		12,916
		14,436
		11,435
		4,860
		1,165
		1,257
		311
		822
		153
	(2,508)	(361,404)
<u>33,991</u>	<u>\$ 337,399</u>	<u>\$ 1,660,838</u>

N. Deferred Revenue

Deferred revenues are treated as liabilities in the governmental funds until all requirements for revenue recognition are met.

O. Long-Term Obligations

Long-term liabilities that will be financed from governmental funds are presented in the Governmental Activities column of the government-wide Statement of Net Assets. This total reported amount of long-term liabilities includes the following:

1. Payments of principal on revenue bonds which are recorded as expenditures in the Debt Service Fund.

2. Compensated absences includes accumulated unpaid vacation and compensatory time accruals. The amount accruing to proprietary funds and pension trust funds has been included in the respective funds when material. The policy of the Commonwealth is to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 15.0 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. Compensatory leave is granted to authorized employees on an hour-for-hour basis. June 30 estimated liabilities for both annual leave and compensatory leave are summarized in Note 16.

Sick leave for the Primary Government is earned one day per month with unlimited accumulation. All of the qualifying retiring employees' sick leave balances, expressed in months, shall be added to their service credit for the purpose of determining their annual retirement.

There is no liability in the accompanying financial statements for unpaid accumulated sick leave, since it is the Commonwealth's policy to record the cost of sick leave only when paid. See Note 16 for disclosure of the amount of this contingency. The component units have varying policies for compensated absences. Information regarding these policies is available in the audited financial statement of each component unit.

3. Outstanding capital lease obligations for governmental funds.
4. Judgments and contingent liabilities of governmental funds that will be paid with noncurrent resources.
5. Long-term liabilities of internal service funds.

Long-term obligations generally exclude those amounts reported as expenditures for compensated absences, judgments, contingencies, and employer pension contributions in the governmental funds since these amounts would normally be liquidated with expendable available financial resources.

Long-term liabilities of all proprietary and pension trust funds are reported in their individual fund statements. Long-term liabilities of enterprise and internal service funds are also presented in the government-wide Statement of Net Assets as a single total in the Business-type Activities and Governmental Activities columns respectively. Fiduciary funds' long-term liabilities are not displayed on the government-wide Statement of Activities.

P. Conduit Debt

This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued to benefit a third party that is not a part of the reporting entity. Although conduit debt obligations bear the Commonwealth's name as issuer, the Commonwealth has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. GAAP allow the State to refrain from reporting the conduit debt and the related asset. Since the State is not legally, morally, or in any other way responsible for the repayment of conduit debt, these items are not included in the financial statements. The State has \$2,942,796,367 of conduit debt, the proceeds of which are used to promote the purposes set forth in KRS 103.200 and 103.210.

Note 2

CHANGES IN ACCOUNTING PRINCIPLES, REPORTING PRACTICES, AND PRIOR-PERIOD ADJUSTMENTS

The fund balances/net assets as previously reported have been restated or reclassified to conform to generally accepted accounting principles and to correct balances for erroneously recorded transactions.

Governmental Activities - Beginning net assets for the Commonwealth's governmental activities have been restated for the reason noted below in the Governmental Funds. The net effect is a decrease of \$16,757,000.

Business Type Activities - Beginning net assets for the Commonwealth's business type activities have been restated for the reason noted below in the section for Enterprise Funds. The net effect is a decrease of \$23,139,000.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

General Fund – The General Fund was restated for prior period errors. The effect on fund balance is a net decrease of \$16,757,000.

Enterprise Funds – The Kentucky Lottery Corporation was previously reported as an Enterprise Fund. The effect on net assets is a decrease of \$32,451,000. The Insurance Administration Bond Pool Fund restated net assets for prior period errors. The effect on net assets is an increase of \$21,251,000. The Kentucky Public Employees Health Plan restated net assets for prior period errors. The effect on net assets is a decrease of \$12,059,000. The Kentucky Horse Park restated net assets for prior period errors. The effect on net assets is an increase of \$120,000. The total effect on net assets is a decrease of \$23,139,000.

Pension (and Other Post Employment Benefit) Trust Funds

Kentucky Employees Retirement System Pension Funds – Kentucky Employees Retirement System Pension Funds' net assets have been restated to correct accrued contributions at June 30, 2011, resulting in a decrease of \$12,813,000.

County Employees Retirement System Pension Funds – County Employees Retirement System Pension Funds' net assets have been restated to correct accrued contributions at June 30, 2011, resulting in a decrease of \$49,385,000.

State Police Retirement System Pension Funds – State Police Retirement System Pension Funds' net assets have been restated to correct accrued contributions at June 30, 2011, resulting in a decrease of \$645,000.

Kentucky Employees Retirement System Insurance Funds – Kentucky Employees Retirement System Insurance Funds' net assets have been restated to correct accrued contributions at June 30, 2011, resulting in a decrease of \$7,626,000.

County Employees Retirement System Insurance Funds – County Employees Retirement System Insurance Funds' net assets have been restated to correct accrued contributions at June 30, 2011, resulting in a decrease of \$40,244,000.

State Police Retirement System Insurance Funds – State Police Retirement System Insurance Funds' net assets have been restated to correct accrued contributions at June 30, 2011, resulting in a decrease of \$580,000.

Restatement of all Pension (and other Post Employment Benefit) Trust Funds result in an overall decrease in net assets of \$111,293,000.

Component Units – Authorities:

Kentucky Center for the Arts Corporation – Kentucky Center for the Arts Corporation restated net assets due to a prior period error in calculating accumulated depreciation. The effect on net assets is an increase of \$2,811,000.

Kentucky Educational Television Authority – Kentucky Educational Television Authority restated net assets to correct an error related to loan proceeds recognized as revenue during the year ended June 30, 2011. The effect on net assets is a decrease of \$1,958,000.

Kentucky Housing Corporation – Kentucky Housing Corporation restated net assets because new GASB accounting standards allow for loan activities to be recognized in the year the transaction occurred rather than over the life of the loan. The effect on net assets is a decrease of \$32,188,000.

Kentucky Lottery Corporation – Kentucky Lottery Corporation was previously reported as an Enterprise Fund but now is reported as a component unit. The effect on net assets is an increase of \$32,451,000.

Component Units – Universities, Colleges, and Related Entities:

Kentucky State University – Kentucky State University restated net assets in order to correct prior period errors. The effect on net assets is an increase of \$3,072,000.

Western Kentucky University – Western Kentucky University restated net assets for a prior period adjustment due to an overstatement of a liability associated with the Foundation. The effect on net assets is an increase of \$1,847,000.

Restatement of all Component Units-Universities, Colleges, and Related Entities results in an overall increase in net assets of \$6,035,000.

Note 3

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Federal Funds – The Federal Fund has a fund balance deficit of \$111,764,000. The deficit is a result of expenditure accruals, which will be funded in future periods.

B. Enterprise Funds – The Insurance Administration Fund has a net assets deficit of \$570,040,000. The accumulated claims liability is estimated by actuarial methods for the risk pools, which will be funded in future periods. The Unemployment Compensation Fund has a net assets deficit of \$635,412,000, due to an increase in demand for unemployment insurance payments.

C. Internal Service Funds – The Risk Management Fund has a net assets deficit of \$162,027,000. The deficit is the result of accumulated claims liabilities of the Commonwealth's self-insured workers' compensation programs, and is to be funded in future periods. The Central Printing Fund has a net assets deficit of \$421,000. The deficit is the result of competitive pressure from other state agencies and outside printing sources. Central Printing is unable to develop billing rates that would cover their costs resulting in a negative fund balance.

D. Component Units – Authorities – The Bluegrass State Skills Corporation has a net assets deficit of \$16,000 resulting from the recognition of a long-term compensated absence liability.

**Disaggregation of Payables and Receivables
(Expressed in Thousands)**

	Governmental Activities			Total Governmental Activities	Business-Type Activities	Total Primary Government
	Major Funds	Non-major Funds	Internal Service Funds		Major Funds	
Current Payables						
Personal services	\$ 160,362	\$ 368	\$ 5,727	\$ 166,457	\$ 58,022	\$ 224,479
Utilities, rental and other services	42,894	196	1,791	44,881	994	45,875
Commodities and supplies	15,254	72	2,145	17,471	3,573	21,044
Grants and subsidies	811,726	7,036	53	818,815	37,558	856,373
Capital outlay	67,403	11	1,119	68,533	120	68,653
Travel	1,748	6	11	1,765	15	1,780
Interest Payable	113,502	3	27	113,532		113,532
Other	39,686	1,857	114	41,657	6,252	47,909
Total Current Payables	\$ 1,252,575	\$ 9,549	\$ 10,987	\$ 1,273,111	\$ 106,534	\$ 1,379,645
Current Receivables						
Charges for services	\$ 65,112	\$ 71,263	\$ 2,560	\$ 138,935	\$ 1,373	\$ 140,308
Taxes receivable	1,845,654	59,482		1,905,136		1,905,136
Investment receivable	1,494	1,093	(1)	2,586	(8)	2,578
Intergovernmental revenue	1,123,159	300	11	1,123,470	95,797	1,219,267
Other	62,419	71,857	(1)	134,275	164,187	298,462
Allowances for uncollectibles	(1,008,585)	(80,183)		(1,088,768)	(8,922)	(1,097,690)
Total Current Receivables	\$ 2,089,253	\$ 123,812	\$ 2,569	\$ 2,215,634	\$ 252,427	\$ 2,468,061

Note 4

DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE

Accounts payable for the Commonwealth of Kentucky are amounts owed by the State as of June 30, 2012. Those liabilities that must be paid within one year are considered current. Amounts due after one year are deemed noncurrent accounts payable. Accounts receivable are amounts owed to the State. Similar to accounts payable, any amounts to be received within one year are classified as current. All other receivables are noncurrent. For Governmental Activities and Business-Type Activities, the line indicating "Accounts Payable" and "Net Receivables" are described below.

Amounts reported as "Taxes Receivable" are significant to the State. Taxes receivable report those tax amounts owed to the Commonwealth of Kentucky that remain uncollected as of June 30, 2012. All receivables are reported net of an Allowance for Uncollectibles to reflect the true value of receivables. Fines, forfeitures, and license fees are recognized as revenue when received and, therefore, do not require the recognition of accounts receivable. The "Current Taxes Receivable" for Governmental Activities and Business-Type Activities are described below.

Under the modified accrual basis of accounting, as used in the fund statements, amounts outstanding but owed at the end of the year may be recorded in one of two ways. If the receivable is measurable and expected to be collected within 30 days, revenue is recognized. However, if the receivable is not expected to be collected within 30 days, it is not considered to be available to liquidate the liabilities of the current period and will be reported as deferred revenue. Furthermore, unearned revenue is always reported as deferred revenue. Deferred revenue is reported as a liability until meeting the criteria for revenue recognition.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Taxes Receivable
(Expressed in Thousands)

	Governmental Activities		Total Primary Government
	Major Funds	Non-Major Funds	
Current Taxes Receivable			
Sales and gross receipts	\$ 891,431	\$ 3,364	\$ 894,795
Individual income	679,858		679,858
Corporate	72,531		72,531
Property	124,675		124,675
License and privilege	3,004	4,378	7,382
Coal severance	54,829	37,941	92,770
Inheritance and estate	7,932	1,783	9,715
Miscellaneous	11,394	12,016	23,410
Total Current Taxes Receivable	<u>\$ 1,845,654</u>	<u>\$ 59,482</u>	<u>\$ 1,905,136</u>

The State Property and Buildings Commission has issued revenue bonds and the Kentucky Asset Liability Commission has issued notes and entered into lease agreements to finance capital projects for the University of Kentucky, Kentucky State Fair Board, Kentucky Higher Education Assistance Authority, Kentucky River Authority and Eastern Kentucky University. The bond issues are shown as liabilities of the State Property and Buildings Commission in the entity

wide financial statements. A capital lease liability is reflected in the financial statements of the various discretely presented component units, for which the debt was issued and a corresponding capital lease receivable has been recorded in the financial statements of the Commonwealth to accurately reflect the transaction. Amounts due under these lease agreements are reflected in the following table.

Future debt service payments for leases receivable as of June 30, 2012, are as follows (Expressed in Thousands):

	Principal	Interest	Total
2013	\$ 21,495	\$ 17,995	\$ 39,490
2014	22,475	17,009	39,484
2015	23,520	15,960	39,480
2016	24,645	14,838	39,483
2017	25,845	13,640	39,485
2018-2022	132,950	49,432	182,382
2023-2027	112,165	19,346	131,511
2028-2032	22,381	734	23,115
Total leases receivable	<u>\$ 385,476</u>	<u>\$ 148,954</u>	<u>\$ 534,430</u>

Note 5

**EQUITY IN POOLED CASH AND INVESTMENTS,
CASH, AND INVESTMENTS**

The Commonwealth maintains an internal cash and investment pool that is available for use by all funds under the auspices of the State Investment Commission as authorized under KRS 42.500 et al. In addition, investments are separately held by several of the State's funds and component units. Legally authorized investments vary by fund but generally include: obligations of or guaranteed by the United States; obligations of any corporation of the United States Government; asset backed securities; U.S. dollar denominated corporate securities; collateralized certificates of deposit; bankers' acceptances; commercial paper; and repurchase agreements. In addition to these, pension plans and certain Component Units are permitted to purchase common stocks, corporate bonds and real property and mineral rights. The Commonwealth is also eligible to invest in reverse repurchase agreements.

PRIMARY GOVERNMENT

Custodial Credit Risk-Deposits – The custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. At year end, the carrying amount of the Commonwealth's deposits for the Primary Government, excluding pension and (OPEB) trust funds, was \$1,039,042,043 and the bank balance was \$1,039,042,043. The bank balance of the Primary Government administered by the State Treasurer was covered by Federal depository insurance or by collateral held by the Commonwealth or the Commonwealth's agent in the Commonwealth's name.

Custodial Credit Risk-Investments - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Commonwealth will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Commonwealth holds investments both for its own benefit and as an agent for other related parties. The major investment programs conducted for the direct benefit of the Commonwealth are administered by the Office of Financial Management. The investments held in the Commonwealth's investment pool are insured or registered, or held by the Commonwealth of Kentucky or its agent in the Commonwealth's name.

The credit risk mix of the retirement systems, and other component units, is disclosed in the financial statement footnotes of those individual entities.

Statutes require that securities underlying repurchase agreements must have a fair value of at least 102 percent of the cost of the re-

purchase agreement. The fair value of securities underlying repurchase agreements fell below this required level on a few occasions during the year; however, no losses were sustained due to the fall in collateralization levels. The collateralization is monitored on a weekly basis (as specified within 200 KAR 14.081) and at any point where the collateralization falls below 102 percent of the cost of the repurchase agreement, the seller/borrower is contacted and the situation is normally rectified within two business days.

Securities Lending Program – State statutes authorize the Commonwealth to enter into securities lending agreements. The Commonwealth has entered into an agent agreement. The agent lends the Commonwealth's US Treasuries, agencies and corporate bonds in exchange for cash. The cash is invested in short-term securities. After rebate and expenses the Commonwealth receives 85 percent of the profit earned. The securities transferred are a part of the total investments reported above. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. The Commonwealth retains the interest income on the securities being transferred. During the year, the Commonwealth earned \$3,407,197 in securities lending income. On June 30, 2012, the fair value of the securities transferred was \$1,597,262,946 and the fair value of the securities purchased by the Commonwealth was \$1,629,189,899. The collateralization requirements and monitoring procedures in the securities lending program are the same as those requirements in regard to repurchase agreements. The Commonwealth requires 102% collateralization on all repurchase agreements. The agent also indemnifies the Commonwealth from any losses from borrowers. The Commonwealth lends its securities generally on an overnight basis.

Options - The Commonwealth's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The Commonwealth selectively utilizes put and call options on United States Treasury securities. These options are on a covered basis, where the Commonwealth holds either cash or securities sufficient to meet the obligation, should the option be exercised. On June 30, 2012, the portfolio had no obligations under option. The Commonwealth also purchases securities that have built in covered calls (callable agency securities). The risk in holding these securities is the risk that the security can be called (bought back) by the issuing agency at par either on or after a specific date.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commonwealth has regulatory limits on investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. It also has limits on portfolio durations for the same purpose.

The primary government's investments (excluding the pension and (OPEB) trust funds) at June 30, 2012, are presented below. All investments are presented by investment type.

**Cash And Investments By Type
Primary Government**

I. Cash:

	Carrying Amount	Bank Balance
Cash	\$ 678,293,513	\$ 678,293,513
Cash with Fiscal Agents	48,589,139	48,589,139
Cash with Feds	200,715,547	200,715,547
Other	111,443,844	111,443,844
Total Cash	<u>\$ 1,039,042,043</u>	<u>\$ 1,039,042,043</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities

	Fair Value	< 1 year
U.S. Government & Agency Obligations	\$ 5,199,000	\$ 5,199,000
Total Debt Securities	<u>5,199,000</u>	<u>\$ 5,199,000</u>

Investments Managed Based Upon Duration

Debt Securities

	Fair Value	Effective
Cash Equivalents	244,623,748	0.210
Fixed Income Mutual Funds	611,667,863	4.744
U.S. Government & Agency Obligations	1,267,067,133	1.200
Mortgage-Backed Securities	288,763,431	2.230
Corporate Obligations	163,060,169	0.990
Asset Backed Securities	74,652,393	1.520
Municipal Obligations	83,783,928	0.770
Other	1,111,956	3.820
Total Debt Securities	<u>2,734,730,622</u>	
Portfolio Effective Weighted Duration		<u>1.997</u>

Other Investments

Cash Equivalents	15,484,134
Fixed Income Mutual Funds	30,670,369
Common Stock	3,239,519
Securities Lending Invest	1,629,189,899
Total Other Investments	<u>1,678,583,921</u>
Total Investments	<u>\$ 4,418,513,543</u>

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth is statutorily limited as to credit ratings, at the time of purchase. Commercial paper must be rated in the highest category by a nationally recognized rating agency. United States denominated corporate, Yankee, and Eurodollar securities must be rated in one of the three highest categories by a nationally recognized rating agency. Asset-backed securities must be rated in the highest category by a nationally recognized rating agency. Certificates of Deposit and Bankers acceptances must be rated in one of the three highest categories by a nationally recognized rating agency. By regulation all mortgage pass-through securities and collateralized mortgage obligations must be issued by U.S. government agencies or by government sponsored entities.

The primary government's, excluding the pension and (OPEB) trust funds, rated debt investments as of June 30, 2012, and the ratings are presented in the following table.

Primary Government

	Standard & Poor's/Moody's Credit Ratings				
	AAA/Aaa	AA/Aa	A	BBB/Baa	B/B
Cash Equivalents	\$ 80,267,618	\$ 134,352,541	\$	\$	\$
Fixed Income Mutual Funds	256,945,712				
U.S. Government &					
Agency Obligations	359,175,617	1,255,985,360	11,081,787		
Mortgage-Backed Securities	277,978,495	1,159,571	188,424	2,597,273	1,837,081
Corporate Obligations	32,802,882	78,621,208	51,012,626	1,352,280	
Common Stock					
Asset Backed Securities	52,644,316	2,923,229		13,366,744	
Municipal Obligations	28,750,794	45,449,406	6,657,403	2,926,326	
Other	15,484,134				
Total Investments	<u>\$ 1,104,049,568</u>	<u>\$ 1,518,491,315</u>	<u>\$ 68,940,240</u>	<u>\$ 20,242,623</u>	<u>\$ 1,837,081</u>
				Total Fair Value	
	CCC/Caa	CC and Lower	Unrated	NA	of Investments
Cash Equivalents	\$	\$	\$ 30,003,592	\$	\$ 244,623,751
Fixed Income Mutual Funds			17,326,225	13,344,144	287,616,081
U.S. Government &					
Agency Obligations					1,626,242,764
Mortgage-Backed Securities	102,212	4,900,378			288,763,434
Corporate Obligations			16,712		163,805,708
Common Stock				3,239,519	3,239,519
Asset Backed Securities	4,756,359	961,746			74,652,394
Municipal Obligations					83,783,929
Securities Lending				1,629,189,899	1,629,189,899
Other			1,111,930		16,596,064
Total Investments	<u>\$ 4,858,571</u>	<u>\$ 5,862,124</u>	<u>\$ 48,458,459</u>	<u>\$ 1,645,773,562</u>	<u>\$ 4,418,513,543</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Regulation limits the amount owned of any given issuer of corporate and commercial paper to \$25,000,000. At June 30, 2012, the primary government had no investments which would constitute a concentration of credit risk.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Commonwealth's policy historically has been to invest only in securities in U.S. denominations.

PENSION AND (OPEB) TRUST FUNDS

Custodial Credit Risk-Deposits and Investments.

The custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. At year end, the carrying amount of the deposits for the Pension and (OPEB) trust funds was \$55,511,935 and the bank balance was \$55,511,935.

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Commonwealth will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Of the Pension and (OPEB) Trust Funds, only Kentucky Retirement Systems has investments subject to custodial credit risk. The investments are listed as foreign currency in the amount of \$6,246,013 which are uninsured and not registered in the name of the Commonwealth but are held by the counterparty.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Kentucky Revised Statutes (KRS 61.650) grants the responsibility for the investment of plan net assets to the Board of Trustees of the Retirement Systems. Each System has very specific policies regarding their investment activity. A detailed discussion of those policies can be found in the notes to the audited financial statements of the various Pension and (OPEB) Trust Funds.

The Pension and (OPEB) Trust Funds investments at June 30, 2012, are presented below. All investments are presented by investment type.

Cash and Investments by Type
Pension and (OPEB) Trust Funds

I. Cash

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash	\$ 37,529,809	\$ 37,529,809
Money Market	17,982,126	17,982,126
Total Cash	<u>\$ 55,511,935</u>	<u>\$ 55,511,935</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	<u>Fair Value</u>	<u>1-5 Years</u>	<u>6-15 Years</u>	<u>15-30 Years</u>
U.S. Government & Agency Obligations	\$ 788,280,146	\$ 40,889,477	\$ 747,390,669	\$
Mortgage-Backed Securities	494,856,882		199,146,287	295,710,595
Corporate Obligations	1,893,716,011	42,245,818	1,851,470,193	
Asset Backed Securities	60,608,480		60,608,480	
Municipal Obligations	511,058,651		511,058,651	
Mortgage Loans	43,276,306			43,276,306
Total Debt Securities	<u>\$ 3,791,796,476</u>	<u>\$ 83,135,295</u>	<u>\$ 3,369,674,280</u>	<u>\$ 338,986,901</u>

Investments Managed Based Upon Duration

Debt Securities	<u>Fair Value</u>	<u>Effective</u>	<u>Macaulay</u>
Cash Equivalents	119,756,677	0.768	
U.S. Government & Agency Obligations	2,372,152,724	6.535	
Mortgage-Backed Securities	85,923,543	3.033	
Corporate Obligations	444,942,698	4.687	
Asset Backed Securities	90,417,343	1.551	
Asset Backed Securities	678,007,533		3.180
Municipal Obligations	94,718,495	10.585	
Mortgage Loans	29,030,020	0.961	
Other	372,657,804		8.025
Total Debt Securities	<u>4,287,606,837</u>		
Portfolio Weighted Effective Duration		<u>5.904</u>	
Portfolio Weighted Macaulay Duration			<u>4.899</u>

Other Investments

Cash Equivalents	671,112,791
Fixed Income Mutual Funds	310,216,200
Common Stock	16,340,098,188
Limited Partnerships	2,120,701,315
Real Estate	648,948,563
Securities Lending	1,884,577,054
Other Investments	2,843,796,496
Total Other Investments	<u>24,819,450,607</u>
Total Investments	<u>\$ 32,898,853,920</u>

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Each Pension and (OPEB) Trust Fund has an investment policy that defines the types of investments and ratings available to them. Specific policies can be found in the notes to the audited financial statements of the individual component unit.

The Pension and (OPEB) Trust Funds, rated debt investments as of June 30, 2012, and the ratings are presented in the following table.

**Investments and Credit Ratings
Pension and (OPEB) Trust Funds**

<u>Quality Rating</u>	<u>Amount</u>
AAA	\$ 1,013,013,061
AA+	60,558,776
AA	777,863,908
AA-	47,923,219
A+	42,709,800
A	858,616,643
A-	133,290,597
BBB+	69,858,352
BBB	762,313,540
BBB-	96,434,052
BB+	67,804,657
BB	216,379,385
BB-	91,732,147
B+	83,654,354
B	268,601,269
B-	71,981,511
CCC+	32,343,243
CCC	30,594,155
CCC-	6,658,538
CC	1,682,155
D	8,480,384
Not Rated	2,022,820,249
Total Credit Risk Debt Securities	<u>6,765,313,995</u>
Cash Equivalents	671,112,791
U.S. Government & Agencies	2,451,535,294
Corporate Obligations	42,245,818
Common Stock	15,478,139,592
Limited Partnerships	2,120,701,315
Real Estate	648,948,563
Securities Lending	1,884,577,054
Other	<u>2,836,279,498</u>
Total Investments	<u>\$ 32,898,853,920</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of the Kentucky Public Employees Deferred Compensation Authority's (KPEDCA) there is a policy limiting the amount of investment in a single issuer to 5% or less of the investment portfolios fair value. The following KPEDCA Fund investment contracts represent 5% or more of investments held in trust for Plan benefits at June 30, 2012:

<u>Asset Description</u>	<u>Amount</u>
Fixed Contract Fund	\$678,007,533
T Rowe Price Mid Cap Growth	203,252,174
Vanguard Wellington	183,643,005
Fidelity Contrafund	180,257,435
Fidelity Growth Co	124,518,952

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Commonwealth's policy historically has been to invest only in securities in U.S. denominations.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

With the exception of the KPEDCA fixed contract fund the Pension and (OPEB) Trust Funds do not have a formal policy that addresses investments in foreign currency. Additional disclosures regarding

the Pension and (OPEB) Trust Funds exposure to foreign currency risk can be found in the notes to the audited financial statements of the individual pension and (OPEB) trust funds.

The Pension and (OPEB) Trust Funds, investments in foreign currency as of June 30, 2012, are presented in the following table.

Foreign Currency Risk
Pension and (OPEB) Trust Funds

Foreign Currency	Equity	None Designated	Total
Argentine Peso	\$ 592,995	\$	\$ 592,995
Australian dollar	78,762,662		78,762,662
Brazilian Real	30,707,971		30,707,971
British pound sterling	265,982,839		265,982,839
Canadian dollar	139,111,647		139,111,647
Chilean Peso	3,461,833		3,461,833
Chinese Yuan	6,482,177		6,482,177
Columbian Peso	3,944,483		3,944,483
Czech Koruna	4,148,633		4,148,633
Danish krone	11,566,790		11,566,790
Euro	418,017,157		418,017,157
Hong Kong dollar	122,287,020		122,287,020
Hungarian Forint	1,566,971		1,566,971
Indian Rupee	4,418,575		4,418,575
Indonesian Rupiah	19,543,703		19,543,703
Israeli Shekel	2,132,556		2,132,556
Japanese yen	312,486,913		312,486,913
Malaysian ringgit	3,808,520		3,808,520
Mexican Peso	22,426,910		22,426,910
New Taiwan dollar	34,151,271		34,151,271
New Zealand dollar	1,309,391		1,309,391
Norwegian krone	5,402,436		5,402,436
Peruvian Nuevo Sol	1,521,692		1,521,692
Philippine Peso	8,138,004		8,138,004
Polish Zloty	6,066,696		6,066,696
Russian Ruble	9,332,691		9,332,691
Singapore dollar	29,364,436		29,364,436
South African rand	31,462,268		31,462,268
South Korean won	94,789,259		94,789,259
Swedish krona	36,402,280		36,402,280
Swiss franc	109,473,520		109,473,520
Thai Bhat	12,267,989		12,267,989
Turkish Lira	8,306,696		8,306,696
American Funds Euro Pacific Growth Fund	62,888,309		62,888,309
Dodge & Cox International Stock Fund	14,986,998		14,986,998
DFA International Small Cap	14,720,159		14,720,159
Baillie Giff Intl EAFE	532,147,142	3,491,373	535,638,515
Barings All Country World	388,009,507	130,629	388,140,136
UBS All Country World	655,036,895		655,036,895
Black Rock	73,055,358		73,055,358
International ADRs	690,586,408		690,586,408
Private Equity	45,028,678		45,028,678
Bonds	177,129,968		177,129,968
Vanguard Total International Stock Fund	463,236		463,236
Total Securities Subject To Foreign Currency Risk	4,493,491,642	3,622,002	4,497,113,644
USD (Securities Held By International Investment Managers)		11,834,569,366	11,834,569,366
Total International Investment Securities	<u>\$ 4,493,491,642</u>	<u>\$ 11,838,191,368</u>	<u>\$ 16,331,683,010</u>

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Securities Lending Program

Kentucky Revised Statutes permit the retirement systems to lend their securities to broker-dealers and other entities. The borrowers of the securities agree to transfer to the retirement system's custodial bank(s) either cash collateral or other securities with a fair value of 102 percent of the value of the borrowed securities. The borrowers of the securities simultaneously agree to return the borrowed securities in exchange for the collateral at a later date. At June 30, 2012, the retirement systems have no credit risk exposure to borrowers because the amounts the retirement systems owe the borrowers exceed the amounts the borrowers owe the retirement systems. The retirement systems cannot pledge or sell collateral securities unless the borrower defaults. More detail of individual policies may be found in the audited financial statements of each retirement system.

Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indices. The Kentucky Retirement Systems was the only Pension and (OPEB) Trust Fund to have investment derivatives at June 30, 2012. More detail on those individual investment derivatives may be found in the audited financial statements of Kentucky Retirement Systems.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

MAJOR DISCRETELY PRESENTED COMPONENT UNITS

Custodial Credit Risk-Deposits and Investments

The custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. At year end, the carrying amount of the major discretely presented component units' deposits was \$1,005,292,307 and bank balance was \$1,010,648,866.

**Custodial Risk
Discretely Presented Major Component Units**

I. Deposits

Cash And Equivalents (original maturity 90 days or less):

Deposits are uninsured and

a) uncollateralized;	\$ 10,471,772
b) collateralized with securities held by the pledging financial institution; or	12,824,871
c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commonwealth's name.	4,063,906
Total Deposits Subject To Custodial Credit Risk	<u>\$ 27,360,549</u>

II. Non-Current Cash And Investments:

Non-current cash and investments which are uninsured, are not registered in the name of the Commonwealth, and are held by either

(a) the counterparty or	\$ 850,285,590
(b) the counterparty's trust department or agent but not in the Commonwealth's name.	263,093,694
Total Non-Current Cash And Investments Subject To Custodial Credit Risk	<u>\$ 1,113,379,284</u>

Investment Types:

	<u>Type A (counterparty)</u>	<u>Type B (trust or agent)</u>
Debt Securities		
Cash Equivalents	\$	\$ 41,275,825
Fixed Income Mutual Funds	4,228,711	115,225,442
U.S. Government & Agency Obligations	19,969,966	1,681,000
Mortgage Backed Securities		53,000
Corporate Obligations	31,026,000	
Municipal Obligations	9,785,548	
Total Debt Securities	<u>65,010,225</u>	<u>158,235,267</u>
Other Investments		
Cash Equivalents	698,559	5,682,520
Fixed Income Mutual Funds	64,978,000	
Common Stock	78,067,606	54,409,073
Alternatives	424,796,000	
Real Estate	3,640,573	43,913
Funds Held In Trust By Others		43,690,000
Other Various	213,094,627	1,032,921
Total Other Investments	<u>785,275,365</u>	<u>104,858,427</u>
Total Type A	<u>850,285,590</u>	Total Type B <u>263,093,694</u>
Total Non-Current Cash And Investments Subject To Custodial Credit Risk		<u>\$ 1,113,379,284</u>

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the component unit will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Each component unit has informal policies to control custodial credit risk and those policies can be found in the notes to the audited financial statements of the individual component unit.

The following table summarizes the custodial credit risk maintained for investments held by the major discretely presented component units for the fiscal year ended June 30, 2012.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The component units have numerous policies that limit the amounts and types of investments as a means of managing the exposure to fair value losses arising from increasing interest rates. Specific policies can be found in the notes to the audited financial statements of the individual component unit.

The following table summarizes the investments held by the major discretely presented component units for the fiscal year ended June 30, 2012.

**Cash And Investments By Type
Discretely Presented Major Component Units**

I. Cash

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash	\$ 558,825,699	\$ 564,182,258
Money Market	115,623,079	115,623,079
Other	330,843,529	330,843,529
Total Cash	<u>\$ 1,005,292,307</u>	<u>\$ 1,010,648,866</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	<u>Fair Value</u>	<u>< 1 year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>> 10 Years</u>
Cash Equivalents	\$ 54,688,920	\$ 42,220,148	\$ 12,468,772	\$	\$
U.S. Government & Agency Obligations	64,234,757	23,146,462	37,356,730	2,320,563	1,411,002
Corporate Obligations	1,603,899	153,710	1,450,189		
Guaranteed Investment Contract/Annuities	761,748	100,000	185,063	457,587	19,098
Total Debt Securities	<u>121,289,324</u>	<u>\$ 65,620,320</u>	<u>\$ 51,460,754</u>	<u>\$ 2,778,150</u>	<u>\$ 1,430,100</u>

Investments Managed Based Upon Duration

Debt Securities	<u>Fair Value</u>	<u>Effective</u>	<u>Modified</u>
Cash Equivalents	420,938,000		
Fixed Income Mutual Funds	115,225,442	3.800	
Fixed Income Mutual Funds	158,561,189		1.921
U.S. Government & Agency Obligations	94,802,733	2.613	
U.S. Government & Agency Obligations	18,657,040		5.862
Mortgage Backed Securities	757,157,258	1.313	
Corporate Debt	3,392,810	2.800	
Corporate Debt	27,309,088		3.700
Other Investments	2,091,000		5.300
Total Debt Securities	<u>1,598,134,560</u>		
Portfolio Effective Weighted Duration		<u>1.214</u>	
Portfolio Modified Weighted Duration			<u>2.546</u>

Other Investments

Fixed Income Mutual Funds	67,431,520
Common Stock	608,642,854
Corporate Bonds	31,026,000
Mortgage Loans	43,913
Alternatives	699,414,386
Real Estate	65,646,886
Funds Held In Trust By Others	43,690,000
Other	145,760,182
Total Other Investments	<u>1,661,655,741</u>
Total Investments	<u>\$ 3,381,079,625</u>

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Each component unit has an investment policy that defines the types of investments and ratings available to them. Specific policies can be found in the notes to the audited financial statements of the individual component unit.

The major discretely presented component units, investments as of June 30, 2012, and the ratings are presented in the following table.

Investments and Credit Ratings
Discretely Presented Major Component Units

	Standard & Poor's/Moody's Credit Ratings						Total Fair Value of Investments
	AAA/Aaa	AA/Aa	A	BBB/Baa	Unrated	NA	
Cash Equivalents	\$ 671,793	\$	\$	\$	\$ 425,680,520	\$ 46,318,568	\$ 472,670,881
Fixed Income Mutual Funds		7,391,143	115,225,442				122,616,585
U.S. Government & Agency Obligations	113,459,773					23,041,389	136,501,162
Mortgage Backed Securities	757,157,258						757,157,258
Corporate Obligations	1,525,191	375,293	9,974,885	27,820,428			39,695,797
Common Stock					96,790,843		96,790,843
Guaranteed Investment Contracts/Annuities	19,098			295,588		742,650	1,057,336
Alternatives					274,618,386		274,618,386
Real Estate					495,790,718	160,652,189	656,442,907
Other					823,528,470		823,528,470
Total Investments	\$ 872,833,113	\$ 7,766,436	\$ 125,200,327	\$ 28,116,016	\$ 2,116,408,937	\$ 230,754,796	\$ 3,381,079,625

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. All of the major discretely presented component units except the Kentucky Housing Corporation (KHC) has policies in place that limit the amount that can be invested in a single issuer to 5% of the total portfolio market value. KHC places no limit on the amount they may invest in any one issuer. More than five percent of the KHC's investments are in Fannie Mae, GNMA, U.S. Treasury and Dreyfus. These investments are 21%, 39%, 6% and 33%, respectively, of the KHC's total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Policies for controlling foreign currency risk will vary with each component unit, individual policies can be found in the notes to the financial statements of the respective component unit.

Of the major discretely presented component units only the University of Kentucky has foreign currency risk as of June 30, 2012. The university has \$7,262,000 in a pooled private equity fund and \$33,155,000 in common stock.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Note 6

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012
(Expressed in Thousands):

	Primary Government			Ending Balance
	Beginning Balance Restated	Additions	Decreases	
Primary Government:				
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 168,233	\$ 19,637	\$ (99)	\$ 187,771
Construction in progress	1,892,549	618,739	(684,389)	1,826,899
Infrastructure	18,669,497	638,354	(61,835)	19,246,016
Easements and Other Intangibles	124,558	4,515		129,073
Total capital assets not being depreciated	<u>20,854,837</u>	<u>1,281,245</u>	<u>(746,323)</u>	<u>21,389,759</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	16,489	3,347	(129)	19,707
Buildings	1,289,333	54,571	(3,099)	1,340,805
Machinery and Equipment	599,002	50,555	(39,024)	610,533
Easements and Other Intangibles	44,226	350		44,576
Total capital assets, being depreciated/amortized	<u>1,949,050</u>	<u>108,823</u>	<u>(42,252)</u>	<u>2,015,621</u>
<i>Less accumulated depreciation/amortization:</i>				
Improvements other than buildings	(7,693)	(613)	82	(8,224)
Buildings	(503,685)	(30,946)	1,921	(532,710)
Machinery and Equipment	(395,285)	(46,789)	34,153	(407,921)
Easements and Other Intangibles	(4,948)	(4,032)		(8,980)
Total accumulated depreciation	<u>(911,611)</u>	<u>(82,380)</u>	<u>36,156</u>	<u>(957,835)</u>
Total capital assets, being depreciated/amortized, net	<u>1,037,439</u>	<u>26,443</u>	<u>(6,096)</u>	<u>1,057,786</u>
Governmental activities capital assets, net	<u>\$ 21,892,276</u>	<u>\$ 1,307,688</u>	<u>\$ (752,419)</u>	<u>\$ 22,447,545</u>
Business-type activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,375	\$ 421	\$ (359)	\$ 21,437
Construction in progress	114,715	2,842	(13,185)	104,372
Total capital assets, not being depreciated	<u>136,090</u>	<u>3,263</u>	<u>(13,544)</u>	<u>125,809</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	122,227	11,338	(432)	133,133
Buildings	252,531	12,780	(488)	264,823
Machinery and Equipment	20,430	795	(483)	20,742
Easements and Other Intangibles	2,322			2,322
Total capital assets, being depreciated/amortized	<u>397,510</u>	<u>24,913</u>	<u>(1,403)</u>	<u>421,020</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(60,525)	(3,218)	267	(63,476)
Buildings	(112,413)	(7,902)	416	(119,899)
Machinery and Equipment	(11,372)	(1,338)	381	(12,329)
Easements and Other Intangibles	(1,107)	(116)		(1,223)
Total accumulated depreciation	<u>(185,417)</u>	<u>(12,574)</u>	<u>1,064</u>	<u>(196,927)</u>
Total capital assets, being depreciated/amortized, net	<u>212,093</u>	<u>12,339</u>	<u>(339)</u>	<u>224,093</u>
Business-type activities capital assets, net	<u>\$ 348,183</u>	<u>\$ 15,602</u>	<u>\$ (13,883)</u>	<u>\$ 349,902</u>

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Depreciation expense, charged to functions/programs of the primary government as follows:

(Expressed in Thousands)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Government	\$ 11,441	\$
Legislative and Judicial	461	
Commerce	2,652	
Education and Humanities	3,820	
Human Resources	3,825	
Justice	23,725	
Natural Resources and Environmental Protection	1,658	
Public Protection and Regulation	338	
Transportation	20,203	
Capital assets held by government's internal service funds are charged to the various functions based on usage of the assets	14,257	
State Parks		11,262
Horse Park		1,214
Insurance Administration		98
Total depreciation expense by activities	<u>\$ 82,380</u>	<u>\$ 12,574</u>

Discretely presented major component units

Capital asset activity for the year ended June 30, 2012

(Expressed in Thousands):

	<u>Component Units</u>			
	<u>Beginning Balance Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 171,149	\$ 4,658	\$ (1,090)	\$ 174,717
Construction in progress	226,440	87,932	(138,822)	175,550
Totals, capital assets not being depreciated	<u>397,589</u>	<u>92,590</u>	<u>(139,912)</u>	<u>350,267</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	203,675	15,455		219,130
Buildings	3,793,522	201,709	(2,840)	3,992,391
Machinery and Equipment	1,449,205	145,212	(56,146)	1,538,271
Total capital assets, being depreciated/amortized	<u>5,446,402</u>	<u>362,376</u>	<u>(58,986)</u>	<u>5,749,792</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(78,454)	(5,995)		(84,449)
Buildings	(1,281,419)	(112,618)	1,037	(1,393,000)
Machinery and Equipment	(978,229)	(102,160)	46,979	(1,033,410)
Total accumulated depreciation	<u>(2,338,102)</u>	<u>(220,773)</u>	<u>48,016</u>	<u>(2,510,859)</u>
Total capital assets, being depreciated/amortized, net	<u>3,108,300</u>	<u>141,603</u>	<u>(10,970)</u>	<u>3,238,933</u>
Component units capital assets, net	<u>\$ 3,505,889</u>	<u>\$ 234,193</u>	<u>\$ (150,882)</u>	<u>\$ 3,589,200</u>

Depreciation expense, charged to functions/programs of discretely presented major component units as follows:

(Expressed in Thousands)

Kentucky Housing Corporation	\$ 457
Kentucky Higher Education Student Loan Corporation	77
University of Kentucky	122,219
University of Louisville	67,381
Kentucky Community and Technical College System	29,264
Kentucky Lottery Corporation	1,375
Total depreciation expense by functions/programs	<u>\$ 220,773</u>

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Note 7

INTERFUND TRANSACTIONS

Interfund Transfers In and Out

The table below shows the interfund operating transfers for fiscal year 2012
(Expressed in Thousands):

Transfers In	Transfers Out				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$	\$ 40	\$ 56,973	\$ 10,250
Transportation Fund				996	474
Federal Fund					2,878
Agency Revenue Fund	42,575		14,009		5,031
Capital Projects Fund	1,474	5,964	6,434	36,580	
Debt Service	207,462	10,847	48,205	1,734	281
Non-Major Governmental Funds	109,802	99,647	14,159	285,131	1,858
State Parks Fund	30,203	100			2,337
Kentucky Horse Park Fund	5,852				575
Insurance Administration Fund			22		20,406
Internal Service Funds	789		95		1,725
Fiduciary Funds				17	
Total	\$ 398,157	\$ 116,558	\$ 82,964	\$ 381,431	\$ 45,815

Reasons for transfers:

- 1) to move resources from the General Fund, for budgetary purposes, to the fund that will expend them;
- 2) to move resources from funds recording the revenue to the Debt Service Fund, for debt service payments;
- 3) to move resources from the funds recording the revenue to the Capital Projects Fund to finance acquisition of capital assets; and

Interfund Receivables and Payables

The table below shows the interfund receivables and payables for fiscal year 2012
(Expressed in Thousands):

Interfund Receivables	Interfund Payables				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$ 1,173	\$ 4,008	\$ 8,113	\$ 2
Transportation Fund	5		48,107	601	1
Federal Fund	7,502			7,192	
Agency Revenue Fund	36,633	324	106,243		10
Capital Projects Fund			19	37	
Non-Major Governmental Funds	14,596	1	128	9,328	31
State Parks Fund	1,598	14	1	5	
Kentucky Public Employees Health Plan	61,859	2,766	3,005	3,120	
Insurance Administration Fund	3		3		2,629
Internal Service Funds	1,317	585	9	37	345
Total	\$ 123,513	\$ 4,863	\$ 161,523	\$ 28,433	\$ 3,018

Reasons for interfund payables and receivables:

- 1) to record sales by proprietary funds to other funds;
- 2) to record reimbursements of expenditures made in one fund for another fund;
- 3) to distribute program cost among funds; and
- 4) to record short-term loans from one fund to another.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Transfers Out

Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Fiduciary Funds	Total
\$ 29,447	\$	\$	\$ 38,762	\$	\$ 19,707	\$ 3,481	\$ 158,660
							1,470
							2,878
345,707			4,531	1,100	455		413,408
2,143	2			462	87		53,146
22,597	804				927		292,857
104,474	421			1,785			617,277
1,130		226					33,996
							6,427
						300	20,728
					800		3,409
			765				782
<u>\$ 505,498</u>	<u>\$ 1,227</u>	<u>\$ 226</u>	<u>\$ 44,058</u>	<u>\$ 3,347</u>	<u>\$ 21,976</u>	<u>\$ 3,781</u>	<u>\$ 1,605,038</u>

Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Insurance Administration Fund	Internal Service Funds	Total
\$ 8,556	\$ 3,598	\$	\$ 37,801	\$ 797	\$ 64,048
				721	49,435
9,743			7		24,444
11,547	31	4	436	317	155,545
					56
2,988	91		1	2,692	29,856
					1,618
6,843	548	44	427	401	79,013
					2,635
24	158		1	26	2,502
<u>\$ 39,701</u>	<u>\$ 4,426</u>	<u>\$ 48</u>	<u>\$ 38,673</u>	<u>\$ 4,954</u>	<u>\$ 409,152</u>

Note 8

PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS

Under the provisions of Kentucky Revised Statutes (KRS) 61.645, the Board of Trustees of the Kentucky Retirement Systems administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS).

The Commonwealth contributes to the KERS, a multiple-employer cost sharing defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. The System's administrative budget and employer contribution rates are subject to the approval of the Kentucky General Assembly. Employee contribution rates are set by the statute and may be changed only by the Kentucky General Assembly.

The Commonwealth is the predominant employer for KERS and for note disclosure purposes will be considered as a single employer plan.

CERS, a multiple employer cost sharing defined benefit pension plan, provides for retirement, disability, and death benefits to plan members.

SPRS is a single-employer defined benefit plan that covers all full-time State Troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended con-

tribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate is based on appraisals. Investments that do not have an established market are reported at estimated fair value.

Effective July 1, 2009, and on July 1 of each year thereafter, the Cost-of-living adjustments (COLA) is limited to 1.5 percent provided the recipient has been receiving a benefit for at least twelve months prior to the effective date of the COLA. The General Assembly reserves the right to suspend or reduce cost-of-living adjustments if in its judgment the welfare of the Commonwealth so demands.

Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System. The Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amount of contribution paid by the Funds is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Percent Paid by Insurance Fund</u>	<u>Percent Paid by Member Through Payroll Deduction</u>
20 or more	100%	0%
15 - 19	75%	25%
10 - 14	50%	50%
4 - 9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn ten dollars (\$10) per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Hazardous employees whose participation began on or after July 1, 2003 earn fifteen dollars (\$15) per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars (\$10) per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index for all urban consumers. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

In prior years, the employers' required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20-year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within twenty years.

Kentucky Retirement Systems commenced self-funding of healthcare benefits for its Medicare eligible retirees on January 1, 2006. A self-funded plan is one in which Kentucky Retirement Systems assumes the financial risk for providing healthcare to its retirees. The self-funded plan pays for claims out-of-pocket as they are presented instead of paying a pre-determined premium to an insurance carrier for a fully-funded plan.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

The Judicial Retirement Plan is a single employer defined benefit plan, which provides retirement, disability and death benefits to plan members and their beneficiaries. COLA are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125 percent benefit rate and the 60 month average earnings of the position held by the member at retirement not to exceed 1.50 percent. Contribution rates are established by KRS 21.525.

The percentage of medical insurance premiums paid by the Plan is based on years of service with the Systems, as follows:

Years of Service	Percent Paid by the Fund
4 years - 9 years 11 months	25%
10 years - 14 years 11 months	50%
15 years - 19 years 11 months	75%
20 years or more	100%

The Legislators' Retirement Plan is a single employer defined benefit plan providing retirement, disability, and death benefits to plan members and their beneficiaries. COLA are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.925 percent benefit rate and the 60 month average earnings of the position held by the member at the time of his retirement not to exceed 1.50 percent. Contribution rates are established by KRS 21.525.

The percentage of medical insurance premiums paid by the Plan is based on years of service with the Systems, as follows:

Years of Service	Percent Paid by the Fund
4 years - 9 years 11 months	25%
10 years - 10 years 11 months	50%
11 years - 11 years 11 months	55%
12 years - 12 years 11 months	60%
13 years - 13 years 11 months	65%
14 years - 14 years 11 months	70%
15 years - 15 years 11 months	75%
16 years - 16 years 11 months	80%
17 years - 17 years 11 months	85%
18 years - 18 years 11 months	90%
19 years - 19 years 11 months	95%
20 years or more	100%

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

The financial statements are prepared using the accrual basis of accounting. Plan member contributions to the plan are recognized when due and the employer has made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plans.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The Judicial Form Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing to the Judicial Form Retirement System, P.O. Box 791, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-5310.

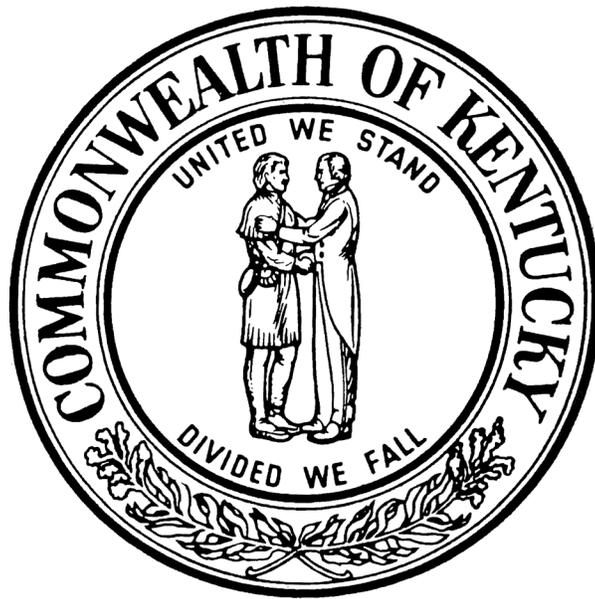
The Kentucky Teachers' Retirement System (KTRS) was established by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Section 990 of the Kentucky Revised Statutes. KTRS is a multiple-employer cost sharing defined benefit plan established to provide pension plan coverage for local school districts and other educational agencies in the state.

The Commonwealth is the predominant contributor to KTRS and for note disclosure purposes it will be considered as a single employer plan.

The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching are recognized in the fiscal year due. Plan investments are reported at fair value. Short-term securities are carried at cost, which approximates fair value. Fixed income and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges and security pricing services. Real estate is primarily valued based on appraisals performed by independent appraisers.

COLA are one and one-half percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

The Kentucky Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.



COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

	Kentucky Legislators' Retirement Plan		Kentucky Judicial Retirement Plan		State Police Retirement System	
	Pension	Insurance	Pension	Insurance	Pension	Insurance
Contribution rates:						
State	20.00%		15.00%	1.00%	52.13%	
Plan members	5.0%-6.0%		5.0%-6.0%		8.0%-9.0%	
Portion of State Contribution for Health Insurance						
Annual required contribution (ARC) (Thousands)	\$2,140		\$10,302	\$696	\$20,498	\$28,247
Contributions made (Thousands)	\$1,027		\$4,946	\$334	\$15,362	\$11,960
Actuarial valuation date	July 1, 2012		July 1, 2012		June 30, 2012	
Actuarial cost method	Projected unit credit		Projected unit credit		Entry age	
Amortization method	Interest + 1% Unfunded Past Liability open		Interest + 1% Unfunded Past Liability open		Level percent closed	
Remaining amortization period	25 years		25 years		25 years	
Asset valuation method	Market value		Market value		Five-year smoothed Market	
Actuarial assumptions:						
Investment rate of return	7.00%		7.00%		7.75%	4.50%
Inflation Rate					3.50%	
Projected salary increases	1%-3.5%		1%-3.5%		4.5%-21.0%	
Increases in Health Insurance Cost	5% - 11%		5% - 11%			5.0%-9.5%
(Dollar amounts in thousands)						
Actuarial Required						
Contribution (ARC)	\$ 2,140	\$	\$ 10,302	\$ 696	\$ 20,498	\$ 28,247
Interest on NPO/NOPEBO	52	(21)	346	16	3,145	5,634
Adjustment to ARC	(59)	24	(398)	(19)	(2,229)	(4,815)
Annual pension cost	2,133	3	10,250	693	21,414	29,066
Contributions made	1,027		4,946	334	15,362	11,960
Increase (Decrease) in NPO/NOPEBO	1,106	3	5,304	359	6,052	17,106
NPO/NOPEBO beginning of year	738	(301)	4,938	233	40,577	125,197
NPO/NOPEBO as of 6/30/12	<u>\$ 1,844</u>	<u>\$ (298)</u>	<u>\$ 10,242</u>	<u>\$ 592</u>	<u>\$ 46,629</u>	<u>\$ 142,303</u>
Percentage APC contributed	<u>48.1%</u>		<u>48.3%</u>	<u>48.2%</u>	<u>71.7%</u>	<u>41.1%</u>
6/30/2011						
Annual Pension Cost	\$ 2,145	\$ 4	\$ 10,315	\$ 698	\$ 19,230	\$ 26,491
Percentage APC Contributed	43.9%		44.0%	43.8%	65.8%	41.7%
NPO/NOPEBO as of 6/30/11	\$ 738	\$ (301)	\$ 4,938	\$ 233	\$ 40,577	\$ 125,197
6/30/2010						
Annual Pension Cost	\$ 381	\$ 64	\$ 4,525	\$ 840	\$ 19,424	\$ 32,659
Percentage APC Contributed	83.9%	93.8%	98.8%	98.8%	48.9%	27.3%
NPO/NOPEBO as of 6/30/10	\$ (465)	\$ (305)	\$ (843)	\$ (159)	\$ 34,004	\$ 109,757

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Kentucky Employees Retirement System				Kentucky Teachers' Retirement System	
Non-Hazardous		Hazardous		Pension	Insurance
Pension	Insurance	Pension	Insurance		
19.82%	5.0%-6.0%	28.98%	8.0%-9.0%	13.105%-14.105%	0.75%
6.5%-10.355%	1.25%-1.75%				
\$441,094	\$297,904	\$20,265	\$28,326	\$757,822	\$471,950
\$214,786	\$156,057	\$20,809	\$24,538	\$557,340	\$179,433
June 30, 2012			June 30, 2012		
Entry age			Entry age		
Level percent closed			Level percent open		
25 years			30 years		
Five-year smoothed Market			Five-year smoothed market		Market value of assets
7.75%	4.50%	7.75%	7.50%	7.5%-8.0%	
3.50%		3.50%	3.50%	3.50%	
4.75%-17.0%		4.5% - 21.0%	4.00% - 8.20%		
	5.0%-9.5%		5.0%-9.5%	5.0%-10.5%	
\$ 441,094	\$ 297,904	\$ 20,265	\$ 28,326	\$ 757,822	\$ 471,950
76,188	62,649	18,591	7,252	18,364	49,406
(54,010)	(53,546)	(13,179)	(5,141)	(12,271)	(39,260)
463,272	307,007	25,677	30,437	763,915	482,096
214,786	156,057	20,809	24,538	557,340	179,433
248,486	150,950	4,868	5,899	206,575	302,663
983,073	1,392,203	239,886	93,576	229,549	1,103,135
<u>\$ 1,231,559</u>	<u>\$ 1,543,153</u>	<u>\$ 244,754</u>	<u>\$ 99,475</u>	<u>\$ 436,124</u>	<u>\$ 1,405,798</u>
46.4%	50.8%	81.0%	80.6%	73.0%	37.2%
\$ 399,452	\$ 302,865	\$ 25,864	\$ 31,436	\$ 691,156	\$ 486,841
48.5%	42.7%	74.0%	63.5%	150.2%	39.1%
\$ 983,073	\$ 1,392,203	\$ 239,886	\$ 93,576	\$ 229,549	\$ 1,103,135
\$ 363,775	\$ 376,581	\$ 17,820	\$ 35,046	\$ 581,594	\$ 463,761
39.6%	27.2%	99.1%	63.5%	72.0%	37.8%
<u>\$ 777,375</u>	<u>\$ 1,218,674</u>	<u>\$ 233,163</u>	<u>\$ 82,093</u>	<u>\$ 576,329</u>	<u>\$ 806,697</u>

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Schedule of Funding Progress - Retirement Funds

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Kentucky Employees Retirement System</u>						
<u>Non-Hazardous</u>						
June 30, 2010	\$ 4,210,215,585	\$ 11,004,795,089	\$ 6,794,579,504	38.3	\$ 1,815,146,388	374.3
June 30, 2011	3,726,986,087	11,182,142,032	7,455,155,945	33.3	1,731,632,748	430.5
June 30, 2012	3,101,316,738	11,361,048,136	8,259,731,398	27.3	1,644,896,681	502.1
<u>Hazardous</u>						
June 30, 2010	\$ 502,729,009	\$ 688,149,451	\$ 185,420,442	73.1	\$ 143,557,994	129.2
June 30, 2011	510,748,505	721,293,444	210,544,939	70.8	133,053,792	158.2
June 30, 2012	497,226,296	752,699,457	255,473,161	66.1	131,976,754	193.6
<u>State Police Retirement System</u>						
June 30, 2010	\$ 304,577,292	\$ 612,444,806	\$ 307,867,514	49.7	\$ 51,506,712	597.7
June 30, 2011	285,580,631	634,379,401	348,798,770	45.0	48,692,616	716.3
June 30, 2012	259,791,575	647,688,665	387,897,090	40.1	48,372,506	801.9
<u>Judicial Retirement Plan</u>						
June 30, 2010	\$ 193,940,389	\$ 294,521,361	\$ 100,580,972	65.8	\$ 29,886,624	336.5
June 30, 2011	177,679,270	311,449,085	133,769,815	57.0	33,175,215	403.2
June 30, 2012	176,765,849	317,403,640	140,637,791	55.7	33,175,215	423.9
<u>Legislators' Retirement Plan</u>						
June 30, 2010	\$ 40,231,811	\$ 62,774,038	\$ 22,542,227	64.1	\$ 4,916,770	458.5
June 30, 2011	38,442,211	65,836,618	27,394,407	58.4	5,192,619	527.6
June 30, 2012	39,093,742	68,318,427	29,224,685	57.2	5,192,619	562.8
<u>Kentucky Teachers' Retirement System</u>						
June 30, 2010	\$ 14,851,330,000	\$ 24,344,316,000	\$ 9,492,986,000	61.0	\$ 3,321,614,000	285.8
June 30, 2011	14,908,138,000	25,968,692,000	11,060,554,000	57.4	3,451,756,000	320.4
June 30, 2012	14,691,371,000	26,973,854,000	12,282,483,000	54.5	3,479,567,000	353.0

Schedule of Funding Progress - Insurance Funds

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Kentucky Employees Retirement System</u>						
<u>Non-Hazardous</u>						
June 30, 2010	\$ 471,341,628	\$ 4,466,136,041	\$ 3,994,794,413	10.6	\$ 1,815,146,388	220.1
June 30, 2011	451,620,442	4,280,089,633	3,828,469,191	10.6	1,731,632,748	221.1
June 30, 2012	446,080,511	3,125,330,157	2,679,249,646	14.3	1,644,896,681	162.9
<u>Hazardous</u>						
June 30, 2010	\$ 314,427,296	\$ 493,297,529	\$ 178,870,233	63.7	\$ 143,557,944	124.6
June 30, 2011	329,961,615	507,058,767	177,097,152	65.1	133,053,792	133.1
June 30, 2012	345,573,948	384,592,406	39,018,458	89.9	131,976,754	29.6
<u>State Police Retirement System</u>						
June 30, 2010	\$ 121,175,083	\$ 434,960,495	\$ 313,785,412	27.9	\$ 51,506,712	609.2
June 30, 2011	123,687,289	438,427,763	314,740,474	28.2	48,692,616	646.4
June 30, 2012	124,372,072	333,903,782	209,531,710	37.2	48,372,506	433.2
<u>Judicial Retirement Plan</u>						
June 30, 2010	\$ 43,186,642	\$ 41,831,779	\$ (1,354,863)	103.2	\$ 29,886,624	(4.5)
June 30, 2011	41,791,088	43,643,278	1,852,190	95.8	33,175,215	5.6
June 30, 2012	43,466,197	45,474,043	2,007,846	95.6	33,175,215	6.1
<u>Legislators' Retirement Plan</u>						
June 30, 2010	\$ 23,908,481	\$ 19,434,535	\$ (4,473,946)	123.0	\$ 4,916,770	(91.0)
June 30, 2011	23,337,392	20,533,088	(2,804,304)	113.7	5,192,619	(54.0)
June 30, 2012	24,238,386	21,582,890	(2,655,496)	112.3	5,192,619	(51.1)
<u>Kentucky Teachers' Retirement System</u>						
June 30, 2010	\$ 329,129,000	\$ 3,298,897,000	\$ 2,969,768,000	10.0	\$ 3,321,614,000	89.4
June 30, 2011	383,346,000	3,511,237,000	3,127,891,000	10.9	3,451,756,000	90.6
June 30, 2012	430,987,000	3,685,938,000	3,254,951,000	11.7	3,479,567,000	93.5

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Membership of the retirement systems, at June 30, 2012, is shown in the following table:

	Kentucky Employees Retirement System		County Employees Retirement System		State Police Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Teachers' Retirement System	Total
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous					
Retirees and beneficiaries receiving benefits	36,508	2,180	42,068	5,513	1,203	306	175	46,094	134,047
Terminated plan members - vested	39,445	2,490	63,564	1,643	224	22	46	6,668	114,102
Active plan members	42,210	3,540	85,779	6,906	904	273	124	75,951	215,687
Total Members	<u>118,163</u>	<u>8,210</u>	<u>191,411</u>	<u>14,062</u>	<u>2,331</u>	<u>601</u>	<u>345</u>	<u>128,713</u>	<u>463,836</u>
Number of participating employers	385		1,129		1	1	1	208	1,725

Three year trend for contributions
(Expressed in thousands):

	Pension		Insurance		Total	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
<u>Kentucky Employees Retirement System</u>						
<u>Non-Hazardous</u>						
2010	\$ 348,495	41.3%	\$ 376,556	27.2%	\$ 725,051	34.0%
2011	381,915	50.7%	294,898	43.9%	676,813	47.7%
2012	441,094	48.7%	297,904	52.4%	738,998	50.2%
<u>Hazardous</u>						
2010	\$ 17,815	99.1%	\$ 35,045	63.5%	\$ 52,860	75.5%
2011	20,605	92.9%	29,585	67.4%	50,190	77.9%
2012	20,265	102.7%	28,326	86.6%	48,591	93.3%
<u>State Police Retirement System</u>						
2010	\$ 18,765	50.6%	\$ 30,302	29.4%	\$ 49,067	37.5%
2011	18,463	68.6%	25,773	42.9%	44,236	53.6%
2012	20,498	74.9%	28,247	42.3%	48,745	56.0%
<u>Judicial Retirement Plan</u>						
2010	\$ 4,512	99.1%	\$ 838	99.0%	\$ 5,350	99.1%
2011	10,302	44.0%	696	44.0%	10,998	44.0%
2012	10,302	48.0%	696	48.0%	10,998	48.0%
<u>Legislator's Retirement Plan</u>						
2010	\$ 375	85.3%	\$ 60	100.0%	\$ 435	87.4%
2011	2,140	44.0%			2,140	44.0%
2012	2,140	48.0%			2,140	48.0%
<u>Kentucky Teachers' Retirement System</u>						
2010	\$ 633,938	76.0%	\$ 459,047	38.2%	\$ 1,092,985	54.3%
2011	678,741	153.0%	479,449	39.7%	1,158,190	106.1%
2012	757,822	74.0%	471,950	38.1%	1,229,772	60.0%

Note 9

EMPLOYEE BENEFIT PLAN

Kentucky Public Employees' Deferred Compensation Plan

Employees of the Commonwealth, its cities, counties, and local school districts are eligible to participate in two deferred compensation plans as authorized by the United States Internal Revenue Code. These plans, labeled 457 and 401(k), after sections of the Code, are administered by the Personnel Cabinet and an independent Plan administrator. The Commonwealth, through a board of trustees as defined in KRS 18A.245, selects the administrator to oversee the daily operations and technical compliance of the Plans with applicable sections of the Internal Revenue Code. The Commonwealth's responsibilities consist of withholding payroll deductions for its employees, collecting employee withholdings of the cities, counties, and local school districts, and remitting those withholdings to the plan administrators holding fixed and variable annuity contracts (carriers). Both Plans permit employees to defer collecting a portion of their salary until future years. This deferment is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the 457 Plan and the 401(k) Plan are reported in a Pension Trust Fund within the fiduciary fund type, in compliance with Internal Revenue Code and GASB 32 requirements.

Of the \$742,207,396 in the 457 Plan at June 30, 2012, \$361,680,793 was applicable to the Commonwealth, while the remaining \$380,526,603 represents assets of the other jurisdictions participating in the Plan. The 401(k) Plan had total plan assets of \$1,240,773,823 at June 30, 2012, of which \$460,949,185 was applicable to the state while the remaining \$779,824,638 represents other participating jurisdictions.

Note 10

LEASE OBLIGATIONS

The Commonwealth has entered into various leases for buildings and equipment. Generally, leases contain termination clauses providing for cancellation after a 30-, 60-, or 90-days written notice. In addition, certain leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

A portion of the capital lease liability for the University and College Fund is applicable to leases with the Commonwealth.

Changes in leases payable for the year ended June 30, 2012, are summarized in Note 15, Changes in Long-Term Obligations.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

At June 30, 2012, capitalized leases included Buildings and Equipment as follows (Expressed in Thousands):

Buildings and Equipment acquired through capital leases are recorded at the lessor of fair market value or present value of future minimum lease payments.

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units-Major
Buildings	\$ 39,518	\$	\$ 470,427
Equipment	23,650	11,177	106,415
Other			72,374
Total	63,168	11,177	649,216
Less: Accumulated depreciation	(20,965)	(206)	(179,811)
Total Net of Depreciation	\$ 42,203	\$ 10,971	\$ 469,405

Future minimum rental commitments for capitalizable leases as of June 30, 2012, are as follows (Expressed in Thousands):

	Primary Government		Component Units-Major	Total
	Governmental Activities	Business-Type Activities	Universities, Colleges, and Related Entities	
2013	\$ 8,977	\$ 838	\$ 69,807	\$ 79,622
2014	8,371	1,466	57,884	67,721
2015	6,831	1,446	51,469	59,746
2016	5,578	1,386	45,006	51,970
2017	3,672	1,358	41,998	47,028
2018-2022	14,174	6,475	177,277	197,926
2023-2027	6,976	4,689	135,053	146,718
2028-2032			25,654	25,654
Total minimum lease payments	54,579	17,658	604,148	676,385
Less: Amount representing interest (1.50-63.60%)	(8,510)	(3,539)	(149,443)	(161,492)
Present value of future minimum lease payments	\$ 46,069	\$ 14,119	\$ 454,705	\$ 514,893

Note 11

RISK MANAGEMENT

The Commonwealth is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commonwealth utilizes the Risk Management Fund to account for these activities.

Fire and Tornado Insurance:

The Fire and Tornado Insurance Program is established to account for and finance its uninsured risk of loss arising from damages to State buildings and personal property. Under this program, coverage is provided for up to a maximum of \$500,000 per occurrence of loss for each insured subject of risk. The Fire and Tornado Insurance Program purchases reinsurance for claims in excess of coverage provided by the Program. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The claims liability of \$1,825,000 reported in the Program at June 30, 2012, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability

has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in Fiscal Years 2012 and 2011 were:

	Fiscal Year 2012	Fiscal Year 2011
Beginning of fiscal year liability	\$ 2,269,433	\$ 2,702,573
Incurred claims	11,751,273	7,392,318
Changes in estimates		
Claims payments	(12,195,706)	(7,825,458)
Balance at Fiscal Year End	\$ 1,825,000	\$ 2,269,433

Self-Insured Workers' Compensation:

The Workers' Compensation Program is self-insurance for the benefit of the Commonwealth's employees, and others as described in KRS 18A.370. Losses payable by the Program include medical claims and loss of wages as a result of an employment related injury. Premiums are established based upon estimated claims and administrative cost for the coming fiscal year. The Program carries reinsurance coverage for large individual or incident claims between \$5,000,000 and \$20,000,000.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

The actuarially determined aggregate claims liability of \$159,663,396 reported in the Program at June 30, 2012, includes both reported and unreported insured events, including estimates of future payments of losses and related claims' adjustments. Changes in the Program's claims liability amount in Fiscal Years 2012 and 2011 were:

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>
Beginning of fiscal year liability	\$ 147,195,678	\$ 133,533,497
Claims and claims adjustments incurred:		
Current year	21,268,922	20,371,606
Increase (Decrease) in Prior year	<u>10,372,705</u>	<u>12,794,065</u>
Total Claims and Claims Adjustments Incurred:	31,641,627	33,165,671
Claims and claims adjustment payments:		
Current year	(5,244,632)	(5,497,451)
Increase (Decrease) in Prior year	<u>(13,929,277)</u>	<u>(14,006,039)</u>
Total Claims and Claims Adjustment Payments	(19,173,909)	(19,503,490)
Balance at Fiscal Year End	<u>\$ 159,663,396</u>	<u>\$ 147,195,678</u>

Transportation Cabinet Workers' Compensation:

The Transportation Cabinet's Self-Insured Workers' Compensation Trust Program (the "Program") was organized on July 1, 1963, as a self-insurance fund administered by the Transportation Cabinet of the Commonwealth of Kentucky (the "Cabinet"). The purpose of the Program is to provide workers' compensation insurance to the employees of the Cabinet. The losses incurred by the Program are serviced by a designated third-party administrator who processes and reports all claims to the program.

The claims liability of \$29,074,740 reported in the Program at June 30, 2012, includes both reported and unreported insured events, including estimates of both future payments of losses and related claims adjustments expenses. Changes in the Program's claims liability amount in Fiscal Years 2012 and 2011 were:

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>
Beginning of fiscal year liability	\$ 28,698,647	\$ 22,282,187
Claims and claims adjustments incurred	4,103,560	3,472,000
Changes in estimates	(995,458)	6,112,259
Claims and claims adjustment payments	<u>(2,732,009)</u>	<u>(3,167,799)</u>
Balance at Fiscal Year End	<u>\$ 29,074,740</u>	<u>\$ 28,698,647</u>

Note 12

RISK POOLS

The Commonwealth's risk pools are the Insurance Administration Fund (enterprise fund) and the Grain Insurance Corporation (component unit). The Insurance Administration Fund includes the operations of five risk pools as follows: Workers' Compensation Insurance, Coal Workers Pneumoconiosis, Petroleum Storage Tank Assurance, Bond Pool, and Mine Subsidence Insurance. The Insurance Administration Corporation is reported as part of the primary government. The Grain Insurance Corporation is a risk pool reported as a discrete component unit.

Risk Pools - Enterprise Funds

Workers' Compensation Insurance:

The Kentucky Workers' Compensation Insurance Program, a risk sharing pool, covers preexisting conditions to protect employers from having to pay for injuries not sustained while under their employment, or more than once for disabilities resulting from the same accident. This Program encourages reemployment of injured workers at adequate wages by relieving the employer of the requirement of paying disability compensation in addition to full wages. The Program also covers claims against uninsured employers.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$835,335,356, as reported in the financial statements, is the present value of the aggregate actuarially determined claims liability of \$1,211,972,000, discounted at 3.5 percent, and net of the estimated realizable value of reimbursements. The claims adjusted liability of \$17,739,000, as reported in the financial statements is the present value of the aggregate actuarially determined liability of \$23,853,000, discounted at 3.5 percent, and net of the estimated realizable value of reimbursements.

The actuarially determined liabilities described above arise from projections included in a biennial actuarial report that was performed as of June 30, 2012. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years were:

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>
Beginning of fiscal year liability	\$ 1,305,797,000	\$ 1,467,116,000
Claims and claims adjustments incurred	7,538,000	6,760,000
Changes in estimates	(9,874,000)	(97,434,000)
Claims and claims adjustment payments	<u>(67,636,000)</u>	<u>(70,645,000)</u>
Balance at Fiscal Year End	<u>\$ 1,235,825,000</u>	<u>\$ 1,305,797,000</u>

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Coal Workers' Pneumoconiosis Fund:

The Coal Workers' Pneumoconiosis Fund (CWPF) was created within the Labor Cabinet through the enactment of House Bill No. 1 by the December 1996 Special Session of the General Assembly. The CWPF is liable for one-half of the income benefits and retraining incentive benefits for occupational pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal. The employer is liable for the remaining half.

In accordance with House Bill No. 1 from the December 1996 Special Session, the Kentucky Workers' Compensation Funding Commission shall impose a pneumoconiosis assessment to pre-fund the liabilities of the CWPF and to finance its administration. The assessment is 3.0 percent of workers' compensation premiums received on or after January 1, 1997, from employers engaged in the severance or processing of coal and an additional assessment of \$0.025 per ton imposed upon coal severed on or after January 1, 1997. All pneumoconiosis assessments collected by the Funding Commission are to be credited to a separate account within the Benefit Reserve Fund and to be transferred as necessary to pay administrative expenses and current claims of the CWPF.

The Coal Workers' Pneumoconiosis Fund establishes claims liability based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$16,195,842, as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$19,480,000, discounted at 3.5 percent. The claims adjustment liability of \$692,000, as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$831,000, discounted at 3.5 percent. Changes in the aggregate liability for claims and claims adjustments for the past two years were as follows:

As stated above, the Coal Workers' Pneumoconiosis Fund was created by the December 1996 Special Session of the General Assembly. Therefore, there are no provisions for claims prior to 1997.

	Fiscal Year 2012	Fiscal Year 2011
Beginning of fiscal year liability	\$ 18,922,000	\$ 17,526,000
Claims and claims adjustments incurred	2,995,000	2,763,000
Changes in estimates	(511,000)	(319,000)
Claims and claims adjustment payments	<u>(1,095,000)</u>	<u>(1,048,000)</u>
Balance at Fiscal Year End	<u>\$ 20,311,000</u>	<u>\$ 18,922,000</u>

Petroleum Storage Tank Environmental Assurance Program:

The Office of the Petroleum Storage Tank Environmental Assurance Program, a risk sharing pool, was created in the 1990 regular session of the Kentucky General Assembly. The purpose of the Program is to assist petroleum storage tank owners or operators in complying with federal financial responsibility requirements relating to petroleum storage tanks and in cleaning up contamination caused by leaking tanks. A fee paid (at a rate of one and four-tenths cents per gallon) by dealers on each gallon of gasoline funds the Program and special fuels received in the Commonwealth funds the program.

The Program insures petroleum storage tank owners or operators for cost incurred for cleanup and other corrective action required in cleaning up contamination caused by leaking petroleum storage tanks. The Program also provides coverage for third party claims against the owners or operators for damages sustained as a result of leaking storage tanks. Claims paid by the Program are subject to deductibles that are applied separately, by occurrence, for cleanup claims and third party damage claims. The deductible is set at \$1,000 per occurrence for owners or operators of five or less tanks, and at \$5,000 for owners or operators of six to ten tanks, and at \$25,000 for owners of more than ten tanks.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$205,143,056 that was reported in the financial statements is the aggregate actuarially determined claims liability and is not discounted. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years were:

	Fiscal Year 2012	Fiscal Year 2011
Beginning of fiscal year liability	\$ 249,383,873	\$ 240,719,503
Claims and claims adjustments incurred	24,516,193	35,148,825
Changes in estimates	(47,197,735)	
Claims and claims adjustment payments	<u>(21,559,275)</u>	<u>(26,484,455)</u>
Balance at Fiscal Year End	<u>\$ 205,143,056</u>	<u>\$ 249,383,873</u>

Bond Pool:

The Bond Pool was established in 1986 to provide an alternative bonding program for small to medium sized coal companies in Kentucky. Membership in the Pool is voluntary and prospective members must apply to become members. Applicants must meet standards set by the Bond Pool Commission to be accepted as members of the Bond Pool. These criteria, used to evaluate potential Bond Pool members, consider factors such as mining experience, reclamation history, and financial condition of the applicant.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

The Commission, based on the standards considered in the application process, rates accepted members. The members are rated and assessed an initial membership fee based on this rating. This fee ranges from \$1,000 to \$2,500. Additionally members pay tonnage fees of \$.05 per ton of surface mined coal and \$.01 per ton for underground mined coal. Provisions are also in effect where the tonnage fee is suspended for members who have participated in the Program for 36 months, or when the Program balance exceeds \$7 million.

The coal companies participating in the Program are required to post a permit specific bond based on the number of acres permitted and their rating in the Program. The Bond Pool in turn provides coverage for reclamation costs that exceed the permit specific bond but limits claims to the total amount of bond required by the permit. The Bond Pool does not pay claims for costs incurred in excess of the required bond amount.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$189,552, as reported in the financial statements, is the aggregate actuarially determined claims liability. The total change in claims adjustment liability during fiscal year 2012 was a decrease of \$26,286. Changes in the Program's aggregate liabilities for claims and claims adjustments for the past two years were:

	Fiscal Year 2012	Fiscal Year 2011
Beginning of fiscal year liability, as Restated	\$ 215,838	\$ 201,654
Claims and claims adjustments incurred		14,184
Changes in estimates	(26,286)	
Claims and claims adjustment payments		
Balance at Fiscal Year End	<u>\$ 189,552</u>	<u>\$ 215,838</u>

Mine Subsidence Insurance:

The Mine Subsidence Insurance Program is administered by the Department of Insurance. The provisions of the Program require that all insurance policies issued or renewed that insure a structure located in any county in the Commonwealth, except those specifically exempted by KRS 304.44-60, shall include a separately stated premium for mine subsidence damage coverage. This premium is assessed at the amount determined by the Program, and the insurer is required to code this coverage to the Program. The insurer may refuse to provide coverage where preexisting damage is determined to exist. The Program provides coverage subject to a deductible of 2 percent of the policy's total insured value or not less than \$250 and not more than \$500. The Mine Subsidence Program also limits its coverage to \$50,000 per structure.

GASB 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The Mine Subsidence Program had claims liability of \$106,500 at June 30, 2012. Changes in the Program's aggregate liabilities for claims and claims adjustments for the past two years were:

	Fiscal Year 2012	Fiscal Year 2011
Beginning of fiscal year liability	\$	\$
Claims and claims adjustments incurred	106,500	
Changes in estimates		
Claims and claims adjustment payments		
Balance at Fiscal Year End	<u>\$ 106,500</u>	<u>\$</u>

Kentucky Employees Health Plan:

Kentucky Employees Health Plan was established pursuant to KRS 18A.225, 18A.226, and 18A.227 to administrate and facilitate an employee health insurance program as part of a flexible benefits plan. The Department for Employee Insurance (the Department) is responsible for overseeing the Kentucky Employees Health Plan (KEHP).

The health benefits for governmental participants are funded by monthly premiums paid by individuals and state and local governmental units. A participant may extend coverage to dependents for an additional monthly premium based of the coverage requested. Premiums are collected by the Department and held in a trust fund until needed for the payment of benefits.

The Plan develops premium equivalent rates each year by utilizing historical trend information, current claims experience and national trends. An outside actuarial consultant advises the Plan Administrator regarding premium rates. If premium rates are changed, they become effective the beginning of a calendar year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

All state agencies and local boards of education in the Commonwealth are required to offer to their active employees the coverage selections offered by the Plan. Local government entities may elect to participate in the Plan.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

The Plan establishes liabilities for incurred but unpaid claims based on its estimate of the ultimate cost of settling claims that have been reported but not yet settled, and of claims that have been incurred but not yet reported. The claims liability \$88,616,372 that was reported in the financial statements is the aggregate actuarially determined claims liability. Changes in the aggregate liabilities for claims and claims adjustment expenses for the past two years are as follows:

	Fiscal Year 2012	Fiscal Year 2011
Beginning of fiscal year liability	\$ 88,616,372	\$ 78,000,000
Claims and claims adjustments incurred	1,659,367,224	1,513,794,807
Changes in estimates	(2,823,749)	4,267,010
Claims and claims adjustment payments	<u>(1,653,723,024)</u>	<u>(1,507,445,445)</u>
Balance at Fiscal Year End	<u>\$ 91,436,823</u>	<u>\$ 88,616,372</u>

Risk Pools - Component Units Grain Insurance:

The Grain Insurance Program was established to promote economic stability in agriculture by providing coverage to grain producers for losses incurred in the event of a financial failure of a grain dealer or grain warehousemen. The Program is funded by a half-cent per bushel assessment on all marketed grain produced in Kentucky. The Program also has provisions that the assessment can be suspended when the balance of the Program reaches \$3 million and if suspended will be reapplied when the balance of the Program drops to \$2 million.

The cash payments for claims expenses was \$15,078 during 2012; there was not a claims liability at June 30, 2012. This statement prescribes the reporting of a claim liability if information prior to the issuance of the financial statements indicates that a probable liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the Program's aggregate liabilities for claims and claims adjustments for the past two years were:

	Fiscal Year 2012	Fiscal Year 2011
Beginning of fiscal year liability	\$	\$
Claims and claims adjustments incurred	15,078	
Changes in estimates		
Claims and claims adjustment payments	<u>(15,078)</u>	
Balance at Fiscal Year End	<u>\$</u>	<u>\$</u>

Note 13

DEFEASANCE OF LONG-TERM DEBT

The School Facilities Construction Commission issues revenue bonds on behalf of local school districts to finance construction of new facilities or the major renovation of existing facilities. The Commission participates in the payment of debt service for qualifying districts. By statute, the Commission's portion of the savings from refunding issues goes to the school district. Therefore, the Commission's participation remains unchanged and the Commission does not experience an economic gain or loss on these transactions. Proceeds from the issues are placed in escrow accounts to pay the future debt service of the issue(s) being refunded. During the fiscal year ended June 30, 2012 the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated May 1, 2012, were issued for the Allen County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$349,104 maturing April 1, 2013 through April 01, 2023 and carrying interest rates from 2.00% to 3.00%.

Revenue refunding bonds dated June 5, 2012, were issued for the Anderson County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$313,485 maturing June 1, 2013 through June 01, 2024 and carrying an interest rate of 2.00%.

Revenue refunding bonds dated June 1, 2012, were issued for the Ashland Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$1,296,941 maturing February 1, 2013 through February 01, 2024 and carrying interest rates from 1.00% to 2.30%.

Revenue refunding bonds dated March 1, 2012, were issued for the Ballard County School District Finance Corporation to partially refund a 2002 & 2004 issue. The Commission's portion of the refunding issue was \$9,085,101 maturing June 1, 2012 through June 01, 2024 and carrying interest rates from 2.00% to 3.125%.

Revenue refunding bonds dated April 1, 2012, were issued for the Bardstown Independent School District Finance Corporation to partially refund a 2004A, 2004B, & 2004C issue. The Commission's portion of the refunding issue was \$113,783 maturing September 1, 2012 through September 1, 2023 and carrying interest rates from 1.150% to 2.50%.

Revenue refunding bonds dated February 1, 2012, were issued for the Barren County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$223,593 maturing August 1, 2012 through August 1, 2024 and carrying interest rates from 2.00% to 2.625%.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Revenue refunding bonds dated May 1, 2012, were issued for the Bath County School District Finance Corporation to partially refund a 1998 & 2004 issue. The Commission's portion of the refunding issue was \$772,036 maturing February 1, 2013 through February 1, 2024 and carrying interest rates from 1.10% to 2.35%.

Revenue refunding bonds dated February 1, 2012, were issued for Bell County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$217,280 maturing April 1, 2012 through April 1, 2023 and carrying interest rates from 1.00% to 2.125%.

Revenue refunding bonds dated February 1, 2012, were issued for the Berea Independent School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$196,665 maturing May 1, 2012 through May 1, 2023 and carrying an interest rate 2.00%.

Revenue refunding bonds dated December 11, 2011, were issued for the Boone County School District Finance Corporation to refund a 2002 issue. The Commission's portion of the refunding issue was \$414,390 maturing February 1, 2012 through February 1, 2013 and carrying interest rate of 2.00%.

Revenue refunding bonds dated March 15, 2012, were issued for the Bowling Green Independent School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$466,072 maturing May 1, 2012 through May 1, 2024 and carrying interest rates from 1.00% to 2.30%.

Revenue refunding bonds dated May 1, 2012, were issued for the Breathitt County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$418,503 maturing March 1, 2013 through March 1, 2024 and carrying interest rates from 1.50% to 2.375%.

Revenue refunding bonds dated March 1, 2012, were issued for the Burgin Independent School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$265,045 maturing February 1, 2013 through February 1, 2024 and carrying interest rates of .70% to 2.25%.

Revenue refunding bonds dated December 1, 2011, were issued for the Butler County School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$4,785,863 maturing June 1, 2012 through June 1, 2024 and carrying interest rates of 1.00% to 2.75%.

Revenue refunding bonds dated February 1, 2012, were issued for the Casey County School District Finance Corporation to partially refund a 2003 & 2004 issue. The Commission's portion of the refunding issue was \$3,421,794 maturing June 1, 2012 through June 1, 2024 and carrying interest rates of 1.00% to 2.25%.

Revenue refunding bonds dated April 18, 2012, were issued for the Caverna Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$283,316 maturing June 1, 2012 through June 1, 2024 and carrying interest rates of 1.10% to 2.625%.

Revenue refunding bonds dated November 1, 2011, were issued for the Corbin Independent School District Finance Corporation to partially refund a 2000 & 2001 issue. The Commission's portion of the refunding issue was \$389,289 maturing March 1, 2012 through March 1, 2021 and carrying an interest rate of 1.75%.

Revenue refunding bonds dated March 1, 2012, were issued for the Edmonson County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$1,055,000 maturing May 1, 2012 through May 1, 2024 and carrying interest rates from 1.10% to 2.30%.

Revenue refunding bonds dated November 15, 2011, were issued for the Elizabethtown Independent School District Finance Corporation to partially refund a 2003B issue. The Commission's portion of the refunding issue was \$396,049 maturing March 1, 2012 through March 1, 2023 and carrying interest rates from 1.50% to 2.60%.

Revenue refunding bonds dated January 1, 2012, were issued for the Elliott County School District Finance Corporation to partially refund a 2003B issue. The Commission's portion of the refunding issue was \$403,114 maturing March 1, 2012 through September 1, 2023 and carrying interest rates from .50% to 2.125%.

Revenue refunding bonds dated February 1, 2012, were issued for the Estill County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$1,214,793 maturing June 1, 2012 through June 1, 2024 and carrying interest rates from 1.00% to 2.25%.

Revenue refunding bonds dated June 7, 2012, were issued for the Fayette County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$6,487,357 maturing April 1, 2013 through April 1, 2025 and carrying interest rates from 3.00% to 4.00%.

Revenue refunding bonds dated February 1, 2012, were issued for the Fleming County School District Finance Corporation to partially refund a 2004 & 2004B issue. The Commission's portion of the refunding issue was \$595,280 maturing April 1, 2012 through October 1, 2023 and carrying interest rates from 1.00% to 2.125%.

Revenue refunding bonds dated April 1, 2012, were issued for the Floyd County School District Finance Corporation to partially refund a 2004A & 2004B issue. The Commission's portion of the refunding issue was \$1,211,795 maturing December 1, 2012 through December 1, 2023 and carrying interest rates from 1.35% to 2.50%.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Revenue refunding bonds dated February 9, 2012, were issued for the Glasgow Independent School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$3,835,000 maturing June 1, 2012 through June 2024 and carrying interest rates from 0.65% to 2.25%.

Revenue refunding bonds dated September 1, 2011 were issued for the Graves County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$827,286 maturing June 1, 2012 through June 1 2023 and carrying interest rates from 2.00% to 3.125%.

Revenue refunding bonds dated November 1, 2011 were issued for the Greenup County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$479,062 maturing March 1, 2012 through September 1 2023 and carrying interest rates from 1.10% to 2.625%.

Revenue refunding bonds dated January 1, 2012, were issued for the Hancock County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$4,908,025 maturing June 1, 2012 through June 1, 2024 and carrying an interest rate of 2.00% to 2.375%.

Revenue refunding bonds dated April 1, 2012, were issued for the Harrison County School District Finance Corporation to partially refund a 2003 & 2004 issue. The Commission's portion of the refunding issue was \$1,602,208 maturing August 1, 2012 through August 1, 2023 and carrying an interest rate of 0.50% to 2.25%.

Revenue refunding bonds dated November 1, 2011, were issued for the Hart County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$227,489 maturing May 1, 2012 through May 1, 2023 and carrying an interest rate of 0.75% to 2.50%.

Revenue refunding bonds dated February 1, 2012, were issued for the Henry County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$744,144 maturing May 1, 2012 through May 1, 2024 and carrying interest rates from 1.00% to 2.25%.

Revenue refunding bonds dated February 1, 2012, were issued for the Hickman County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$2,158,627 maturing June 1, 2012 through June 1, 2024 and carrying interest rates from .500% to 2.125%.

Revenue refunding bonds dated March 15, 2012, were issued for the Jefferson County School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$17,008,673 maturing January 1, 2013 through January 1, 2024 and carrying interest rates from 2.00% to 2.60%.

Revenue refunding bonds dated March 1, 2012, were issued for the Johnson County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$420,192 maturing June 1, 2012 through June 1, 2024 and carrying interest rates from 1.05% to 2.45%

Revenue refunding bonds dated February 1, 2012, were issued for the Kenton County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$8,115,842 maturing June 1, 2012 through June 1, 2024 and carrying an interest rate of 2.50%.

Revenue refunding bonds dated February 1, 2012, were issued for the Knox County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$5,256,910 maturing June 1, 2012 through December 1, 2023 and carrying interest rates from 2.00% to 2.625%.

Revenue refunding bonds dated November 1, 2011, were issued for the Laurel County School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$486,830 maturing June 1, 2012 through June 1, 2024 and carrying interest rates from 1.00% to 2.80%.

Revenue refunding bonds dated January 1, 2012, were issued for the Lawrence County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$619,824 maturing April 1, 2012 through April 1, 2023 and carrying interest rates from 1.25% to 2.125%.

Revenue refunding bonds dated October 1, 2011, were issued for the Letcher County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$2,130,000 maturing February 1, 2012 through August 1, 2023 and carrying interest rates from 1.00% to 3.125%.

Revenue refunding bonds dated February 1, 2012, were issued for the Letcher County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$924,626 maturing June 1, 2012 through June 1, 2024 and carrying interest rates from 2.00% to 3.00%

Revenue refunding bonds dated March 1, 2012, were issued for the Lewis County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$402,271 maturing August 1, 2012 through August 1, 2023 and carrying interest rates from 1.10% to 2.25%.

Revenue refunding bonds dated February 21, 2012, were issued for the Livingston County School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$3,998,309 maturing June 1, 2012 through June 1, 2024 and carrying interest rates from 1.00% to 2.50%.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Revenue refunding bonds dated January 26, 2012, were issued for the Logan County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$371,473 maturing May 1, 2012 through May 1, 2024 and carrying interest rates from 1.25% to 2.125%.

Revenue refunding bonds dated January 25, 2012, were issued for the Marion County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$500,819 maturing June 1, 2012 through June 1, 2023 and carrying interest rates from 1.25% to 2.125%.

Revenue refunding bonds dated November 30, 2011, were issued for the Marshall County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$328,885 maturing June 1, 2012 through June 1, 2024 and carrying interest rates from 2.00% to 2.625%.

Revenue refunding bonds dated April 01, 2012, were issued for the Mason County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$3,567,718 maturing March 1, 2013 through March 1, 2024 and carrying interest rates from 1.75% to 2.625%.

Revenue refunding bonds dated March 20, 2012, were issued for the Mayfield Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$135,346 maturing March 1, 2013 through March 1, 2024 and carrying interest rates from 0.60% to 2.30%.

Revenue refunding bonds dated February 1, 2012, were issued for the McCreary County School District Finance Corporation to partially refund a 2003B issue. The Commission's portion of the refunding issue was \$2,601,352 maturing May 1, 2012 through May 1, 2023 and carrying interest rates from 1.00% to 2.50%.

Revenue refunding bonds dated October 1, 2011, were issued for the Meade County School District Finance Corporation to partially refund a 2002 issue. The Commission's portion of the refunding issue was \$590,000 maturing May 1, 2012 through May 1, 2022 and carrying interest rates of 1.90%.

Revenue refunding bonds dated March 1, 2012, were issued for the Menifee County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$252,389 maturing May 1, 2012 through May 1, 2023 and carrying an interest rate from .500% to 2.150%.

Revenue refunding bonds dated February 1, 2012, were issued for the Mercer County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$158,476 maturing September 1, 2012 through September 1, 2023 and carrying interest rates from 0.750% to 2.125%.

Revenue refunding bonds dated January 1, 2012, were issued for the Monroe County School District Finance Corporation to partially refund a 1998 issue and a 2003 issue. The Commission's portion of the refunding issue was \$1,308,646 maturing April 1, 2012 through October 1, 2023 and carrying interest rates from 1.00% to 2.375%.

Revenue refunding bonds dated October 1, 2011, were issued for the Montgomery County School District Finance Corporation to partially refund a 1998 issue and a 2003 issue. The Commission's portion of the refunding issue was \$513,912 maturing April 1, 2012 through April 1, 2023 and carrying interest rates of 1.70% to 2.90%.

Revenue refunding bonds dated October 1, 2011, were issued for the Muhlenberg County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$800,082 maturing September 1, 2012 through September 1, 2023 and carrying interest rates of 1.25% to 2.125%.

Revenue refunding bonds dated January 1, 2012, were issued for the Muhlenberg County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$7,166,987 maturing April 1, 2012 through April 1, 2024 and carrying an interest rate of 2.00%.

Revenue refunding bonds dated February 23, 2012, were issued for the Murray County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$661,272 maturing March 1, 2013 through March 1, 2024 and carrying interest rates from 1.00% to 2.00%.

Revenue refunding bonds dated October 1, 2011, were issued for the Nelson County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$2,102,623 maturing April 1, 2012 through April 1, 2023 and carrying interest rates from .75% to 2.375%.

Revenue refunding bonds dated March 1, 2012, were issued for the Owensboro Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$1,365,000 maturing April 1, 2013 through April 1, 2024 and carrying interest rates from 2.00% to 2.50%.

Revenue refunding bonds dated March 1, 2012, were issued for the Owsley County School District Finance Corporation to refund a 2002. The Commission's portion of the refunding issue was \$8,761 maturing April 1, 2012 through October 1, 2012 and carrying an interest rate of 1.00%.

Revenue refunding bonds dated June 1, 2012, were issued for the Perry County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$931,236 maturing June 1, 2013 through June 1, 2024 and carrying interest rates of 1.10% to 2.25%.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Revenue refunding bonds dated March 1, 2012, were issued for the Pikeville Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$156,675 maturing June 1, 2012 through June 1, 2024 and carrying interest rates of 1.150% to 3.00%.

Revenue refunding bonds dated April 1, 2012, were issued for the Pineville Independent School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$42,245 maturing September 1, 2012 through September 1, 2023 and carrying interest rates of 1.00% to 2.625%.

Revenue refunding bonds dated June 1, 2012, were issued for the Raceland-Worthington Independent School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$1,152,896 maturing September 1, 2012 through September 1, 2023 and carrying interest rates from 1.05% to 2.25%.

Revenue refunding bonds dated November 1, 2011, were issued for the Rowan County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$2,187,755 maturing March 1, 2012 through September 1, 2023 and carrying interest rates from 1.00% to 2.75%.

Revenue refunding bonds dated October 1, 2011, were issued for the Science Hill Independent School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$8,557 maturing June 1, 2012 through June 1, 2014 and carrying interest rates from .700% to 1.00%.

Revenue refunding bonds dated November 15, 2011, were issued for the Shelby County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$1,617,068 maturing May 1, 2012 through May 1, 2024 and carrying interest rates from 0.70% to 2.80%.

Revenue refunding bonds dated March 1, 2012, were issued for the Silver Grove Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$210,553 maturing May 1, 2012 through May 1, 2024 and carrying interest rates from 1.60% to 2.45%.

Revenue refunding bonds dated February 15, 2012, were issued for the Somerset Independent School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$211,308 maturing June 1, 2012 through June 1, 2023 and carrying interest rates from 1.125% to 2.125%.

Revenue refunding bonds dated December 1, 2011, were issued for the Spencer County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$778,757 maturing February 1, 2012 through August 1, 2024 and carrying interest rates from 1.00% to 2.625%.

Revenue refunding bonds dated May 1, 2012, were issued for the Todd County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$70,233 maturing May 1, 2013 through May 1, 2023 and carrying interest rates from 1.10% to 2.25%.

Revenue refunding bonds dated February 1, 2012, were issued for the Trigg County School District Finance Corporation to partially refund a 2003 and a 2004 issue. The Commission's portion of the refunding issue was \$620,884 maturing May 1, 2012 through May 1, 2024 and carrying interest rates from 1.00% to 2.50%.

Revenue refunding bonds dated March 1, 2012, were issued for the Walton Verona Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$151,429 maturing June 1, 2012 through June 1, 2024 and carrying interest rates from 1.50% to 2.35%.

Revenue refunding bonds dated November 1, 2011, were issued for the Warren County School District Finance Corporation to partially refund a 2002 issue. The Commission's portion of the refunding issue was \$330,758 maturing April 1, 2012 through April 1, 2022 and carrying interest rates from 1.50% to 2.625%.

Revenue refunding bonds dated April 1, 2012, were issued for the Williamstown Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$237,364 maturing May 1, 2013 through May 1, 2023 and carrying interest rates from 1.625% to 2.25%.

Revenue refunding bonds dated February 1, 2012, were issued for the Wolfe County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$4,097,695 maturing May 1, 2012 through May 1, 2024 and carrying interest rates from 1.00% to 2.25%.

The State Property and Buildings Commission issued the following Revenue and Revenue Refunding Bonds.

\$43,700,000 of Revenue Refunding Bonds; Project No. 73-4 dated November 2, 2011 maturing November 1, 2012 through November 1, 2021 and carry interest rates of .950% to 3.909%. The net proceeds of the issue were 43,402,733 with a cost of issuance of 297,267. The net proceeds of the bond were deposited in Bond Repayment Fund to fully refund State Property and Buildings Commission, Project 73-2 maturing November 1, 2015 through November 1, 2021 and carrying interest rates of 2.50% to 5.50%. The refunding will result in increase cash flows in future periods of 2,762,195 and a present value savings of \$2,767,120 at 2.138%.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

\$354,635,000 Project 100 Series A Revenue and Revenue Refunding Bonds dated June 22, 2011 maturing August 1, 2013 through August 1, 2031 and carry interest rates of 2.00% to 5.00%. \$285,752,752 of the bond proceeds were deposited in Bond Repayment Fund for refunding of prior issues of bonds and notes maturing July 15, 2011 through October 1, 2020 and carry interest rates of 2.800% to 5.500%. The refunding consisted of : Kentucky Asset/Liability Commission 2003 Series A notes partially refunded in the amount of \$6,775,000 maturing on July 15, 2011 and carrying an interest rate of 3.00% to 5.00%, Project 68 bonds fully refunded in the amount of \$47,060,000 maturing on October 1, 2016 through October 1, 2020 and carrying an interest rate of 4.75% to 5.25%, Project 69, Series A bonds partially refunded in the amount of \$137,420,000 maturing August 1, 2011 through August 1, 2017 and carrying an interest rate of 4.25% to 5.50%, Project 71 bonds partially refunded in the amount of \$7,095,000 maturing on August 1, 2011 and carrying an interest rate of 4.30% to 5.50%, Project 72 bonds fully refunded in the amount of \$9,740,000 maturing October 1, 2011 through October 1, 2015 carrying an interest rate of 4.125% to 5.375%, Project 74 bonds fully refunded in the amount of \$15,295,000 maturing on August 1, 2011 through February 1, 2012 and carrying an interest rate of 4.40% to 5.375%, Project 76 bonds partially refunded in the amount of \$240,000 maturing August 1, 2011 carrying an interest rate of 4.25% , Project 77 bonds partially refunded in the amount of \$3,345,000 maturing August 1, 2011 carrying an interest rate of 3.875% to 5.00%, Project 82 bonds partially refunded in the amount of \$2,115,000 maturing October 1, 2011 carrying an interest rate of 3.00% to 5.00%, Project 83 bonds partially refunded in the amount of \$130,000 maturing October 1, 2011 carrying an interest rate of 2.80%, Project 85 bonds partially refunded in the amount of \$8,420,000 maturing August 1, 2011 and carrying an interest rate from 3.40% to 3.75%, Project 87 bonds partially refunded in the amount of \$1,825,000 maturing March 1, 2012 with an interest rate of 4.25% , Project 88 bonds partially refunded in the amount of \$18,220,000 maturing November 1, 2011 with an interest rate of 5.00%, Project 89 partially refunded in the amount of \$1,250,000 maturing November 1, 2011 and carrying an interest rate of 3.00% , Project 90 bonds partially refunded in the amount of \$6,715,000 maturing November 1, 2011 and carrying an interest rate of 4.00%, Project 95, Series A bonds partially refunded in the amount of \$13,365,000 maturing August 1, 2011 and carrying an interest rate of 4.00%. The refunding will result in increase cash flows in future periods of \$16,967,444 and a present value savings of \$16,605,459 at 3.464%.

\$73,905,000 of Revenue Refunding Bonds; Project No. 101 dated November 2, 2011 maturing October 1, 2012 through October 1, 2020 and carrying interest rates of 2.00% to 5.00%. The net proceeds of the issue were \$78,429,777 with a premium of \$4,425,847, issuer funds of \$444,300 and cost of issuance of \$345,370. The net proceeds were deposit in Bond Repayment Fund for refunding of prior issues of bonds maturing June 1, 2012 through June 1, 2021 and carrying interest rates of 4.50% to 6.00%. The refunding consisted

of: Infrastructure Wastewater, 2000 Series F fully refunded in the amount of \$1,535,000 maturing June 1, 2013 through June 1, 2019 and carrying interest rates of 5.65% to 6.00%, Infrastructure Wastewater, 2001 Series G fully refunded in the amount of \$6,770,000 maturing June 1, 2013 through June 1, 2021 and carrying interest rates of 4.50% to 5.00%, Infrastructure, 1997 Series L fully refunded in the amount of \$1,185,000 maturing June 1, 2013 through June 1, 2017 and carrying interest rates of 5.250% to 5.375%, Infrastructure, 1999 Series M fully refunded in the amount of \$2,275,000 maturing June 1, 2013 through June 1, 2014 and carrying interest rates of 4.750% to 4.875%, Infrastructure, 2020 Water Service, 2001 Series A fully refunded in the amount of \$31,450,000 maturing June 1, 2012 through June 1, 2021 and carrying interest rates of 5.00% to 5.25%, Infrastructure, Drinking Water, 2000 Series A fully refunded in the amount of \$2,170,000 maturing June 1, 2013 through June 1, 2019 and carrying interest rates of 5.65% to 6.00%, Infrastructure, Drinking Water, 2001 Series B fully refunded in the amount of \$3,490,000 maturing June 1, 2013 through June 1, 2021 and carrying interest rates of 4.50% to 5.00%, State Property and Buildings Commission, Project No. 74 fully refunded in the amount of \$27,555,000 maturing August 1, 2012 through August 1, 2015 and carrying interest rates of 4.500% to 5.375%. The refunding will result in increase cash flows in future periods of \$7,173,526 and a present value savings of \$7,183,541 at 2.138%.

Component Units

The Murray State University issued \$4,670,000 General Receipts Refunding Bonds, 2011 Series B and \$15,620,000 General Receipts Refunding Bonds, 2011 Series C dated June 22, 2011. The refunding bonds mature from September 1, 2011 through September 1, 2027 carrying an interest rate of 2.250% to 4.000%. The proceeds fully refunded the Housing and Dining System Revenue Bonds Series M, N, O, P and Q in the amount of \$21,000,000. The refunding will result in net savings (increase in cash flows) of \$2,050,609 and an economic gain (present value savings) of \$400,978.

The University of Kentucky issued \$25,370,000 of General Receipts Bonds, Series 2012A dated June 26, 2012 with a net interest cost of 2.48%. The refunding bonds mature from May 1, 2013 through May 1, 2024. The proceeds fully refunded the Consolidated Educational Building Revenue Bonds Series S and T. The refunding will result in net savings (increase in cash flows) of \$6,262,000 and an economic gain (present value savings) of \$5,507,000.

The University of Louisville issued \$14,560,000 of General Receipts Bonds, Series 2012A dated June 26, 2012 with a total interest cost of 2.10%. The refunding bonds mature from March 1, 2013 through March 1, 2023. The proceeds fully refunded the Consolidated Educational Building Revenue Bonds Series N and O of 2004. The refunding will result in net savings (increase in cash flows) of \$4,503,000 and an economic gain (present value savings) of \$1,637,000.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

The Western Kentucky University issued \$6,905,000 of General Receipts Refunding Bonds, 2011 Series A dated October 26, 2011. The refunding bonds mature from May 1, 2012 through May 1, 2023 carrying interest rates of 2.00% to 3.00%. The proceeds fully refunded the Consolidated Educational Building Revenue Bonds Series 2011A and 2012B.



Note 14

RELATED ORGANIZATIONS

The Commonwealth has several related organizations. The financial activities of these organizations are not included in the Commonwealth's financial statements. They are the East Kentucky Corporation, Eastern Kentucky Exposition Center Corporation, West Kentucky Corporation, West Kentucky Economic Development Fund, Northern Kentucky Convention Center Corporation, Kentucky Employer's Mutual Insurance Authority, Kentucky Wood Products Competitiveness Corporation, Commonwealth Seed Capital, LLC, and the Interstate Air Pollution Control Commission. The Commonwealth holds no economic interest in, nor has any financial responsibility for these organizations.

Note 15

LONG-TERM OBLIGATIONS

Long-Term Obligations

General Obligation Bonds are issued through the State Property and Buildings Commission, subject to general referendum approval required by the Kentucky Constitution. General obligation bonds pledge the full faith, credit, and taxing power of the Commonwealth and denote application of specific or general tax revenues to provide payment of principal and interest requirements on the debt. No new issues of this type have been issued since 1965, and none are outstanding or authorized but unissued at June 30, 2012.

Revenue Bonds - General authorization for the use of revenue bonds is contained in Chapter 58 of the Kentucky Revised Statutes. Specific authority is contained in the legislation and related KRS chapters creating and empowering the various debt issuing entities. Reference to such legislation and laws is made throughout the following entity descriptions. Effective July 15, 1980, KRS 56.870 requires prior approval of debt financing projects by the Kentucky General Assembly sitting in regular or special sessions. Succeeding statutes establish the methods for this approval and the exemptions from it. The majority of new debt issues are approved through the appropriation act. Per KRS 56.873, effective July 15, 1980, revenue bonds having passed the above mechanisms, and not requiring Commonwealth appropriations, must receive an "A" rating by Moody's Investors Service or the equivalent rating by another qualified rating agency prior to their sale.

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue debt issued by the Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Economic Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation, and Kentucky School Facilities Construction Commission is used as a financing mechanism for activities and facilities not used directly for State purposes. The tax-exempt status of such municipal debt, whether issued by State or local governments, is used to provide financing for entities unable to bear the costs of private financing when the General Assembly deems such entities worthy of public assistance. The other category of revenue debt finances facilities used directly by State Government in activities such as roads, parks, office buildings, and educational facilities. The primary distinction between these categories is that the first type, with the exceptions of the Kentucky School Facilities Construction Commission, which succeeds the Kentucky School

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Building Authority, and the Kentucky Infrastructure Authority, which succeeds the Kentucky Pollution Abatement and Water Resources Finance Authority, requires no State funds of any type to provide debt service, principal and interest payments on the debt. The School Facilities Construction Commission supplements funds provided by local governments and school boards in varying percentages for debt service. The Kentucky Infrastructure Authority may accept appropriations made by the General Assembly, in addition to State and Federal grants, related to the purposes for which it was created. This distinction is important in analyzing the true level of State debt and the burden of that debt on State resources.

During the fiscal year ended June 30, 2012 the debt issuing entities described below sold revenue and revenue refunding bonds as follows:

The Kentucky State Property and Buildings Commission is an independent agency of the Commonwealth created by KRS 56.450 and empowered upon application of any State agency to issue bonds in its own name to pay the costs of acquiring land and equipment, and the construction and equipping of buildings for the occupancy and/or use of said agencies.

The Commission issued \$484,900,000 in revenue and revenue refunding bonds as follows:

\$43,700,000 Project No.073-4 Taxable Road Fund Revenue Refunding Bonds, dated November 15, 2011. These Fourth Series Bonds mature November 1, 2012 through November 1, 2021 and carrying interest rates of 0.950% to 3.909%.

\$367,295,000 Project No. 100, Revenue and Revenue Refunding Bonds, dated July 7, 2011, were issued. These bonds consist of: \$354,635,000 Series A serial bonds maturing August 1, 2013 through August 1, 2031 and carrying interest rates of 2.00% to 5.00%; \$12,660,000 Taxable Series B Bonds maturing August 1, 2013 and carrying an interest rate of 1.270%.

\$73,905,000 Project No. 101, Revenue Refunding Bonds, dated November 15, 2011, were issued. These bonds mature October 1, 2012 through October 1, 2020 carrying interest rates of 2.00% to 5.00%.

The Turnpike Authority of Kentucky was created in the 1960 regular session of the General Assembly under present KRS sections 175.410 through 175.990 as a body corporate and politic constituting a municipal corporation, political subdivision, and instrumentality of the Commonwealth. The Authority is composed of the Governor, Lieutenant Governor, Attorney General, and Secretary of Transportation, Commissioner of Highways, State Highway Engineer, and Secretary of Economic Development. The Director of the Office of Financial Management currently serves as the Authority's Treasurer.

The Authority issued the following bonds during fiscal year 2012:

\$218,200,000 Economic Development Road Revenue Bonds (Revitalization Projects), 2012 Series A, dated February 15, 2012. The bonds mature July 1, 2016 through July 1, 2032, and carrying interest rates of 3.00% to 5.00%.

Kentucky Gas Pipeline Authority is a body corporate and politic to provide a financing mechanism for projects that will increase severance tax revenue for Kentucky, create jobs for Kentuckians, and create a competitive advantage in environmentally responsible development.

The authority issued no bonds during fiscal year 2012.

State Universities - The Board of Trustees of the University of Kentucky and the Boards of Regents of the University of Louisville, Eastern Kentucky University, Western Kentucky University, Murray State University, Morehead State University, Kentucky State University, and Northern Kentucky University are authorized under KRS 56.495 to issue debt for the purpose of constructing educational buildings and housing and dining facilities. In addition, the University of Louisville is specifically authorized to issue debt for educational buildings under KRS 64.860 but is limited to \$16 million of refunding debt.

State supported universities issued \$191,790,000 in General Receipts Bonds to finance various new construction projects and renovation of existing facilities as follows:

University of Kentucky issued \$25,370,000 General Receipts Refunding Bonds, 2012 Series A dated June 6, 2012. The bonds mature May 1, 2013 through May 1, 2024 and carry interest rates of 2.00% to 5.00%. The proceeds of the bond will be used to refund all the outstanding University of Kentucky Consolidated Educational Buildings Revenue Bonds, Series S and Series T and pay costs of issuing the 2012 Series A Bonds.

Northern Kentucky University issued \$9,290,000 General Receipts Bonds, 2011 Series A, dated July 21, 2011 consisting of: \$8,040,000 Series A Serial Bonds maturing September 1, 2013 through September 1, 2030 carrying interest rates of 2.00% to 4.00% and 4.00% Series A Term Bonds in the amount of \$1,250,000 due September 1, 2028. The proceeds of these bonds will be used to finance the acquisition of two radio licenses and equipment that will significantly expand the broadcast area of the University's current public radio station, acquire property in accordance with the land acquisition plan and pay costs of issuing the 2011 Series A Bonds.

University of Louisville issued \$33,790,000 General Receipts Bonds, Series A dated August 2, 2011. These bonds mature September 1, 2012 through September 1, 2031 carrying interest rates of 3.00% to 5.00%. This bond issue is subject to early redemption at the option

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

of the University. The proceeds will be used to finance the acquisition, construction, installation and equipping of an approximately 128,700 square foot student recreation center and payment of costs of issuing the 2011 Series A Bonds.

\$14,560,000 General Receipts Refunding Bonds, 2012 Series A dated May 30, 2012. These bonds mature March 1, 2013 through March 1, 2023 carrying interest rates of 2.50% to 5.00%. This bond issue is subject to early redemption at the option of the University. The proceeds of the bond will be used to refund the outstanding University of Louisville Consolidated Educational Buildings Revenue Bonds, Series N and Series O and pay costs of issuing the 2012 Series A Bonds.

Eastern Kentucky University issued \$21,480,000 General Receipts Bonds, 2011 Series A, dated November 17, 2011 consisting of: \$13,480,000 Series A Serial Bonds maturing October 1, 2012 through October 1, 2025 carrying interest rates of 2.00% to 3.50% and 4.00% Series A Term Bonds in the amount of \$8,000,000 due October 1, 2027, October 1, 2029 and October 1, 2031. This bond issue is subject to early redemption at the option of the University. The proceeds of the bond will be used to construct an 83,000 square foot suite style student housing facility.

Morehead State University issued \$5,090,000 General Receipts Bonds, 2011 Series A, dated July 14, 2011 consisting of: \$2,845,000 Series A Serial Bonds maturing November 1, 2012 through November 1, 2023 carrying interest rates of 2.00% to 3.625% and 4.00% Series A Term Bonds in the amount of \$585,000 due November 1, 2025, 4.00% Series A Term Bonds in the amount of \$625,000 due November 1, 2027 and 4.125% Series A Term bonds in the amount of \$1,035,000 due November 1, 2030. This bond issue is subject to early redemption at the option of the University. The proceeds of the bonds will be used to renovate East Mignon Residence Hall, a 196 bed residence hall constructed in 1965.

\$5,060,000 General Receipts Bonds, 2012 Series A dated June 14, 2012 consisting of: \$2,590,000 Series A Serial Bonds maturing November 1, 2013 through November 1, 2023 carrying an interest rate of 2.00% and 3.00%, Series A Term Bonds in the amount of \$560,000 due November 1, 2025, 3.375% Series A Term Bonds in the amount of \$590,000 due November 1, 2027, 3.500% Series A Term Bonds in the amount of \$635,000 due November 1, 2029 and 3.625% Series A Term Bonds in the amount of \$685,000 due November 1, 2031. This bond issue is subject to early redemption at the option of the University. The proceeds of the bonds will be used to renovate West Mignon Residence Hall, a 196 bed residence hall constructed in 1965.

Murray State University issued \$7,645,000 General Receipts Bonds, 2011 Series A, dated June 22, 2011 consisting of: \$6,825,000 Series A Serial Bonds maturing September 1, 2012 through September 1, 2031 carrying interest rates of 2.00% to 4.50% and 4.00%

Series A Term Bonds in the amount of \$820,000 due September 1, 2025. This bond issue is subject to early redemption at the option of the University. The proceeds of the bonds will be used to finance the renovation of Elizabeth Hall and pay costs of issuing the 2011 Series A Bonds.

\$4,670,000 General Receipts Refunding Bonds, 2011 Series B, dated June 22, 2011 consisting of: \$4,460,000 Series B Serial Bonds maturing September 1, 2011 through September 1, 2019 carrying an interest rate of 2.00% and 3.250% Series B Term Bonds in the amount of \$210,000 due September 1, 2021. This bond issue is subject to early redemption at the option of the University. The proceeds of the bonds will be used to refund the outstanding Housing and Dining Systems Revenue Bonds, Series M, Series N and Series O and pay costs of issuing the 2011 Series B Bonds.

\$15,620,000 General Receipts Refunding Bonds, 2011 Series C, dated June 22, 2011 consisting of: \$13,740,000 Series C Serial Bonds maturing September 1, 2011 through September 1, 2027 carrying interest rates of 2.00% to 4.00% Series C Term Bonds in the amount of \$1,880,000 due September 1, 2025. This bond issue is subject to early redemption at the option of the University. The proceeds of the bonds will be used to refund the outstanding Housing and Dining Systems Revenue Bonds, Series P and Series Q and pay costs of issuing the 2011 Series C Bonds.

Western Kentucky University issued \$6,905,000 General Receipts Refunding Bonds, 2011 Series A dated October 26, 2011. The bonds mature May 1, 2012 through May 1, 2023 and carry interest rates of 2.00% to 3.00%. This bond issue is subject to early redemption at the option of the University. The proceeds of the bond will be used to refund all the outstanding University's Consolidated Educational Buildings Revenue Bonds, Series P and pay costs of issuing the 2011 Series A Bonds.

\$35,860,000 General Receipts Bonds, 2012 Series A, dated May 23, 2012 consisting of: \$31,235,000 Series A Serial Bonds maturing May 1, 2013 through May 1, 2030 carrying interest rates of 2.00% to 3.50% and 5.00% Series A Term Bonds in the amount of \$4,625,000 due May 1, 2032. This bond issue is subject to early redemption at the option of the University. The proceeds of the bonds will be used to renovate Downing University Center Phase III.

\$6,450,000 General Receipts Refunding Bonds, 2012 Series B dated May 23, 2012. The bonds mature May 1, 2013 through May 1, 2023 and carry interest rates of 2.00% to 3.00%. This bond issue is not subject to early redemption prior to their stated maturities. The proceeds of the bond will be used to refund all the outstanding University's Consolidated Educational Buildings Revenue Bonds, Series Q and pay costs of issuing the 2012 Series B Bonds.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

The Kentucky Housing Corporation was established in 1972 under KRS Chapter 198A, as a municipal corporation. The Corporation is authorized to increase the supply of housing for persons of lower income by making or participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonably equivalent terms and conditions. The Corporation is limited to a \$2.125 billion total maximum principal value of debt outstanding.

The Corporation issued \$237,755,000 in Housing Revenue Bonds which consisted of the following:

\$50,000,000 of Housing Revenue Bonds dated December 15, 2011, consisting of: \$13,950,000 Series B (Non-AMT) Serial Bonds maturing semi annually January 1 and July 1, 2013 through July 1, 2023 carrying interest rates of .350% to 3.30%; \$1,860,000 3.625% Series B Term Bonds (Non-AMT) due January 1, 2025; \$4,190,000 4.250% Series B Term Bonds (Non-AMT) due July 1, 2027; \$30,000,000 2.520% 2009 Series C, Subseries C-4 Term Bonds (Non-AMT) due July 1, 2041. This bond issue is subject to early redemption at the option of the Corporation. The proceeds will be used to finance mortgage loans for persons and families of lower and moderate income in the Commonwealth.

\$187,755,000 Housing Revenue Bonds, 2012 Series A (Taxable) dated June 6, 2012, consisting of: \$95,770,000 serial bonds maturing semi annually January 1 and July 1, 2013 through July 1, 2022 and carrying interest rates from .530% to 3.618% and 4.268% term bonds of \$41,730,000 due January 1, 2028 and 4.25% term bonds of \$50,255,000 due July 1, 2033. This bond issue is subject to early redemption at the option of the Corporation. The proceeds will be used to fully refund the Corporation's 2002 Series A Bonds, 2002 Series C Bonds, 2002 Series D Bonds, 2002 Series E Bonds, 2002 Series F Bonds, 2003 Series A Bonds, 2003 Series B Bonds and 2003 Series C Bonds.

The Kentucky Infrastructure Authority was created by House Bill 217, passed into law during the 1988 regular session of the Kentucky General Assembly, to assist governmental agencies of the State with respect to the construction and acquisition of infrastructure projects as defined in the legislation. Pursuant to this Act, which amends KRS Chapter 224A, all powers, duties, and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority, including administration of debt service on revenue bonds previously issued by the Authority, are transferred to the Kentucky Infrastructure Authority, which is established as a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the State.

The authority issued \$111,345,000 Wastewater and Drinking Water Revolving Fund Revenue Bonds, Series 2012A dated April 19, 2012. The bonds mature February 1, 2013 through February 1, 2032 carrying

interest rates of 2.00% to 5.00%. This bond issue is subject to early redemption as described in the Official Document. The proceeds will be used to make a loan or loans to certain Governmental Agencies to finance infrastructure projects of those Governmental Agencies, or reimbursing the Authority for funds advanced for that purpose and pay the costs of issuance of the Series 2012A Bonds.

The Kentucky Higher Education Assistance Authority is the Commonwealth of Kentucky's agency for improving higher education opportunities by insuring eligible student loans and providing other financial aid and related services to eligible students. The Authority is an issuer of student loans pursuant to the Federal Higher Education Act of 1965, as amended in Kentucky and Alabama. As such, the Authority is responsible for issuing loan insurance, providing collection assistance to lenders for delinquent loans, paying lender claims for loans, and collecting defaulted loans on which claims have been paid.

The authority issued no bonds during fiscal year 2012.

The Kentucky Higher Education Student Loan Corporation is empowered by KRS Chapter 164A to make and reinsure student loans with the United States of America, pursuant to the Federal Higher Education Act of 1965, and as a body corporate and politic acts as a financing authority to assure a secondary market for insured student loans. The Corporation is governed by board of directors appointed by the Governor, as prescribed in KRS 164A.050. The Corporation is limited to a maximum principal outstanding of \$5 billion.

The authority issued no bonds during fiscal year 2012.

The Kentucky Local Correctional Facilities Construction Authority is a body corporate and politic as well as an agency and instrumentality of the Commonwealth created in 1982 pursuant to KRS 441.605 through 441.695, as amended, to provide additional and alternative methods for acquiring, constructing, improving or repairing, and financing both regional and local jail facilities.

The authority issued no bonds during fiscal year 2012.

The School Facilities Construction Commission was created by act of the 1985 Extraordinary Session of the Kentucky General Assembly as the successor agency to the Kentucky School Building Authority (KSBA) and empowered pursuant to KRS 157.640 with all rights of successorship necessary to assure all legal and contractual functions and liabilities associated with the outstanding bonds issued in the name of the Authority, including refunding of then existing Authority debt. The Commission is an independent corporate agency and instrumentality of the Commonwealth pursuant to KRS 157.611 through 157.640 and empowered therein to: (1) act on behalf of local school districts to issue bonds in the name of the Commission and to enter into lease agreements with local boards of education to finance construction of new facilities or major

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

renovation of existing facilities; (2) enter into agreements which may provide for a percentage discount, on a biennially renewable basis, of annual lease agreements due the Commission for those districts which participate; and (3) enter into lease agreements with the Department of Education to build State-owned facilities operated by the Department of Education.

During the fiscal year ended June 30, 2012, the Commission sold \$243,718,256 school building revenue and revenue refunding bond issues having aggregate state participation of \$243,718,256 maturing through June 1 2032, at interest rates of 0.75% to 5.00%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 2012, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012. Copies of this report are available from the Division of Statewide Accounting, Financial Reporting Branch, 484 Capitol Annex, Frankfort, Kentucky 40601.

The Kentucky Agricultural Finance Corporation is a public corporation and governmental agency of the Commonwealth established by Act of the 1984 General Assembly for the purpose of “improving and promoting the health, welfare, and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures.” The Authority’s bond program is designed to help lender banks and other financial institutions assist eligible farmers in obtaining low interest loans through the issuance of tax-exempt agricultural revenue bonds. The Authority’s debt does not constitute a legal or moral obligation of the Commonwealth, and this debt is not included in these general-purpose financial statements.

The Corporation issued no bonds during the fiscal year ended June 30, 2012.

The Kentucky Economic Development Finance Authority established in 1958 under KRS Chapter 154, is an independent agency of the Commonwealth that operates in close cooperation with the Secretary of the Economic Development Cabinet to promote the industrial development of Kentucky.

The Authority issued no bonds during the fiscal year ended June 30, 2012.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 2012, are as follows (Expressed in Thousands):

Long-Term Obligations	Principal Outstanding	Interest Rate	Annual Maturity To
Agency:			
State Property and Buildings Commission	\$ 4,177,350	0.95%-7.65%	2031
Kentucky School Facilities Construction Commission	904,045	0.50%-6.50%	2032
Turnpike Authority of Kentucky	1,474,335	2.00%-5.75%	2032
Total	\$ 6,555,730		

Future revenue bond debt service requirements, to be paid with State Funds, at June 30, 2012, are as follows (Expressed in Thousands):

Year Ending June 30	Principal	Interest	Totals
2013	\$ 349,405	\$ 276,145	\$ 625,550
2014	384,202	270,367	654,569
2015	389,520	254,144	643,664
2016	401,776	236,957	638,733
2017	410,426	219,737	630,163
2018-2022	2,254,633	802,537	3,057,170
2023-2027	1,555,563	358,458	1,914,021
2028-2032	791,920	65,645	857,565
2033-2037	18,285	424	18,709
Total	\$ 6,555,730	\$ 2,484,414	\$ 9,040,144

Component Unit Revenue Bonds Payable	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky Housing Corporation *	\$ 1,906,435	0.17-6.06%	2042
Kentucky Infrastructure Authority*	343,830	2.00-5.70%	2032
Kentucky Higher Education Student Loan Corporation	947,070	0.20-1.75%	2038
Kentucky Local Correctional Facilities Construction Authority *	7,295	5.25-5.25%	2015
Kentucky State Fair Board*	42,885	2.00-5.00%	2023
University of Kentucky*	247,490	1.50-4.50%	2040
University of Louisville*	320,205	1.10-6.46%	2035
Eastern Kentucky University	51,985	4.0-4.80%	2032
Western Kentucky University*	210,520	1.50-5.00%	2032
Murray State University *	46,075	2.0-4.5%	2032
Morehead State University	56,345	1.27-6.0%	2031
Kentucky State University	4,165	2.0-3.625%	2027
Northern Kentucky University*	93,825	2.00-4.375%	2031
Total Component Unit Revenue Bonds Payable	\$ 4,278,125		

* Amounts reflect original issue

Future revenue bond debt service requirements for bonds issued by the Commonwealth's Component Units at June 30, 2012, are as follows (Expressed in Thousands):

Year Ending June 30	Principal	Interest	Totals
2013	\$ 306,938	\$ 459,379	\$ 766,317
2014	137,469	327,471	464,940
2015	141,593	194,288	335,881
2016	132,752	127,388	260,140
2017	135,431	122,631	258,062
2018-2022	757,504	528,524	1,286,028
2023-2027	770,247	371,829	1,142,076
2028-2032	1,032,176	211,720	1,243,896
2033-2037	649,535	77,208	726,743
2038-2042	214,480	8,823	223,303
Total	\$ 4,278,125	\$ 2,429,261	\$ 6,707,386

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

NOTES PAYABLE At June 30, 2012, the following entities had notes payable as follows:

The Kentucky Asset/Liability Commission, created by House Bill 5 enacted by the 1997 Extraordinary Session of the Kentucky General Assembly, develops policies and strategies to minimize the impact of fluctuating interest rates on the Commonwealth's interest-sensitive assets and liabilities. It is authorized to issue tax and revenue anticipation notes, project notes and funding notes. Tax and revenue notes are to be used for the purpose of providing monies to discharge expenditure demands in anticipation of revenues and taxes to be collected during the fiscal year. Project notes are to be used for authorized projects upon request of the Finance and Administration Cabinet, to be repaid through financing agreements or alternative agreements. Funding notes are to be used for the purpose of funding judgments against the Commonwealth or any state agency.

The Commission authorized the execution of a loan agreement to obtain a loan from a lending institution not to exceed \$100,000,000 on May 11, 2012 for the purpose of providing interim financing for an authorized project ; and authorizing a financing/lease agreement, subleases, and other agreements that may be entered into, all related to such loan. The Commission secured a loan agreement from Citi Bank for an amount not to exceed \$65,000,000. On June 27, 2012 the Commission drew down \$35,000,000 from this line of credit at an interest rate of 0.50% with repayment due July 1, 2013. There is a capital charge of 0.30% on the undrawn amounts of credit. The State Property and Buildings Commission will provide permanent financing for projects utilizing this interim financing arrangement.

The Kentucky Horse Park entered into two Assistance Agreements with the Kentucky Infrastructure Authority dated January 1, 2010 and April 1, 2010. Both of these agreements are ARRA and the total funds received by KIA are \$1,950,000. Of this total, \$494,950 is principal forgiveness, leaving a total amount of \$1,455,050 to be drawn by the Park from KIA. As of June 30, 2012, \$1,172,090 has been drawn on this project. No principal payments have been made to date and principal payments will not begin until the project is complete.

The Component Units of the Commonwealth reported notes payable of \$648,645,000 in their individual audited financial statements, details concerning their notes payable are presented in the notes to those financial statements. A copy of their individual financial statements may be obtained from the component unit, at the address shown on pages 118 and 119.

Other Long-term Liabilities - The General Fund, special revenue, and internal service funds in which leases are recorded will liquidate the capital lease obligations. The compensated absences will be liquidated by applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension obligations will be liquidated by the State's governmental and internal service funds that contribute toward the pension funds, based on the statutorily required contribution rates. The General Fund and transportation-related Special Revenue fund will generally liquidate other claims and judgments attributable to the governmental activities.

Memorandum of Understanding (MOU) - The Commonwealth of Kentucky has entered into an understanding with The Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC). The Corporation has issued Lease Revenue Bond, Series 2011A (Eastern State Hospital) in the amount of \$138,635,000. These bonds are special and limited obligation of the corporation and do not constitute a debt, liability, or obligation or a pledge of the full faith and credit or taxing power of the Corporation or the Commonwealth of Kentucky. The bonds were issued in order to construct, furnish and equip a new State Mental Health Hospital with the understanding that the Commonwealth will fund the debt service of the Corporation by making Biennial Appropriations for this purpose. The net proceeds from the bond issue have been deposited in the Commonwealth of Kentucky's account and construction costs are being recorded as Construction in Progress. The debt service requirement for the memorandum of understanding is shown in the chart below.

*Future debt service requirements, under Memorandum of Understanding
to be paid with State Funds, at
June 30, 2012, are as follows (Expressed in Thousands)*

Year Ending June 30	Principal	Interest	Totals
2013	\$	\$ 7,085	\$ 7,085
2014	4,175	7,085	11,260
2015	4,380	6,876	11,256
2016	4,600	6,658	11,258
2017	4,830	6,428	11,258
2018-2022	28,025	28,264	56,289
2023-2027	35,800	20,502	56,302
2028-2032	46,105	10,190	56,295
2033-2037	10,720	536	11,256
Total	<u>\$ 138,635</u>	<u>\$ 93,624</u>	<u>\$ 232,259</u>

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

Pollution Remediation Liabilities - GASB Statement 49 establishes the guidance reporting entities are to use in estimating and reporting potential cost which may be incurred for pollution remediation. GASB 49 requires the Commonwealth to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the Commonwealth is compelled to take action;
- The Commonwealth is in violation of a pollution related permit or license;
- The Commonwealth is named or has evidence that it will be named as a responsible party by a regulator;
- The Commonwealth is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- The Commonwealth commences or legally obligates itself to conduct remediation activities.

The Commonwealth has remediation activities underway and these are in stages from site investigation, planning and design, clean up, and site monitoring. Several agencies, within state government, have as a part of their mission the responsibility to investigate possible pollution sites, and oversee the remediation of those sites. These agencies have the expertise to estimate the remediation obligations presented herein based on prior experience in identifying and funding similar remediation activities. The remediation liabilities reported have been calculated using the expected cash flow technique. Situations posing potential liabilities, for which a reasonable estimate could not be made, have not been included.

The remediation obligation estimates presented in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to the estimates. Prospective recoveries from responsible parties may reduce the Commonwealth's obligation. The amounts recorded as obligations are shown in the accompanying chart.

Unemployment Insurance Administration Fund Loan - The Commonwealth of Kentucky has entered into a loan agreement in the amount of \$47,717,000. The proceeds of the loan will be used to repay obligations owed to the Unemployment Compensation Administration Fund for prior year interest charges incurred under the Act and estimated future interest payments owed under the Act. The loan will be repaid through a dedicated state surcharge enacted by the 2012 General Assembly in House Bill 495. The debt service requirement for the loan is shown in the chart below.

Unemployment Insurance Liability to the Federal Government - The downturn in the economy created an increased demand for unemployment insurance payments. The increased demand depleted the funds the Commonwealth had on deposit with Federal government to pay claims. As a result, the Commonwealth has borrowed money from the Federal government to pay unemployment insurance claims. At June 30, 2012 the amount borrowed was \$954.2 million. The loan is being repaid by amounts resulting from the Federal Unemployment Tax Credit Reduction Act and changes in the Commonwealth's Unemployment Insurance Program.

*Future debt service requirements, under Unemployment Insurance Administration Fund Loan
June 30, 2012, are as follows (Expressed in Thousands)*

Year Ending June 30	Principal	Interest	Totals
2013	\$	\$ 892	\$ 892
2014		944	944
2015	5,982	855	6,837
2016	6,076	738	6,814
2017	11,323	538	11,861
2018-2022	24,336	299	24,635
Total	<u>\$ 47,717</u>	<u>\$ 4,266</u>	<u>\$ 51,983</u>

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

*Future debt service requirements for aggregated Notes Payable for the Primary Government
at June 30, 2012, are as follows (Expressed in Thousands)*

Year Ending June 30	Principal	Interest	Totals
2013	\$ 139,020	\$ 66,723	\$ 205,743
2014	179,035	61,614	240,649
2015	145,025	56,177	201,202
2016	146,330	50,550	196,880
2017	142,555	44,665	187,220
2018-2022	601,020	131,706	732,726
2023-2027	242,285	29,036	271,321
2028-2032	26,385	629	27,014
Total	<u>\$ 1,621,655</u>	<u>\$ 441,100</u>	<u>\$ 2,062,755</u>

*Future debt service requirements for aggregated Notes Payable for the Component Units at
June 30, 2012, are as follows (Expressed in Thousands)*

Year Ending June 30	Principal	Interest	Totals
2013	\$ 38,595	\$ 4,883	\$ 43,478
2014	563,779	4,495	568,274
2015	4,940	1,638	6,578
2016	3,902	1,502	5,404
2017	22,002	1,162	23,164
2018-2022	8,159	1,733	9,892
2023-2027	3,938	767	4,705
2028-2032	2,725	362	3,087
Thereafter	605	21	626
Total	<u>\$ 648,645</u>	<u>\$ 16,563</u>	<u>\$ 665,208</u>

Changes in long-term liabilities for the fiscal year ended June 30, 2012, are summarized as follows (Expressed in Thousands)

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due In One Year	Due Thereafter
Governmental Activities						
Compensated absences	\$ 223,519	\$ 3,727	\$ (936)	\$ 226,310	\$ 159,551	\$ 66,759
Capital leases	30,877	22,473	(7,281)	46,069	7,487	38,582
Claims liability	178,164	47,496	(35,097)	190,563	19,091	171,472
Notes payable	1,715,915	82,717	(129,260)	1,669,372	139,020	1,530,352
Bonds payable	6,241,628	946,819	(632,717)	6,555,730	349,405	6,206,325
Unamortized premiums	264,392	74,049	(27,219)	311,222	16,587	294,635
Unamortized discounts	(15,820)	(927)	2,917	(13,830)	(737)	(13,093)
Deferred amount on refunding	(4,399)	12,867	225	8,693	463	8,230
Judgments and contingent liabilities	36,501	11,835	(7,015)	41,321	24,656	16,665
LFUCGPFC MOU obligations	138,635			138,635		138,635
Pollution remediation liabilities	27,960	6,671	(3,528)	31,103	6,245	24,858
Unfunded employer pension contributions	4,213,106	949,366		5,162,472		5,162,472
Total Governmental Activities	<u>13,050,478</u>	<u>2,157,093</u>	<u>(839,911)</u>	<u>14,367,660</u>	<u>721,768</u>	<u>13,645,892</u>
Business-Type Activities						
Compensated absences	7,706	1,940	(1,534)	8,112	4,288	3,824
Capital leases	3,423	11,088	(392)	14,119	370	13,749
Claims and claims adjustment liability	1,267,741	1,689,960	(1,792,679)	1,165,022	192,471	972,551
Judgments and contingent liabilities	142	189	(69)	262	262	
Notes payable	1,172			1,172		1,172
Loans payable to the Federal government	948,662	35,738	(30,187)	954,213		954,213
Total Business-Type Activities	<u>2,228,846</u>	<u>1,738,915</u>	<u>(1,824,861)</u>	<u>2,142,900</u>	<u>197,391</u>	<u>1,945,509</u>
Total Primary Government	<u>\$ 15,279,324</u>	<u>\$ 3,896,008</u>	<u>\$ (2,664,772)</u>	<u>\$ 16,510,560</u>	<u>\$ 919,159</u>	<u>\$ 15,591,401</u>
Major Component Units						
Compensated absences	\$ 21,623	\$ 16,426	\$ (14,483)	\$ 23,566	\$ 15,500	\$ 8,066
Capital leases	492,237	21,065	(58,597)	454,705	50,494	404,211
Prize liability	100,285	4,314	(22,994)	81,605	38,486	43,119
Notes payable	676,332	80,096	(139,522)	616,906	34,323	582,583
Bonds payable	3,714,775	316,621	(600,140)	3,431,256	261,800	3,169,456
Total Major Component Units	<u>\$ 5,005,252</u>	<u>\$ 438,522</u>	<u>\$ (835,736)</u>	<u>\$ 4,608,038</u>	<u>\$ 400,603</u>	<u>\$ 4,207,435</u>

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Interest Rate Swap Agreements - The Commonwealth currently has four outstanding interest rate swaps. Each of these swaps were entered into to synthetically fix the interest rate on floating rate bonds. The notes were issued concurrent with the execution of the swap. Each of the interest rate swaps amortizes to match the sinking fund schedule of the hedged notes.

Credit Risk - There are certain collateral and termination requirements triggered by credit rating and minimal capital thresholds for the counterparty, and termination requirements triggered by credit ratings thresholds for the Commonwealth Asset Liability Commission. Those thresholds are not being met as of June 30, 2012. There is no collateral pledged by either.

Interest Rate Risk - The Commonwealth's interest rate swaps were designed to synthetically fix the rate on four floating rate debt issuances. In order to achieve this goal, the amortization schedules, floating rate formula and index, pricing dates and other variables of both the floating rate side of the swap and the debt are exactly matched. Using the Synthetic Instrument Method for determining hedge effectiveness showed a 100% for each derivative. Because the pricing dates, formulas and indices are identical, there is no basis risk.

Termination Risk - Mandatory termination of each of these swaps would be triggered if the credit ratings of the Commonwealth State Property and Building Commission were to fall below BBB by Standard and Poor's or Baa2 by Moody's or if the credit ratings of the counterparty were to fall below A3 by Moody's or A- by Standard and Poor's or if the credit ratings of the insurer falls below A3 by Moody's and A- by Standard and Poor's. Additional mandatory termination events include default, merger without assumption and failure to perform under the ISDA or indenture by any of the parties. The Commonwealth has the right to exercise optional early termination on each of these swaps with the consent of the insurer. The counterparty does not have the right of optional early termination. Any early termination shall occur at then current market levels.

The following table provides descriptive information for each interest rate swap.

**Terms of each Hedging Derivative
Cashflow Interest Rate Swaps
at June 30, 2012 (Expressed in Thousands)
Governmental Activities**

Project Notes	Effective Date	Notional Amounts		Maturity Date	Pay-Fixed		Fair Value 6/30/2011	Fair Value 6/30/2012	Change in Fair Value
		Original	Outstanding		Rate	Variable Rate			
2007 ALCo	5/31/2007	\$ 25,210	\$ 15,015	11/1/2017	3.839%	67% 3M LIBOR +.4%	\$ (1,326)	\$ (1,283)	\$ 43
2007 ALCo	5/31/2007	71,310	67,740	11/1/2021	4.042%	67% 3M LIBOR +.52%	(8,154)	(12,042)	(3,888)
2007 ALCo	5/31/2007	70,935	70,935	11/1/2025	4.125%	67% 3M LIBOR +.55%	(10,301)	(18,764)	(8,463)
2007 ALCo	5/31/2007	75,625	62,785	11/1/2025	4.066%	67% 3M LIBOR +.53%	(7,755)	(11,730)	(3,975)
Total		<u>\$ 243,080</u>	<u>\$ 216,475</u> **				<u>\$ (27,536)</u>	<u>\$ (43,819)</u>	<u>\$ (16,283)</u> *

* The Change in Fair Value is classified as Deferred Outflow of Resources on the Statement Of Net Assets

** The Total Outstanding Notional Amount equals the outstanding note liability which is classified as a liability on the Statement of Net Assets

**Governmental Activities
Future debt service requirements for aggregated ALCo Notes Associated with Interest Rate Swaps at
June 30, 2012, are as follows
(Expressed in Thousands)**

Year Ending June 30	Principal	Interest	Net Swap Payments	Totals
2013	\$ 5,810	\$ 1,022	\$ 7,656	\$ 14,488
2014	6,045	997	7,446	14,488
2015	6,295	967	7,230	14,492
2016	6,545	936	7,006	14,487
2017	6,810	845	6,832	14,487
2018-2022	67,475	2,576	26,582	96,633
2023-2027	87,335	1,027	8,070	96,432
2028-2032	30,160	50	57	30,267
Total	<u>\$ 216,475</u>	<u>\$ 8,420</u>	<u>\$ 70,879</u>	<u>\$ 295,774</u>

Note 16

COMMITMENTS AND CONTINGENCIES

Litigation - The Commonwealth, its units and employees are parties to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the Commonwealth's financial position.

In addition, the Commonwealth and its units are involved in certain other legal proceedings which, if decided adversely to the Commonwealth, may require the Commonwealth to make material future expenditures for expanded services or capital facilities, may impair future revenue sources, or may require the refund of prior collections. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the Commonwealth.

Judgments and Contingencies - A claim is a suit that has been filed but there has been no decision rendered by the court systems. Amounts reported include claims made against the Commonwealth during the period preceding June 30 of the current fiscal year. Claims are classified according to their chance of occurrence as either remote, possible, or probable. Claims are further classified as payable within one year, within future periods, or a combination of the two periods.

A judgment is any amount that is to be repaid as the result of a court decision or an award for the condemnation of private property. Reasons for such amounts also arise from employment, contracts, and government involvement of personnel or property. The General Fund, the Agency Revenue Fund, the Transportation Fund, and the State Parks Fund generally pay claims and judgments. These amounts are classified as either payable within one year, in future periods, or a combination of the two periods if they remain unpaid after June 30 of the current fiscal year.

Federal Grants - The Commonwealth receives significant financial assistance from the U.S. Government in the form of grants and Federal revenue sharing entitlements. Entitlement to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowance as a result of these audits becomes a liability of the Commonwealth.

Leases - The Commonwealth has entered into various operating leases for land and buildings. All leases contain termination clauses providing for the cancellation after 30, 60, or 90 days written notice

to the lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business, similar leases will replace most of these leases. Primary Government expenditures for rent under leases for the years ended June 30, 2012 and 2011 amounted to \$147.3 million and \$137.7 million, respectively. The operating leases of the Commonwealth do not contain escalation clauses for rental or expense that would require adjustment to be in compliance with GASB Statement 13.

Compensated Absences - Compensated absences include accumulated, unpaid vacation and compensatory time accruals. The amount accruing to proprietary funds has been included in the respective funds when material. The policy of the Commonwealth is to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 15.00 hours per month, as determined by the length of service, with the maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. Compensatory leave is granted to authorized employees on an hour-for-hour basis or a time and one half basis. Compensated absences are generally paid from the General Fund, the Transportation Fund, the Federal Fund, the Agency Revenue Fund, and the Other Special Revenue Fund. At June 30, 2012, the estimated liability for annual and compensatory leave was \$226,310,000 for the governmental activities, and \$8,112,000 in the business-type activities.

Compensated absence liabilities for the major component units totaled \$23,566,000 at June 30, 2012.

Sick Leave - The policy of the Commonwealth is to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death, there was no liability recorded for sick leave at June 30, 2012. The estimated accumulated amount of unused sick leave at that date for the governmental and business-type activities was \$360,012,347 and \$13,011,618, respectively.

Construction Projects - The Transportation Cabinet, at June 30, 2012, had contractual commitments of approximately \$1,239,634,593 for the construction, maintenance and operation of the highway system. It is anticipated that these projects will be funded with approximately 21 percent State funds, 60 percent Federal funds, and the remaining 19 percent with proceeds from the sale of revenue bonds.

Deferred Revenue - Deferred revenue may result from the recognition of assets before the earnings process is complete (unearned revenue), or if using the modified accrual basis of accounting, deferred revenue may represent unavailable revenues. "Unavailable" means that the assets are not available to finance expenditures of the current fiscal period. Regardless of whether the deferred revenue is unearned or unavailable, it is still reported as a contingent liability.

Note 17

School Facilities Construction Commission administers the Commonwealth's participation in the debt service payments of local public school district revenue bonds issued subsequent to June 30, 2012, and maturing as to principal through 2032 as displayed in the table on page 117.

SUBSEQUENT EVENTS

The debt-issuing entities of the Commonwealth issued or agreed to administer State participation in debt service payments for revenue bonds sold after June 30, 2012, and prior to December 17, 2012, and reported other subsequent events for the same period, as described below.

The State Property and Buildings Commission issued \$5,070,000 Project No. 102 Agency Fund Revenue Refunding Bonds, dated November 14, 2012. These bonds consist of: \$3,630,000 Series A serial bonds maturing May 1, 2014 through May 1, 2024 and carrying interest rates of 2.00% to 5.00% and \$1,440,000 Series B (Taxable) serial bonds maturing May 1, 2018 and carrying an interest rate of 1.875%. The bonds will be used to partially refund the Commission's outstanding Agency Fund Revenue and Revenue Refunding Bonds, Project No. 80, Series A, and pay the costs of issuing the Bonds.

\$4,810,000 Project No. 103 Agency Fund Revenue Refunding Bonds, dated November 14, 2012. These bonds consist of: \$3,730,000 Series A serial bonds maturing May 1, 2013 through May 1, 2021 and carrying interest rates of 2.00% to 4.00% and \$1,080,000 Series B (Taxable) serial bonds maturing May 1, 2019 and carrying an interest rate of 2.375%. The bonds will be used to completely refund the Commission's outstanding Agency Fund Revenue Bonds, Project No. 75, partially refund the Commission's outstanding Agency Fund Revenue and Revenue Refunding Bonds, Project No. 80, Series A, and pay the costs of issuing the Bonds.

\$31,860,000 Project No. 104 Agency Revenue Refunding Bonds, dated November 14, 2012, was issued. These Bonds mature November 1, 2013 through November 1, 2024 carrying interest rates of 2.00% to 3.50%. The bonds will be used to completely refund the Commission's outstanding Agency Fund Revenue Bonds, Project No. 81, completely refund the Commission's outstanding Agency Fund Revenue Bonds, Project No. 86 and pay the costs of issuing the Bonds.

Eastern Kentucky University issued \$27,715,000 General Receipts Refunding Bonds, 2012 Series A dated July 3, 2012. These Bonds mature April 1, 2013 through April 1, 2024 carrying interest rates of 2.00% to 5.00%. The proceeds of the bonds will be used by the University to refund all the University's outstanding Consolidated Educational Buildings Revenue Bonds, Series V, prepay obligations under Master Lease Agreement No. 06843, dated September 25, 2008 and pay the costs of issuing the 2012 Series A Bonds.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2012

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

School District	Delivery Date	Principal at Issue	State Share	Interest Rates (%)
Adair County	08/14/12	\$ 12,885,000	\$ 4,369,450	2.00%-3.125%
Boone County	09/13/12	12,170,000	1,414,197	2.00%-2.625%
Campbell County	07/12/12	1,250,000	1,250,000	2.00%-3.60%
Campbell County	08/09/12	11,975,000	1,830,762	2.00%-2.625%
Casey County	09/04/12	2,010,000	2,010,000	1.00%-3.00%
Corbin Independent	08/07/12	2,600,000	1,629,841	1.20%-3.00%
Covington Independent	10/25/12	1,090,000	1,090,000	1.100%-2.625%
Eminence Independent	11/01/12	820,000	820,000	2.00%- 2.00%
Elliott County	07/12/12	4,500,000	1,998,493	2.00%-3.25%
Erlanger-Elsmere Independent	08/01/12	2,590,000	1,605,312	1.50%-2.45%
Erlanger-Elsmere Independent	09/26/12	3,230,000	3,230,000	0.90%-2.70%
Fairview Independent	10/25/12	2,645,000	1,341,233	0.85%-2.600%
Franklin County	08/23/12	5,750,000	738,152	2.05%-2.050%
Franklin County	11/06/12	10,550,000	233,508	2.00%-4.00%
Ft. Thomas Independent	08/01/12	2,945,000	190,236	1.50%-3.20%
Hardin County	07/31/12	14,585,000	2,151,509	2.00%-2.75%
Harlan County	08/22/12	1,145,000	1,145,000	1.00%-3.00%
Harlan County	09/20/12	2,990,000	2,990,000	0.90%-2.00%
Harrison County	07/02/12	995,000	995,000	1.15%-3.20%
Hazard Independent	08/16/12	4,300,000	1,908,617	1.00%-3.00%
KISTA - Campbellsville	08/09/12	197,350	197,350	2.00%-3.00%
KISTA - Harlan	08/09/12	229,900	229,900	2.00%-3.00%
KISTA - Hickman	08/22/12	457,000	137,564	2.00%-3.375%
KISTA-Silver Grove	11/06/12	825,000	550,000	1.25%-3.25%
KISTA - Webster	08/09/12	178,900	178,900	2.00%-3.00%
Laurel County	12/12/12	8,900,000	1,653,364	1.00%-3.00%
Letcher County	09/05/12	2,460,000	1,218,765	2.00%-3.250%
Lincoln County	08/15/12	6,820,000	1,001,143	1.00%-2.375%
Livingston County	11/27/12	3,180,000	1,939,818	3.500%
Marion County	08/15/12	4,750,000	784,953	1.00%-2.375%
McLean County	07/02/12	1,410,000	1,410,000	1.05%-3.30%
Monroe County	09/18/12	4,885,000	252,864	1.00%-2.125%
Oldham County	07/31/12	17,820,000	506,765	2.00%-2.00%
Oldham County	08/21/12	13,035,000	1,418,405	2.00%-2.40%
Pulaski County	09/19/12	1,940,000	396,742	0.50%-2.00%
Trimble County	07/10/12	1,250,000	1,250,000	1.00%-3.125%
Washington County	07/10/12	15,185,000	2,012,742	2.00%-3.50%
Wayne County	11/15/12	6,830,000	5,304,089	1.00%-2.00%
		<u>\$ 191,378,150</u>	<u>\$ 53,384,674</u>	

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Audited financial statements may be requested at the following addresses:

Bluegrass State Skills Corporation
Capital Plaza Tower
500 Mero Street
Frankfort, Kentucky 40601

Turnpike Authority of Kentucky
Room 78, Capitol Annex Building
Frankfort, Kentucky 40601

Kentucky Transportation Cabinet
200 Mero Street
Frankfort, Kentucky 40622

Kentucky Center for the Arts
5 Riverfront Plaza
Louisville, Kentucky 40202-2989

Kentucky Economic Development Finance Authority
Capital Plaza Tower
500 Mero Street
Frankfort, Kentucky 40601

Kentucky Housing Corporation
1231 Louisville Road
Frankfort, Kentucky 40601

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601

University of Louisville
2301 South 3rd Street
108 Grawemeyer Hall
Louisville, Kentucky 40292

Western Kentucky University
Vice President for Finance and Administration
1 Big Red Way
Bowling Green, Kentucky 42101-3576

Murray State University
322 Sparks Hall
Murray, Kentucky 42071

Kentucky State University
Office of Administrative Affairs
400 East Main Street
Frankfort, Kentucky 40601

Kentucky Lottery Corporation
1011 West Main Street
Louisville, Kentucky 40202-2623

Kentucky State Fair Board
Kentucky Fair and Exposition Center
P.O. Box 37130
Louisville, Kentucky 40233-7130

Kentucky Educational Television
600 Cooper Drive
Lexington, Kentucky 40502

Kentucky Higher Education Assistance Authority
1050 U.S. 127 South, Suite 102
Frankfort, Kentucky 40601

Kentucky Higher Education Student Loan Corporation
Financial Services Department
10180 Linn Station Road, Suite C200
Louisville, KY 40223

Kentucky Infrastructure Authority
1024 Capital Center Dr., Suite 340
Frankfort, Kentucky 40601

Kentucky Local Correctional Facilities Construction Authority
Suite 261 Capitol Annex
Frankfort, Kentucky 40601

Kentucky Judicial Form Retirement System
P.O. Box 791
Frankfort, Kentucky 40602

Kentucky Horse Park
4089 Iron Works Parkway
Lexington, Kentucky 40511

University of Kentucky
301 Peterson Service Building
Lexington, Kentucky 40506-0005

Eastern Kentucky University
Vice President for Business Affairs
521 Lancaster Avenue
Richmond, Kentucky 40475-3101

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2012

Morehead State University
Office of Accounting and Budgetary Control
207 Howell-McDowell Administration Building
Morehead, Kentucky 40351-1689

Kentucky Horse Park Foundation
4089 Iron Works Parkway
Lexington, Kentucky 40511

Northern Kentucky University
Office of Business Affairs
Lucas Administration Center
726 Nunn Drive
Highland Heights, Kentucky 41099-8101

Office of Public Employees Health Insurance
State Office Building, 2nd Floor
501 High Street
Frankfort, KY 40601

Kentucky Community and Technical College System
300 North Main Street
Versailles, KY 40383

Kentucky River Authority
70 Wilkinson Boulevard
Frankfort, Kentucky 40601

Council on Postsecondary Education
1024 Capital Center Drive, Suite 320
Frankfort, Kentucky 40601

Office of the Petroleum Storage Tank
Environmental Assurance Fund
81 C. Michael Davenport Boulevard
Frankfort, KY 40601

Kentucky Artisan Center at Berea
P.O. Box 280
Berea, KY 40403

Kentucky Public Employees'
Deferred Compensation Authority
101 Sea Hero Road, Suite 110
Frankfort, KY 40601-5404

Workers' Compensation Program
State Office Building, 3rd Floor
501 High Street
Frankfort, KY 40601

Kentucky Department of Labor – Special Fund
1047 US Highway 127 S, Suite 4
Frankfort, KY 40601



**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Budgeted:				
Taxes	\$ 8,459,519	\$ 8,658,200	\$ 8,753,296	\$ 95,096
Licenses, fees, and permits	33,712	34,557	26,348	(8,209)
Intergovernmental	33,800	35,437	12,823	(22,614)
Charges for services	6,134	6,691	8,356	1,665
Fines and forfeits	33,783	31,317	44,571	13,254
Interest and other investment income			(14,536)	(14,536)
Lottery proceeds	210,800	211,000	210,800	(200)
Other revenues	31,052	30,492	49,301	18,809
Tobacco Settlement	102,720	101,793	101,793	
Subtotal of Budgeted Revenues	<u>8,911,520</u>	<u>9,109,487</u>	<u>9,192,752</u>	<u>83,265</u>
Other Budgeted Financial Resources:				
Transfers in (intrafund)				
Transfers in (interfund)	122,660	173,509	159,331	(14,178)
Total Budgeted Revenues	<u>9,034,180</u>	<u>9,282,996</u>	<u>9,352,083</u>	<u>69,087</u>
Expenditures				
General Government:				
Executive Office of the Governor	6,017	6,329	5,375	954
Office of Homeland Security	210	231	203	28
Kentucky Infrastructure Authority	5,740	5,788	5,704	84
Department of Veterans Affairs	16,976	17,923	16,531	1,392
Office of State Budget Director	3,144	3,279	3,050	229
State Planning Fund	179	179	173	6
Unified Prosecutorial System:				
Commonwealth Attorneys	35,272	37,503	35,853	1,650
County Attorneys	30,242	32,289	30,729	1,560
Department of Agriculture	16,989	17,703	16,224	1,479
Office of the Attorney General	10,752	11,367	10,245	1,122
Auditor of Public Accounts	4,579	4,926	4,434	492
Registry of Election Finance	1,166	1,225	1,138	87
Military Affairs	8,948	21,934	16,870	5,064
Governor's Office for Local Development	8,767	9,052	8,332	720
Local Government:				
Economic Assistance Fund	67,282	68,863	68,863	
Economic Development Fund	37,743	66,582	66,582	
Area Development Fund	564	564	544	20
Secretary of State	1,754	1,869	1,669	200
Secretary of Treasury	1,630	1,787	1,644	143
Board of Elections	3,891	3,958	3,872	86
School Facilities Construction Commission	102,802	102,818	91,470	11,348
Executive Branch Ethics Commission	447	469	449	20
Commission on Human Rights	1,704	1,788	1,659	129
Commission on Women	210	226	196	30
Council on Postsecondary Education	52,400	52,615	48,041	4,574
Budget Reserve Trust Fund		121,723		121,723
Personnel:				
General Operations	2,879	8,679	8,679	
State Salary Compensation Fund	58,000	4,241		4,241
State Group Health Insurance	1,741	1,741	1,459	282

	Original	Final	Actual	Variance
Universities:				
Eastern Kentucky University	\$ 72,221	\$ 70,823	\$ 70,823	\$
Kentucky State University	25,147	24,660	24,660	
Morehead State University	44,363	43,515	43,515	
Murray State University	51,288	50,295	50,295	
Northern Kentucky University	50,713	49,744	49,744	
University of Kentucky	303,199	297,330	297,330	
University of Louisville	177,716	174,796	174,796	
Western Kentucky University	77,377	75,879	75,879	
Kentucky Community and Technical College System	204,707	200,744	200,744	
Finance and Administration:				
General Administration & Support	7,056	7,490	6,655	835
Special Accounts - Capital Construction		1,200	1,200	
Debt Service	271,086	271,088	198,021	73,067
Office of the Controller	5,870	6,104	5,833	271
Department for Facilities Management	6,247	6,593	6,111	482
Kentucky Higher Education Assistance Authority	194,586	194,586	189,153	5,433
Special Accounts - Tobacco Settlement	105,715	104,788	101,793	2,995
Finance - County Costs	16,740	17,340	17,339	1
Department of Revenue:				
General Operations	73,738	76,641	71,642	4,999
Office of Property Valuation Administrators	34,623	36,964	34,737	2,227
Appropriations Not Otherwise Classified:				
Judgements	4	686	686	
Board of Claims Awards	825	720	713	7
Guardian Ad Litem	2,375	11,558	11,558	
Prior Year Claims	450	1,319	1,319	
Unredeemed Checks Refunded	970	2,915	2,915	
Involuntary Commitments	60	60	39	21
Blanket Employee Bonds	75	74	59	15
Frankfort In Lieu of Taxes	195	195	195	
Frankfort Cemetery	2	3	3	
Police and Firemen Life Insurance	309	328	328	
Attorney General Expense	350	416	394	22
Medical Malpractice Liability Insurance Reimbursements	165	157	120	37
Total General Government	2,210,200	2,336,662	2,088,587	248,075
Legislative and Judicial:				
General Assembly	27,589	27,590	17,046	10,544
Legislative Research Commission	39,404	39,404	31,936	7,468
Judicial Retirement System	5,759	5,759	5,740	19
Court of Justice - Court Facility Use	237	237		237
Court of Justice - Operation and Administration	193,080	193,080	183,980	9,100
Court of Justice - Local Facility Support	118,719	118,719	118,716	3
Total Legislative and Judicial	384,788	384,789	357,418	27,371

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Commerce:				
Economic Development:				
Office of the Secretary	\$ 14,780	\$ 14,931	\$ 14,398	\$ 533
Financial Incentives	27,059	27,087	16,316	10,771
Business Development	3,716	3,886	3,253	633
Commerce Cabinet: Office of the Secretary	2,734	2,879	2,589	290
Kentucky State Fair Board		5,500	5,499	1
Kentucky Horse Park	2,345	5,852	5,852	
Department of Parks	30,133	30,644	30,203	441
Department of Travel	3,260	3,428	3,087	341
Berea Artisans Center	298	307	288	19
Total Commerce	<u>84,325</u>	<u>94,514</u>	<u>81,485</u>	<u>13,029</u>
Education:				
General Administration and Program Support	4,374	4,594	4,125	469
Commission on the Deaf and Hard of Hearing	791	820	722	98
Kentucky Heritage Council	761	797	746	51
Kentucky Arts Council	3,045	3,103	2,943	160
Department of Education:				
Support Education Excellence In KY (SEEK)	2,900,145	2,899,498	2,899,498	
Executive Policy and Management	1,286	1,297	1,268	29
Bureau of Support Services	49,722	50,173	48,223	1,950
Learning Results Services	879,570	829,153	818,323	10,830
Kentucky Educational Television	12,106	12,594	11,774	820
Kentucky Historical Society	6,039	6,271	5,914	357
Kentucky Center for the Arts	908	908	876	32
Education Professional Standards Board	7,607	7,687	7,301	386
Libraries and Archives -				
Direct Local Aid	5,535	3,205	3,127	78
Public Library Facilities Construction Debt Assistance		2,330	2,330	
General Operations	5,768	6,039	5,609	430
Teachers' Retirement System	238,637	238,637	238,629	8
Workforce Investment:				
Office of the Blind	1,178	1,214	1,141	73
Technical Education	25,709	25,762	24,012	1,750
Vocational Rehabilitation	11,547	11,598	11,075	523
Total Education and Humanities	<u>4,154,728</u>	<u>4,105,680</u>	<u>4,087,636</u>	<u>18,044</u>
Human Resources:				
Health and Family Services:				
Administrative Services	34,160	29,400	27,740	1,660
Department for Community Based Services	312,750	316,721	312,550	4,171
Office of the Inspector General		5,800	5,381	419
Office of Health Policy	491	519	439	80
Department for Aging and Independent Living	41,804	41,962	40,881	1,081
Department of Income Support	1,363	1,363	1,315	48
Department for Public Health	61,312	62,004	59,351	2,653
Department for Mental Health and Mental Retardation	181,941	182,724	181,952	772
Department for Human Support Services	424	52,617	52,566	51
Aging Services				
Department for Medicaid Services	35,940	36,237	35,224	1,013
Medicaid Services Benefits	1,451,607	1,354,311	1,354,311	
Commission for Children With Special Health Care Needs	4,935	5,177	4,804	373
Total Human Resources	<u>2,126,727</u>	<u>2,088,835</u>	<u>2,076,514</u>	<u>12,321</u>

	Original	Final	Actual	Variance
Justice:				
Office of the Secretary	\$ 10,022	\$ 10,467	\$ 9,778	\$ 689
Department of State Police	65,505	70,983	65,963	5,020
Department of Juvenile Justice	76,468	79,796	76,916	2,880
Department for Public Advocacy	37,195	39,175	37,767	1,408
Department of Corrections:				
Management	12,235	12,758	11,840	918
Adult Institutions	273,314	273,374	266,157	7,217
Local Jail Allotment	14,321	14,321	14,106	215
Community Services and Local Facilities	140,926	165,700	163,996	1,704
Total Justice	629,986	666,574	646,523	20,051
Natural Resources and Environmental Protection:				
General Administration & Support	4,154	4,330	4,076	254
Energy Development & Independence	1,448	1,505	1,348	157
Kentucky River Authority	255	269	248	21
Kentucky Nature Preserves Commission	1,031	1,082	1,007	75
Environmental Protection	27,183	28,352	26,576	1,776
Department for Natural Resources	29,436	18,115	17,230	885
Mine Safety and Licensing	4,400	14,362	12,767	1,595
Surface Mining Reclamation and Enforcement		7,359	6,860	499
Total Natural Resources and Environmental Protection	67,907	75,374	70,112	5,262
Public Protection and Regulation:				
General Administration & Support	262	279	265	14
Board of Claims and Crime Victims Compensation	615	642	619	23
Board of Tax Appeals	380	428	410	18
Kentucky Racing Commission	2,969	2,969	2,766	203
Public Service Commission	13,410	13,870	8,874	4,996
Mine Safety Review Commission		175	168	7
Department of: Alcoholic Beverage Control	795	842	684	158
Housing, Buildings, and Construction	2,161	2,285	2,177	108
Labor:				
Workplace Standards	1,795	1,901	1,748	153
General Administration & Support	3,035	3,256	2,962	294
Total Public Protection and Regulation	25,422	26,647	20,673	5,974
Transportation:				
Highways	564	564	564	
Public Transportation	4,835	4,834	4,537	297
Total Transportation	5,399	5,398	5,101	297
Total Expenditures	9,689,482	9,784,473	9,434,049	350,424
Excess of Revenues Over (Under) Expenditures	(655,302)	(501,477)	(81,966)	419,511
Fund Balance at July 1, Restated		(2,075,841)	330,599	
Non-Budgeted Items			(1,266)	
Fund Balance at June 30	\$ (655,302)	\$ (2,577,318)	\$ 247,367	\$

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Revenues				
Budgeted:				
Taxes	\$ 1,197,666	\$ 1,263,356	\$ 1,284,002	\$ 20,646
Licenses, fees, and permits	127,854	134,700	139,972	5,272
Charges for services	10,420	9,200	8,929	(271)
Fines and forfeits	3	30	34	4
Interest and other investment income	1,300	500	3,082	2,582
Other revenues	3,657	4,750	8,078	3,328
Total Budgeted Revenues	<u>1,340,900</u>	<u>1,412,536</u>	<u>1,444,097</u>	<u>31,561</u>
Non-Budgeted:				
Taxes				
Licenses, fees, and permits				
Intergovernmental				
Charges for services				
Fines and forfeits				
Interest and other investment income				
Other revenues				
Transfers in (interfund)			1,470	1,470
Transfers in (intrafund)				
Total Non-Budgeted Revenue			<u>1,470</u>	<u>1,470</u>
Total Revenues	<u>1,340,900</u>	<u>1,412,536</u>	<u>1,445,567</u>	<u>33,031</u>
Expenditures				
General Government:				
Executive Office of the Governor				
Office of Homeland Security	250	250	250	
Kentucky Infrastructure Authority				
Office of State Budget Director				
Executive Branch Ethics Commission				
Department of Veterans Affairs				
Unified Prosecutorial System:				
Commonwealth Attorneys				
County Attorneys				
Department of Agriculture				
Office of the Attorney General				
Auditor of Public Accounts				
Military Affairs				
Governor's Office of Agricultural Policy:				
Agricultural Development - Statewide Phase				
Governor's Office for Local Development				
Secretary of State				
Secretary of Treasury	250	250	250	
Board of:				
Accountancy				
Alcohol and Drug Counselors				
Auctioneers				
Barbering				
Chiropractic Examiners				
Home Inspectors				
Licensed Diabetes Educators				
Applied Behavior Analysis Licensing				
Professional Counselors				
Fee-Based Pastoral Counselors				
Interpreters for Deaf & Hard of Hearing				
Prosthetics, Orthotics and Pedorthics				
Dentistry				
Dietitians and Nutritionists				
Elections				
Embalmers and Funeral Home Directors				
Architects				
Landscape Architects				
Examiners of Psychologists				

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Board of: (Continued)	\$	\$	\$	\$
Examiners of Social Workers				
Hairdressers and Cosmetologists				
Hearing Instrument Specialists				
Proprietary Education				
Nursing Home Administrators' Licensing				
Medical Licensure				
Nursing				
Ophthalmic Dispensers				
Optometric Examiners				
Art Therapists				
Occupational Therapy				
Respiratory Care Practitioners				
Marriage and Family Therapists				
Geologists				
Personnel				
Pharmacy				
Physical Therapists				
Podiatry				
Engineers and Land Surveyors				
Speech Pathology and Audiology				
Veterinary Examiners				
Ky. Board of Investigators				
Massage Therapy				
Real Estate Commission				
Real Estate Appraiser Board				
Commission on Human Rights				
Council on Postsecondary Education				
Personnel:				
General Operations				
Public Employee Deferred Compensation Authority				
Universities:				
Eastern Kentucky University				
Kentucky State University				
Morehead State University				
Murray State University				
Northern Kentucky University				
University of Kentucky				
University of Louisville				
Western Kentucky University				
Kentucky Community and Technical College System				
Finance and Administration:				
General Administration and Support	400	400	393	7
Office of the Controller				
The Commonwealth Office of Technology				
Kentucky Higher Education Assistance Authority				
Turnpike Authority of Kentucky				
Finance - County Costs				
Kentucky Retirement Systems				
Department of Revenue:				
General Operations	2,325	2,318	2,228	90
Office of Property Valuation Administrators		402	402	
Department for Facilities Management				
Total General Government	<u>3,225</u>	<u>3,620</u>	<u>3,523</u>	<u>97</u>

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$
				230	244	223	21
				1,195	1,194	1,146	48
				53	53	46	7
				207	237	208	29
				47	47	43	4
				2,684	2,684	2,446	238
				5,616	5,616	4,832	784
				57	57	52	5
				182	202	194	8
				11	11	7	4
				108	118	115	3
				194	198	179	19
				83	83	65	18
				115	115	106	9
				778	778	756	22
				1,392	1,492	1,370	122
				408	408	372	36
				25	25	23	2
				1,467	1,467	1,145	322
				157	157	140	17
				238	238	232	6
				80	80	63	17
				121	131	127	4
				2,200	2,200	1,688	512
				694	694	602	92
256	256	227	29				
18,352	18,352	13,844	4,508	8,618	8,618	6,663	1,955
				19,650	24,755	22,920	1,835
				8,988	8,988	6,342	2,646
				225,845	295,845	258,379	37,466
				45,222	45,222	44,688	534
				164,465	164,465	84,369	80,096
				118,235	118,235	105,927	12,308
				191,410	191,410	141,383	50,027
				2,212,094	2,212,094	2,156,408	55,686
				805,173	805,173	372,001	433,172
				287,894	287,894	221,176	66,718
				578,166	578,167	264,610	313,557
30,534	33,719	27,327	6,392	3,839	3,839	2,150	1,689
				7,070	8,206	6,184	2,022
50	4,048	787	3,261	305	306	284	22
2,477	2,887	2,541	346	25,622	26,121	22,794	3,327
					250	83	167
				1,703	1,703	1,371	332
				26,191	39,150	38,126	1,024
	1	1		6,252	6,605	6,601	4
				3,701	6,106	5,853	253
				1,022	1,172	1,038	134
324	681	584	97	4,887,287	4,991,568	3,876,063	1,115,505
246,319	327,550	220,089	107,461				

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Legislative and Judicial:				
General Assembly	\$	\$	\$	\$
Legislative Research Commission				
Judicial Retirement System				
Court of Justice - Operation and Administration				
Total Legislative and Judicial				
Commerce:				
Economic Development:				
Office of the Secretary				
Financial Incentives				
Business Development				
Commerce: Office of the Secretary				
Department of Travel				
Berea Artisans Center	350	350	350	
Department of Fish and Wildlife Resources				
Total Commerce	350	350	350	
Education:				
Commission on the Deaf and Hard of Hearing				
Environmental Education Council				
Kentucky Heritage Council				
Kentucky Arts Council				
General Administration and Program Support				
Department of Education:				
Learning Results Services				
Bureau of Support Services				
Kentucky Educational Television				
Kentucky Historical Society				
Education Professional Standards Board				
Libraries and Archives:				
Direct Local Aid				
General Operations				
Kentucky Teachers' Retirement System				
Workforce Investment:				
Office of the Blind				
Employment and Training				
Technical Education				
Vocational Rehabilitation				
Total Education and Humanities				

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 1	\$ 1	\$	\$ 1	\$ 869	\$ 870	\$	\$ 870
				1,786	1,786		1,786
					164	153	11
4,558	5,750	3,507	2,243	50,738	50,739	37,751	12,988
4,559	5,751	3,507	2,244	53,393	53,559	37,904	15,655
	2,791	2,490	301	200	200	191	9
155	15,643	5,210	10,433	1,613	1,613	1,491	122
	478	24	454	300	300	50	250
				10,112	10,312	9,817	495
				100	100	76	24
				1,751	1,751	1,574	177
17,581	19,079	14,684	4,395	31,227	31,552	31,516	36
17,736	37,991	22,408	15,583	45,303	45,828	44,715	1,113
				831	831	773	58
34	84	82	2	326	326	138	188
782	958	795	163	278	449	387	62
806	806	806		154	154	1	153
148	1,558	198	1,360	4,944	5,243	5,150	93
558,022	672,803	618,327	54,476	2,853	2,853	469	2,384
290,332	310,332	290,744	19,588	2,780	8,780	3,196	5,584
700	700	264	436	1,151	3,229	1,017	2,212
45	965	329	636	725	725	386	339
308	488	245	243	870	870	549	321
724	724	555	169	896	1,096	1,043	53
2,165	3,128	3,120	8	1,427	1,992	1,603	389
				12,030	12,030	8,570	3,460
10,856	10,856	8,159	2,697	2,578	2,578	1,720	858
143,220	158,083	106,757	51,326	2,369	30,519	28,519	2,000
15,154	15,154	9,745	5,409	22,708	22,708	19,691	3,017
48,969	48,969	40,497	8,472	3,507	3,507	2,636	871
1,072,265	1,225,608	1,080,623	144,985	60,427	97,890	75,848	22,042

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Human Resources:				
Health and Family Services:				
Administrative Support	\$	\$	\$	\$
Department for Disability Determination Services				
Department for Community Based Services				
Office of Inspector General				
Office of Health Policy				
Department for Aging and Independent Living				
Department of Income Support				
Department for Public Health				
Department for Mental Health and Mental Retardation				
Department for Medicaid Services				
Medicaid Services Benefits				
Commission for Children with Special Health Care Needs				
Department for Human Support Services				
Total Human Resources				
Justice:				
Office of the Secretary				
Department of State Police	83,251	83,251	82,063	1,188
Department for Public Advocacy				
Department of Juvenile Justice				
Department of Criminal Justice Training				
Department of Corrections:				
Management				
Adult Correctional Institutions				
Community Service and Local Facilities				
Total Justice	<u>83,251</u>	<u>83,251</u>	<u>82,063</u>	<u>1,188</u>
Natural Resources and Environmental Protection:				
General Administration & Support				
Energy Development and Independence				
Kentucky River Authority				
Environmental Quality Commission				
Kentucky Nature Preserves Commission				
Department for Environmental Protection	300	300	297	3
Department for Natural Resources				
Mining Safety and Licensing				
Surface Mining Reclamation and Enforcement				
Abandoned Mine Lands Reclamation Projects				
Total Natural Resources and Environmental Protection	<u>300</u>	<u>300</u>	<u>297</u>	<u>3</u>
Public Protection and Regulation:				
Office of the Commissioner				
Board of Claims and Crime Victims Compensation				
Kentucky Racing Commission				
Kentucky Athletic Commission				
Public Service Commission				
Occupations and Professions				
Mine Safety Review Commission				
Department - of Alcoholic Beverage Control				
of Charitable Gaming				
of Financial Institutions				
of Housing, Buildings, and Construction				
of Insurance				
Labor: Workplace Standards				
General Administration & Support				
Total Public Protection and Regulation				

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 25,130	\$ 27,330	\$ 27,254	\$ 76	\$ 8,483	\$ 8,483	\$ 8,154	\$ 329
50,073	50,073	42,327	7,746	100	121	113	8
514,609	564,802	537,809	26,993	139,060	139,060	133,352	5,708
12,069	12,869	12,734	135	1,201	1,201	648	553
	7,800	5,291	2,509	821	821	308	513
20,497	22,797	22,651	146	2,255	3,705	2,407	1,298
37,081	37,081	26,987	10,094	19,826	27,119	26,341	778
239,743	239,743	188,206	51,537	116,455	116,455	92,248	24,207
37,844	37,844	35,295	2,549	242,694	242,694	224,288	18,406
51,690	63,490	63,028	462	14,097	14,097	14,050	47
4,322,985	4,297,728	4,230,589	67,139	370,377	428,268	373,012	55,256
4,566	4,566	3,372	1,194	6,972	6,972	6,822	150
3,345	5,045	4,535	510	95	95	21	74
<u>5,319,632</u>	<u>5,371,168</u>	<u>5,200,078</u>	<u>171,090</u>	<u>922,436</u>	<u>989,091</u>	<u>881,764</u>	<u>107,327</u>
11,506	11,506	11,428	78	5,419	5,819	5,474	345
21,797	21,797	15,678	6,119	21,016	21,016	17,895	3,121
1,798	2,409	2,269	140	4,044	4,044	3,569	475
14,862	14,862	12,380	2,482	14,687	14,687	8,455	6,232
206	206	79	127	50,829	50,829	47,353	3,476
75	315	315		135	300	103	197
2,254	2,254	837	1,417	5,534	5,534	4,373	1,161
264	795	669	126	3,558	8,458	6,837	1,621
<u>52,762</u>	<u>54,144</u>	<u>43,655</u>	<u>10,489</u>	<u>105,222</u>	<u>110,687</u>	<u>94,059</u>	<u>16,628</u>
1,016	1,105	1,014	91	468	1,019	784	235
4,936	23,800	18,502	5,298	3,959	3,959	3,911	48
				3,815	3,815	2,271	1,544
				264	264	178	86
43	1,192	58	1,134	242	408	343	65
23,923	26,778	25,918	860	34,570	40,605	30,817	9,788
5,705	8,980	6,960	2,020	4,806	5,746	3,694	2,052
631	631	616	15	2,164	1,522	574	948
10,760	11,002	9,726	1,276	2,908	3,342	2,960	382
37,708	37,467	33,665	3,802	9,041	8,291	4,573	3,718
<u>84,722</u>	<u>110,955</u>	<u>96,459</u>	<u>14,496</u>	<u>62,237</u>	<u>68,971</u>	<u>50,105</u>	<u>18,866</u>
				4,767	3,967	3,376	591
509	705	534	171	1,786	1,786	1,248	538
				26,080	26,080	20,231	5,849
				140	140	119	21
218	749	613	136	211	211	55	156
					1,175	980	195
				5	6	5	1
				5,024	5,024	4,225	799
				3,154	3,154	2,629	525
				9,213	10,192	8,695	1,497
158	600	548	52	14,683	15,907	14,011	1,896
	3,537	2,043	1,494	19,700	19,700	15,816	3,884
3,080	3,380	3,379	1	200	200	150	50
167	239	218	21	2,734	2,885	2,255	630
<u>4,132</u>	<u>9,210</u>	<u>7,335</u>	<u>1,875</u>	<u>87,697</u>	<u>90,427</u>	<u>73,795</u>	<u>16,632</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Transportation:				
Administration & Support	\$ 69,188	\$ 69,919	\$ 64,574	\$ 5,345
Revenue Sharing	428,598	468,518	331,429	137,089
Air Transportation	4,422	4,422	2,709	1,713
Highways	1,046,849	1,114,368	654,370	459,998
Public Transportation				
Vehicle Regulation	22,889	22,889	22,497	392
Debt Service	116,905	116,905	99,772	17,133
Transfers to Capital Projects	11,303	11,303	2,585	8,718
BRAC Economic Development Road Bonds				
GARVEE Louisville Bridges Project Bonds				
GARVEE Western KY Bridges Project				
2005 GARVEE Bond Series				
2005 Ed Bond Series				
Total Transportation	<u>1,700,154</u>	<u>1,808,324</u>	<u>1,177,936</u>	<u>630,388</u>
Total Expenditures	<u>1,787,280</u>	<u>1,895,845</u>	<u>1,264,169</u>	<u>631,676</u>
Excess of Revenues over (under)				
Expenditures	<u>(446,380)</u>	<u>(483,309)</u>	<u>181,398</u>	<u>664,707</u>
Other Financing Sources (Uses)				
Proceeds from Trustees				
Proceeds from Issuance of Notes				
Proceeds from Issuance of Bonds				
Total Other Financing Sources (Uses)	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Excess of Revenues and Other Financing				
Sources over (under) Expenditures and				
Other Financing Uses	(446,380)	(483,309)	181,398	664,707
Fund Balances at July 1				
Non-Budgeted Items		(1,868,458)	503,441	
			<u>(275)</u>	
Fund Balances at June 30	<u>\$ (446,380)</u>	<u>\$ (2,351,767)</u>	<u>\$ 684,564</u>	<u>\$ _____</u>

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$ 20	\$ 20	\$	\$ 20
					5,764	3,962	1,802
261	1,821	205	1,616	3,631	4,962	3,907	1,055
1,659,930	1,659,930	767,288	892,642	1,103,509	87,516	65,555	21,961
88,694	88,694	23,950	64,744	440	440	440	
1,050	3,000	1,558	1,442	13,627	15,841	8,387	7,454
				456,000	121,324	31,853	89,471
					300,695	20,760	279,935
					330,000		330,000
				46,884	46,884	13,257	33,627
					722,525	145,668	576,857
<u>1,749,935</u>	<u>1,753,445</u>	<u>793,001</u>	<u>960,444</u>	<u>1,624,111</u>	<u>1,635,971</u>	<u>293,789</u>	<u>1,342,182</u>
<u>8,552,062</u>	<u>8,895,822</u>	<u>7,467,155</u>	<u>1,428,667</u>	<u>7,848,113</u>	<u>8,083,992</u>	<u>5,428,042</u>	<u>2,655,950</u>
		(45,959)				3,631,179	
						676	
						47,717	
						256,000	
						304,393	
		(45,959)				3,935,572	
		234,110				1,458,554	
		(14,429)				(3,855,026)	
<u>\$</u>	<u>\$</u>	<u>\$ 173,722</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,539,100</u>	<u>\$</u>

Budgetary Reporting

The Commonwealth of Kentucky requires that each branch of government prepare and submit a recommended budget to the General Assembly for each of the two fiscal years to be included in a biennial budget. These budgets are prepared principally on the cash basis. The General Assembly reviews these budget requests, makes any necessary revisions, and legally adopts a biennial budget for each of the three branches of government. The Governor has the power to approve or veto each bill, or to make line-item vetoes, subject to legislative override.

The financial plan for each fiscal year, as presented in a branch budget recommendation, shall be adopted with such modifications as made by the General Assembly (and explained in a budget memorandum) by the passage of the budget bill and such revenue and other acts necessary for the purpose.

Budgetary control is maintained at the budget unit level as designated by the budget bills enacted by the General Assembly (i.e., function, major program area, program, or unit of organization).

Appropriations for the General Fund and Road Fund shall be based upon revenue estimates prepared by the Consensus Forecasting Group and modifications made by the appropriations committee of the General Assembly. Official revenue estimates are not made for the other budgetary funds.

The Major Governmental funds, which have legally adopted annual budgets as part of the primary government, include the following: General, Transportation, Federal, and Agency Revenue.

The funds allotted for each purpose of expenditure shall be used for no other purpose, except when the head of any budget unit, with the approval of the Secretary of the Finance and Administration Cabinet, may transfer allotted funds from one purpose of expenditure to another within the budget unit. No revisions of the allotment schedule may provide for an allotment or allotments in excess of the amount appropriated to that budget unit in a budget bill or for expenditure for any other purpose not contemplated in a budget bill. However, appropriations for budgetary funds other than the General Fund and the Transportation Fund may be amended upon approval by the State Budget Director and the Secretary of the Finance and Administration Cabinet.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end for long-term construction contracts reported in the Capital Projects Fund and Transportation Fund are reported as restricted fund balance. All other encumbered and unencumbered appropriations lapse at the end of each fiscal year. Encumbrances are carried forward as revisions to appropriations.

The annual budget is prepared principally on the cash basis, which differs from generally accepted accounting principles (GAAP). A reconciliation between the budgetary basis and the GAAP basis is presented in the notes to the Required Supplemental Information section as follows.

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2012

Budgetary Basis vs. GAAP

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A schedule reconciling the fund balance on a cash basis at June 30, 2012, to the fund balance on a modified accrual basis follows :

(Expressed in Thousands)

Financial statement funds (same as budgetary funds)	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund
Fund balance June 30, 2012:				
Budgetary basis	\$ 247,367	\$ 684,564	\$ 173,722	\$ 1,539,100
Adjustments:				
Accrued revenues	254,708	140,870	385,096	39,486
Accrued expenditures	(325,586)	(126,377)	(469,845)	(49,907)
Accrued transfers (net)	(12,540)		(52,216)	52,216
Total Accruals (1)	<u>(83,418)</u>	<u>14,493</u>	<u>(136,965)</u>	<u>41,795</u>
Reclassifications and other adjustments:				
Inventory balances (1)	5,515	57,544	160	2,703
To reclassify financial and other resources into financial statement fund types (2)	5,154	91	(148,681)	(1,053,690)
To record financial resources available as non-budgeted funds (3)	<u>(79,505)</u>			<u>19,499</u>
Fund Balance				
Fund balance June 30, 2012:				
GAAP Basis	<u>\$ 95,113</u>	<u>\$ 756,692</u>	<u>\$ (111,764)</u>	<u>\$ 549,407</u>

- (1) Basis differences
- (2) Perspective differences
- (3) Entity differences

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2012

Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, the Commonwealth has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the Commonwealth expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for, under the modified approach, include approximately 63,000 lane miles of roads and approximately 9,000 bridges that the Commonwealth is responsible to maintain.

In order to utilize the modified approach, the Commonwealth is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate, each year, the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Commonwealth.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Pavements

Measurement Scale

The Kentucky Transportation Cabinet (KYTC) uses numerous methods to determine the condition of roadway pavements; however, the Pavement Condition Index (PCI) serves as KYTC’s primary method to measure and monitor pavement conditions. In use since the mid-1980s, the PCI for any particular pavement section is the mathematical difference between the current pavement smoothness and the acceptable pavement smoothness threshold based on traffic volumes. The corresponding pavement condition is based on the following PCI ranges:

<u>Condition</u>	<u>PCI</u>
Good	Greater than +0.4
Fair	Between 0.0 and 0.4
Poor	Less than 0.0

Established Minimum Condition Level

No more than 30% of the pavements shall be rated as “poor.”

Assessed Conditions

The Commonwealth assesses pavement condition on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Good”, “Fair”, and “Poor” for the past five years.

<u>Condition</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Good	59.3%	62.4%	62.8%	60.7%	58.9%
Fair	21.6%	22.6%	19.5%	24.8%	26.1%
Poor	19.1%	15.0%	17.7%	14.5%	15.0%

Bridges

Measurement Scale

KYTC maintains information on its 8,933 bridges in compliance with the National Bridge Inspection guidelines established by the Federal Highway Administration. KYTC inspects all bridges at least once every two years and the condition assessment results are coded on a 0-9 scale with 9 being the most desirable. The condition ratings are based on the following scale:

<u>Rating</u>	<u>Description</u>
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling or scour.
4	Poor. Advanced section loss, deterioration, spalling or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service; beyond corrective action.

Established Minimum Condition Level

No more than 10% of the bridges shall be rated as “structurally deficient.” In addition, the total deck area of structurally deficient, state maintained bridges will not exceed 12% of the total deck area of all state maintained bridges.

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2012

Assessed Conditions

A bridge coded 4 or less for its deck, superstructure, or substructure, or coded 2 or less for its structural evaluation or waterway adequacy is classified as “structurally deficient.” A structurally deficient bridge is inadequate to carry legal loads, whether caused by structural deterioration, obsolete design standards, or an insufficient waterway opening. A bridge coded 3 or less for its structural evaluation, deck geometry, vertical or horizontal underclearance, water adequacy, or approach roadway alignment is classified as “functionally obsolete.” A functionally obsolete bridge cannot properly accommodate the current traffic. The following table reports the percentage of bridges whose condition was assessed as “structurally deficient” in the corresponding year:

<u>Calendar Year</u>	<u>Deck Area</u>	
	<u>Structurally Deficient</u>	<u>Structurally Deficient</u>
2011	6.6%	6.9%
2010	7.0%	6.5%
2009	7.4%	7.3%
2008	7.6%	8.7%
2007	6.1%	7.6%

Fiscal Year 2008:

Estimated	\$ 707.8	\$ 181.5	\$ 889.3
Actual	\$ 840.1	\$ 155.0	\$ 995.1

Fiscal Year 2007:

Estimated	\$ 700.0	\$ 120.0	\$ 820.0
Actual	\$ 817.4	\$ 114.1	\$ 931.5

Estimated and Actual Costs to Maintain

The following table presents the Commonwealth’s estimate of spending necessary to preserve and maintain the pavements, bridges, and maintenance condition at, or above, the “Established Condition Levels” cited above and the actual amount spent during the past six fiscal years (in millions):

	Roadways	Bridges	Total
<u>Fiscal Year 2013:</u>			
Estimated	\$ 951.1	\$ 112.7	\$ 1,063.8
<u>Fiscal Year 2012:</u>			
Estimated	\$ 839.2	\$ 103.1	\$ 942.3
Actual	\$ 950.9	\$ 106.8	\$ 1,057.7
<u>Fiscal Year 2011:</u>			
Estimated	\$ 872.3	\$ 108.9	\$ 981.2
Actual	\$ 820.9	\$ 102.4	\$ 923.3
<u>Fiscal Year 2010:</u>			
Estimated	\$ 809.4	\$ 103.1	\$ 912.5
Actual	\$ 806.6	\$ 97.6	\$ 904.2
<u>Fiscal Year 2009:</u>			
Estimated	\$ 929.0	\$ 150.0	\$ 1,079.0
Actual	\$ 846.4	\$ 64.1	\$ 910.5

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
ENTITY RISK POOLS
CLAIMS DEVELOPMENT INFORMATION
FOR THE LAST TEN YEARS
(Expressed in Thousands)**

State Workers' Compensation Program										
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Earned Premiums	\$ 17,058	\$ 18,146	\$ 22,950	\$ 24,812	\$ 23,395	\$ 24,293	\$ 21,764	\$ 23,666	\$ 22,094	\$ 22,993
Administrative Expense	777	480	385	1,149	1,127	1,070	1,094	936	1,031	1,013
Incurred Claims as										
Originally Estimated	21,342	20,320	20,899	19,493	18,161	16,765	21,006	19,084	20,372	21,269
Claims Paid (Cumulative) as of:										
End of Fiscal Year	3,733	3,656	4,520	4,131	4,898	4,078	4,907	4,613	5,497	5,245
One Year Later	7,449	7,225	7,233	7,862	8,716	7,585	8,252	8,675	9,233	
Two Years Later	9,330	8,596	9,347	9,632	10,947	9,316	9,328	10,433		
Three Years Later	10,627	10,008	10,424	10,873	12,259	10,364	10,065			
Four Years Later	11,432	10,921	11,209	11,609	12,981	11,115				
Five Years Later	12,182	11,842	11,798	12,126	13,899					
Six Years Later	12,883	12,644	12,334	12,663						
Seven Years Later	13,401	13,403	12,769							
Eight Years Later	13,851	13,827								
Nine Years Later	14,289									
Re-estimation of Incurred Claims:										
End of Fiscal Year	21,342	20,320	20,899	19,493	18,161	16,765	21,006	19,084	20,372	21,269
One Year Later	20,514	19,209	18,824	17,769	19,152	17,770	19,270	20,373	21,613	
Two Years Later	19,888	18,694	17,659	17,758	20,192	17,851	18,313	20,170		
Three Years Later	19,894	18,682	17,753	18,338	20,618	18,483	18,183			
Four Years Later	19,442	18,446	18,502	18,755	21,460	19,849				
Five Years Later	19,685	18,946	18,717	19,417	22,379					
Six Years Later	20,487	19,282	18,937	19,931						
Seven Years Later	20,350	19,970	19,617							
Eight Years Later	20,783	20,731								
Nine Years Later	21,172									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	(170)	411	(1,282)	438	4,218	3,083	(2,823)	1,086	1,241	

SOURCE: Compilation Report

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
ENTITY RISK POOLS
CLAIMS DEVELOPMENT INFORMATION
FOR THE LAST SEVEN YEARS
(Expressed in Thousands)**

Kentucky Public Employees Health Plan

	2006**	2007	2008	2009	2010	2011 as restated	2012
Earned Premiums	\$ 578,263	\$ 1,091,702	\$ 1,191,248	\$ 1,310,553	\$ 1,466,303	\$ 1,571,312	\$ 1,600,787
Administrative Expense	28,998	57,782	68,883	72,836	77,104	81,048	82,088
Incurred Claims as Originally Estimated	467,315	1,042,931	1,164,712	1,292,059	1,391,340	1,475,301	1,531,838
Claims Paid (Cumulative) as of:							
End of Fiscal Year	398,456	970,764	1,089,989	1,264,866	1,318,824	1,391,375	1,445,035
One Year Later	473,766	1,035,700	1,173,449	1,290,727	1,399,923	1,477,129	
Two Years Later	473,046	1,043,837	1,173,366	1,289,633	1,396,976		
Three Years Later	475,709	1,043,442	1,169,819	1,289,628			
Four Years Later	475,656	1,043,442	1,169,814				
Five Years Later	475,656	1,043,442					
Six Years Later	475,656						
Re-estimation of Incurred Claims:							
End of Fiscal Year	467,315	1,042,931	1,164,712	1,292,059	1,391,340	1,475,301	1,531,838
One Year Later	473,872	1,035,976	1,173,890	1,289,389	1,398,877	1,474,723	
Two Years Later	473,046	1,043,923	1,173,323	1,289,628	1,396,631		
Three Years Later	475,715	1,043,442	1,169,814	1,289,628			
Four Years Later	475,656	1,043,442	1,169,814				
Five Years Later	475,656	1,043,442					
Six Years Later	475,656						
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	8,341	511	5,101	(2,431)	5,291	(578)	

** January 1, 2006 was the Plan's inception date. This information is for the period ended 2006 and represents six months of data.

SOURCE: Audited Financial Statements



OTHER SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES - NON-MAJOR FUNDS**

NON-MAJOR GOVERNMENTAL FUNDS

Debt Service Fund

Turnpike Authority of Kentucky - accounts for and reports financial resources which are restricted, committed, or assigned for the payment of principal, interest, and administrative fees due on debt issued to acquire infrastructure, which is then leased to the Transportation Cabinet of the Commonwealth.

The Kentucky School Facilities Construction Commission - accounts for and reports financial resources which are restricted, committed, or assigned for the payment of the Commonwealth's portion of principal, interest, and administrative fees due on debt issued by local school districts for school construction.

Special Revenue Funds

The **Other Special Revenue Fund** - accounts for and reports specific taxes, fees, and charges that are restricted or committed to expenditures for a particular function or activity, but not usually appropriated by the General Assembly.

The **Turnpike Authority of Kentucky** – accounts for and reports specific resources which are restricted, committed, or assigned. The Authority was created to issue debt, which is used to acquire infrastructure, which is then leased to the Transportation Cabinet of the Commonwealth.

The Kentucky School Facilities Construction Commission - accounts for and reports specific resources which are restricted, committed, or assigned. This fund was established to assist local school districts in meeting the school construction needs of the Commonwealth in a manner that ensures an equitable distribution of funds based upon unmet needs.

The **Special Benefits Fund** - accounts for other fiduciary monies that will be expended for designated operations.

**COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012
(Expressed in Thousands)**

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Assets			
Cash and cash equivalents	\$ 82,917	\$ 3,793	\$ 29,847
Investments, net of amortization	5,199	1,230	165,862
Invested security collateral			90,379
Receivables, net			66,629
Notes receivable			2,174
Interfund receivables			1,940
Interfund loan receivable			12,133
Inventories			43
Total Assets	\$ 88,116	\$ 5,023	\$ 369,007
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,803	\$ 5,023	\$ 192
Interfund payables		5,023	28,815
Obligations under securities lending			90,380
Deferred revenue			44,487
Total Liabilities	1,803	5,023	163,874
Fund Balances:			
Nonspendable			
Inventories			2,217
Restricted for:			
General government			24,413
Legislative and judicial			
Commerce			1,933
Education and humanities			13,364
Human resources			114,318
Natural resources and environmental protection			3,309
Public protection and regulation			
Transportation	86,313		1,198
Committed to:			
General government			42,088
Legislative and judicial			26
Education and humanities			202
Human resources			700
Natural resources and environmental protection			
Assigned to:			
General government			1,365
Unassigned			
Total Fund Balances	86,313	205,133	
Total Liabilities and Fund Balances	\$ 88,116	\$ 5,023	\$ 369,007

Special Revenue Funds			
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Special Benefits	Total Non-Major Governmental Funds
\$ 28,527	\$ 10,872	\$ 94,228	\$ 250,184
237,448	10,525	97,792	518,056
		60,992	151,371
		57,183	123,812
			2,174
		15,783	17,723
			12,133
			43
\$ 265,975	\$ 21,397	\$ 325,978	\$ 1,075,496
\$ 71	\$ 14	\$ 7,469	\$ 9,549
	2,467	3,396	39,701
		60,992	151,372
		51,487	95,974
71	2,481	123,344	296,596
			2,217
		54,389	78,802
		1,009	1,009
	18,916		1,933
		6,978	39,258
		5,375	119,693
		16,488	19,797
265,904		11,587	11,587
			353,415
		87,873	129,961
			26
		1,259	1,461
		3,806	4,506
		18,614	18,614
			1,365
265,904	18,916	(4,744)	(4,744)
		202,634	778,900
\$ 265,975	\$ 21,397	\$ 325,978	\$ 1,075,496

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Revenues			
Taxes	\$	\$	94,298
Licenses, fees, and permits			522
Intergovernmental			
Charges for services			80,254
Fines and forfeits			22,594
Interest and other investment income	10		1,662
Increase (decrease) in fair value of investments			(363)
Securities lending income			
Other revenues	3,605		39,240
Total Revenues	3,615		238,207
Expenditures			
Current:			
General government		119,958	121,447
Commerce			333
Education and humanities			66,829
Human resources			2,777
Justice			
Natural resources and environmental protection			219
Public protection and regulation			
Transportation			
Debt service:			
Principal retirement	41,725	60,534	
Interest and fiscal charges	60,207	35,402	
Other expenditures		10,441	
Securities lending expense			
Total Expenditures	101,932	226,335	191,605
Excess (Deficiency) of Revenues over (under) Expenditures	(98,317)	(226,335)	46,602
Other Financing Sources (Uses)			
Transfers in	99,653	91,181	286,922
Transfers out			(327,482)
Capitalized leases			
Issuance of bonds:			
New issues		119,958	
Refunding issues		123,760	
Premiums			
Discounts		(927)	
Payments to refunded bond escrow agent		(107,637)	
Total Other Financing Sources (Uses)	99,653	226,335	(40,560)
Net Change in Fund Balances	1,336		6,042
Fund Balances at July 1, As Restated	84,977		199,095
Increase (Decrease) in Inventory			(4)
Fund Balances at June 30	\$ 86,313	\$	\$ 205,133

Special Revenue Funds			
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Special Benefits	Total Non-Major Governmental Funds
\$	\$	\$	\$
		7,461	101,759
		5,197	5,719
		1,578	1,578
		105,079	185,333
		3,447	26,041
820	20	1,309	3,821
	4	(137)	(496)
		239	239
7,416	7,870	151,715	209,846
8,236	7,894	275,888	533,840
189,356	12,844	66,058	509,663
		197	530
		14,557	81,386
		21,754	24,531
		1,965	1,965
		5,380	5,599
		60,755	60,755
		62,391	62,391
			102,259
			95,609
			10,441
		112	112
189,356	12,844	233,169	955,241
(181,120)	(4,950)	42,719	(421,401)
99,647	17,012	22,862	617,277
(99,653)	(12,801)	(65,562)	(505,498)
		7	7
218,200			338,158
39,288			123,760
			39,288
			(927)
			(107,637)
257,482	4,211	(42,693)	504,428
76,362	(739)	26	83,027
189,542	19,655	202,608	695,877
\$ 265,904	\$ 18,916	\$ 202,634	\$ 778,900

SCHEDULE OF FUND ACTIVITIES

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed In Thousands)

Revenues by Source	June 30, 2012
Taxes:	
Sales and gross receipts	\$ 3,791,092
Income:	
Individual	3,484,123
Corporations	371,704
Property	638,883
Coal severance	277,821
Licenses and privileges	6,050
Inheritance and estate	40,653
Miscellaneous	2,454
Total Taxes	<u>8,612,780</u>
Licenses, fees, and permits	26,154
Intergovernmental	13,958
Charges for services	220,831
Fines and forfeits	44,574
Interest and other investment income	(681)
Increase (decrease) in fair value of investments	(15,574)
Securities lending income	439
Other revenues	43,109
Total Revenues by Source	<u>\$ 8,945,590</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed In Thousands)

	June 30, 2012
General Government:	
Personal services	\$ 257,956
Utilities, rentals, and other services	38,240
Commodities and supplies	24,698
Grants and subsidies	1,276,285
Capital outlay	688
Travel	1,588
Judgments and contingent liabilities	2,106
Other	2,807
Total General Government	<u>1,604,368</u>
Legislative and Judicial:	
Personal services	203,174
Utilities, rentals, and other services	124,973
Commodities and supplies	28,682
Grants and subsidies	6,932
Capital outlay	222
Travel	3,416
Judgments and contingent liabilities	34
Total Legislative and Judicial	<u>367,433</u>
Commerce:	
Personal services	12,312
Utilities, rentals, and other services	1,771
Commodities and supplies	997
Grants and subsidies	30,156
Capital Outlay	16
Travel	167
Total Commerce	<u>45,419</u>
Education and Humanities:	
Personal services	91,590
Utilities, rentals, and other services	23,882
Commodities and supplies	4,256
Grants and subsidies	3,985,422
Capital outlay	118
Claims	41
Travel	1,655
Total Education and Humanities	<u>4,106,964</u>
Human Resources:	
Personal services	204,942
Utilities, rentals, and other services	38,381
Commodities and supplies	5,693
Grants and subsidies	1,781,749
Capital Outlay	44
Claims	8
Travel	5,841
Judgments and contingent liabilities	1,023
Total Human Resources	<u>2,037,681</u>
Justice:	
Personal services	385,358
Utilities, rentals, and other services	41,839
Commodities and supplies	21,654
Grants and subsidies	205,846
Claims	40
Travel	2,798
Total Justice	<u>657,535</u>

	June 30, 2012
Natural Resources and Environmental Protection:	
Personal services	\$ 58,512
Utilities, rentals, and other services	5,887
Commodities and supplies	2,413
Grants and subsidies	2,047
Capital outlay	5
Travel	262
Total Natural Resources and Environmental Protection	<u>69,126</u>
Public Protection and Regulation:	
Personal services	15,101
Utilities, rentals, and other services	1,442
Commodities and supplies	344
Grants and subsidies	200
Travel	218
Total Public Protection and Regulation	<u>17,305</u>
Transportation:	
Personal services	205
Commodities and supplies	25
Grants and subsidies	1,164
Total Transportation	<u>1,394</u>
Securities Lending Expense	205
Total Expenditures	<u><u>\$ 8,907,430</u></u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES BY TYPE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed In Thousands)

	June 30, 2012
Revenues:	
Taxes	\$ 1,302,802
Licenses, fees and permits	139,875
Charges for services	8,928
Fines and forfeits	34
Interest and other investment income	1,144
Increase (decrease) in fair value of investments	(349)
Securities lending income	1,213
Other revenues	8,078
Total Revenues	<u>1,461,725</u>
Expenditures:	
Transportation:	
General administration and support	34,877
Motor vehicle regulation	26,781
Justice - state police	89,004
Highways	1,026,654
Aviation	1,712
Securities lending expense	567
Other	350
Total Expenditures	<u>\$ 1,179,945</u>

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided on a cost reimbursement basis by one agency of the Commonwealth to other state agencies. Kentucky uses the following Internal Service Funds:

Fleet Management Fund - accounts for expenses incurred and reimbursements received for the management and maintenance of the Commonwealth's motor vehicle fleet.

Computer Services Fund - accounts for expenses incurred and reimbursements received for computer and related data processing services.

Prison Industries Fund - accounts for expenses incurred and reimbursements received for industrial operations within the correctional system.

Central Printing Fund - accounts for expenses incurred and reimbursements received by the Division of Printing.

Property Management Fund - accounts for expenses incurred and reimbursements received for space rental and maintenance operations.

Risk Management Fund - accounts for the self-insurance operations administered by the State which include the following programs:

Fire and Tornado Insurance Program - accounts for monies received by the Department of Insurance from State agencies and expended for insuring State property against loss from fires, tornadoes, etc.

State Workers' Compensation Program - accounts for monies received by the Personnel Cabinet from State agencies and expended for claims of job related injuries to State employees.

Transportation Cabinet's Self-Insured Workers' Compensation Trust Program - provides workers' compensation insurance for the employees of the Transportation Cabinet.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	<u>Fleet Management</u>	<u>Computer Services</u>	<u>Prison Industries</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,786	\$ 13,900	\$ 1,034
Cash with fiscal agent	5,586		
Receivables, net	411	816	337
Interfunds receivable	4	1,288	751
Inventories	11	335	2,418
Prepaid expenses	173	244	
Total Current Assets	<u>11,971</u>	<u>16,583</u>	<u>4,540</u>
Noncurrent assets:			
Investments, net	1,877	16,557	326
Land			657
Improvements other than buildings			
Buildings		9,498	5,876
Machinery and equipment	72,395	37,889	4,171
Easements and other intangibles		1,675	
Less: Accumulated depreciation	(59,845)	(36,270)	(5,105)
Construction in progress			
Total Capital Assets	<u>12,550</u>	<u>12,792</u>	<u>5,599</u>
Total Noncurrent Assets, Net	<u>14,427</u>	<u>29,349</u>	<u>5,925</u>
Total Assets	<u>26,398</u>	<u>45,932</u>	<u>10,465</u>
Liabilities			
Current liabilities:			
Accounts payable	1,366	5,330	1,439
Interfund payables	16	663	40
Interfund loans payable			
Claims liability			
Claims adjustment liability			
Capital lease obligations	1,955	787	
Compensated absences	78	1,865	330
Deferred revenue			
Total Current Liabilities	<u>3,415</u>	<u>8,645</u>	<u>1,809</u>
Noncurrent liabilities:			
Claims liability			
Claims adjustment liability			
Capital lease obligations	5,713	263	
Compensated absences	63	1,016	168
Total Noncurrent Liabilities	<u>5,776</u>	<u>1,279</u>	<u>168</u>
Total Liabilities	<u>9,191</u>	<u>9,924</u>	<u>1,977</u>
Net Assets			
Invested in capital assets, net of related debt	4,883	11,742	5,599
Unrestricted	12,324	24,266	2,889
Total Net Assets	<u>\$ 17,207</u>	<u>\$ 36,008</u>	<u>\$ 8,488</u>

<u>Central Printing</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>Totals June 30, 2012</u>
\$	\$ 11,792	\$ 15,514	\$ 48,026
	55	950	5,586
41	127	291	2,569
29			2,502
		6,786	2,793
<u>70</u>	<u>11,974</u>	<u>23,541</u>	<u>7,203</u>
	16,029	5,740	40,529
	17,562		18,219
	3,133		3,133
	260,539		275,913
1,749	1,726		117,930
			1,675
(939)	(155,851)		(258,010)
	78,361		78,361
<u>810</u>	<u>205,470</u>		<u>237,221</u>
<u>810</u>	<u>221,499</u>	<u>5,740</u>	<u>277,750</u>
<u>880</u>	<u>233,473</u>	<u>29,281</u>	<u>346,429</u>
79	2,193	580	10,987
10	3,617	13	4,359
595			595
		18,608	18,608
		482	482
208	390		3,340
58	804	105	3,240
	458	1	459
<u>950</u>	<u>7,462</u>	<u>19,789</u>	<u>42,070</u>
		165,966	165,966
		5,506	5,506
345	9,986		16,307
6	255	47	1,555
<u>351</u>	<u>10,241</u>	<u>171,519</u>	<u>189,334</u>
<u>1,301</u>	<u>17,703</u>	<u>191,308</u>	<u>231,404</u>
257	195,094		217,575
(678)	20,676	(162,027)	(102,550)
<u>\$ (421)</u>	<u>\$ 215,770</u>	<u>\$ (162,027)</u>	<u>\$ 115,025</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Operating Revenues:			
Charges for services	\$ 24,605	\$ 67,767	\$ 11,938
Other revenues	120	49	8
Total Operating Revenues	<u>24,725</u>	<u>67,816</u>	<u>11,946</u>
Operating Expenses:			
Personal services	1,603	45,957	4,043
Utilities, rentals, and other services	3,840	6,470	1,267
Commodities and supplies	16,810	11,249	5,873
Grants and subsidies		234	270
Depreciation and amortization	4,604	3,971	373
Travel	1	48	30
Reinsurance expense			
Claims expense		1	
Claims adjustment expense			
Total Operating Expenses	<u>26,858</u>	<u>67,930</u>	<u>11,856</u>
Operating Income (Loss)	<u>(2,133)</u>	<u>(114)</u>	<u>90</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of fixed assets	503	(590)	(158)
Interest and other investment income	(1)	(96)	
Interest expense	(21)	(73)	
Other revenues (expenses)			
Total Nonoperating Revenues and Expenses	<u>481</u>	<u>(759)</u>	<u>(158)</u>
Income (Loss) before Transfers	(1,652)	(873)	(68)
Capital contributions	718		
Transfers in			
Transfers out	<u>(13,051)</u>	<u>(4,903)</u>	<u>(253)</u>
Change in Net Assets	(13,985)	(5,776)	(321)
Net Assets at July 1	31,192	41,784	8,809
Net Assets at June 30	<u>\$ 17,207</u>	<u>\$ 36,008</u>	<u>\$ 8,488</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2012
\$ 1,514	\$ 37,175	\$ 48,052	\$ 191,051
1,514	131	48,052	308
809	37,306	48,052	191,359
295	15,900	2,840	71,152
266	13,552	7,647	33,071
232	10,143	61	44,402
504	5,077	5	14,257
139	55	5	139
971	971	971	971
48,190	48,190	48,190	48,191
97	97	97	97
1,602	44,727	59,811	212,784
(88)	(7,421)	(11,759)	(21,425)
(246)	(1)	(246)	(246)
(167)	(87)	17	(167)
(453)	(297)	(453)	(453)
62	62	62	62
(62)	(385)	79	(804)
(150)	(7,806)	(11,680)	(22,229)
718	3,409	718	718
3,409	(3,540)	(229)	3,409
(21,976)	(21,976)	(21,976)	(21,976)
(150)	(7,937)	(11,909)	(40,078)
(271)	223,707	(150,118)	155,103
\$ (421)	\$ 215,770	\$ (162,027)	\$ 115,025

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Cash Flows from Operating Activities			
Cash received from customers - public	\$	\$ 66,730	\$ 4,572
Cash received from customers - state	24,482	(3)	7,061
Cash payments to suppliers for goods and services	(19,217)	(18,509)	(6,571)
Cash payments for employee salaries and benefits	(1,618)	(46,125)	(4,060)
Cash payments for claims expense		(1)	
Cash payments from other sources	119	49	8
Cash payments to other sources		(235)	(270)
Net Cash Provided (Used) by Operating Activities	<u>3,766</u>	<u>1,906</u>	<u>740</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds			
Transfers to other funds	(13,051)	(4,903)	(253)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(13,051)</u>	<u>(4,903)</u>	<u>(253)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(992)	(3,734)	(282)
Principal paid on revenue bond maturities and equipment contracts	(595)	(1,111)	(7)
Interest paid on revenue bonds and equipment contracts	(21)	(73)	
Proceeds from the sale of capital assets	481		17
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,127)</u>	<u>(4,918)</u>	<u>(272)</u>
Cash Flows from Investing Activities			
Purchase of investment securities			(107)
Proceeds from the sale of investment securities	1,758	4,562	
Interest and dividends on investments		(96)	
Net Cash Provided (Used) in Investing Activities	<u>1,758</u>	<u>4,466</u>	<u>(107)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,654)	(3,449)	108
Cash and Cash Equivalents at July 1	14,440	17,349	926
Cash and Cash Equivalents at June 30	<u>\$ 5,786</u>	<u>\$ 13,900</u>	<u>\$ 1,034</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (2,133)	\$ (114)	\$ 90
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	4,604	3,971	373
Miscellaneous nonoperating income (expense)			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	(312)	(427)	113
Interfund receivables	189	318	(417)
Inventories	3	(4)	(26)
Prepaid expenses	742	110	
Increase (decrease) in liabilities:			
Accounts payable	676	2,100	561
Interfund payables	12	(2,996)	34
Claims liability			
Claims adjustment liability			
Compensated absences	(15)	(120)	12
Deferred revenue		(932)	
Net Cash Provided by Operating Activities	<u>\$ 3,766</u>	<u>\$ 1,906</u>	<u>\$ 740</u>
Noncash Investing, Capital, and Financing Activities			
Change in fair value of investments	\$	\$	\$
Contributions of capital assets	718		
Capital assets acquired through leases	7,990	205	
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 8,708</u>	<u>\$ 205</u>	<u>\$</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2012
\$	\$	\$	\$
1,516	1,380	6,262	78,944
(418)	36,169	40,286	109,511
(812)	(22,773)	(9,064)	(76,552)
	(15,969)	(2,811)	(71,395)
	131	(35,661)	(35,662)
		63	370
		(868)	(1,373)
286	(1,062)	(1,793)	3,843
	3,409		3,409
	(3,540)	(229)	(21,976)
	(131)	(229)	(18,567)
	(770)		(5,778)
(286)	(374)		(2,373)
(62)	(278)		(434)
	20		518
(348)	(1,402)		(8,067)
		(784)	(891)
15	2,160	(792)	7,703
	(87)	17	(166)
15	2,073	(1,559)	6,646
(47)	(522)	(3,581)	(16,145)
47	12,314	19,095	64,171
\$	\$ 11,792	\$ 15,514	\$ 48,026
\$	\$	\$	\$
(88)	(7,421)	(11,759)	(21,425)
232	5,077		14,257
		63	63
7	(54)	(950)	(1,623)
(5)	113	(224)	(26)
(2)		(1,643)	(29)
			(791)
(1)	169	352	3,857
146	753	(1)	(2,052)
		12,302	12,302
		97	97
(3)	(13)	7	(132)
	314	(37)	(655)
\$ 286	\$ (1,062)	\$ (1,793)	\$ 3,843
\$	\$	\$	\$
	4,732		718
\$	\$ 4,732	\$	\$ 12,927
			\$ 13,645

CAPITAL ASSETS

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY SOURCE
JUNE 30, 2012
(Expressed In Thousands)

	June 30, 2012
Governmental Funds Capital Assets	
Land	\$ 169,552
Improvements other than buildings	16,574
Buildings	1,064,892
Machinery and equipment	492,604
Other intangibles	41,832
Easements	130,142
Construction in progress	1,748,538
Infrastructure	19,246,016
Total Governmental Funds Capital Assets	<u>\$ 22,910,150</u>
Investments in Governmental Funds Capital Assets by Source	
General Fund	\$ 107,450
Special Revenue Funds	620,237
Donations	136,050
Other	1,669,515
Capital Projects Fund:	
State appropriations	50,813
Revenue bonds	503,597
Federal grants	205,023
Other	151,866
Infrastructure (A)	19,246,016
Capital assets acquired prior to July 1, 1984 (A)	150,790
Capital assets acquired after July 1, 1984 (A)	68,793
Total Governmental Funds Capital Assets by Source	<u>\$ 22,910,150</u>

(1) Internal Service Funds are not included in this schedule. Internal Service Fund assets are included as governmental activities in the Statement of Net Assets.

(A) Capital assets with an undetermined funding source.

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION
JUNE 30, 2012
(Expressed in Thousands)

	<u>Land</u>	<u>Improvements Other Than Buildings</u>	<u>Buildings</u>
General Government	\$ 30,022	\$ 6,228	\$ 240,253
Legislative & Judicial	42		
Commerce	80,041	3,051	25,733
Education & Humanities	1,298	664	43,176
Human Resources	1,766	1,257	80,592
Justice	4,663	5,273	486,450
Natural Resources and Environmental Protection	34,702	101	1,233
Public Protection and Regulation			
Transportation	17,018		187,455
Total Governmental Funds Capital Assets by Function	<u>\$ 169,552</u>	<u>\$ 16,574</u>	<u>\$ 1,064,892</u>

(1) Internal Service Funds are not included in this schedule. Internal Service Fund assets are included as governmental activities in the Statement of Net Assets.

<u>Machinery and Equipment</u>	<u>Software / Other Intangibles</u>	<u>Easements</u>	<u>Construction in Progress</u>	<u>Infrastructure</u>	<u>Totals June 30, 2012</u>
\$ 34,652	\$ 36,605	\$ 55,653	\$ 56,300	\$	\$ 459,713
12,666					12,708
28,215			1,454		138,494
38,974		12,174	2,239		98,525
21,824			133,601		239,040
91,712	5,227		21,422		614,747
35,687		13,308	180		85,211
4,929					4,929
223,945		49,007	1,533,342	19,246,016	21,256,783
<u>\$ 492,604</u>	<u>\$ 41,832</u>	<u>\$ 130,142</u>	<u>\$ 1,748,538</u>	<u>\$ 19,246,016</u>	<u>\$ 22,910,150</u>

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
General Government	\$ 435,380	\$ 64,184	\$ 39,851	\$ 459,713
Legislative & Judicial	11,337	1,390	19	12,708
Commerce	123,801	16,560	1,867	138,494
Education & Humanities	99,528	2,464	3,467	98,525
Human Resources	147,127	95,439	3,526	239,040
Justice	599,135	24,298	8,686	614,747
Natural Resources and Environmental Protection	76,024	11,230	2,043	85,211
Public Protection and Regulation	4,184	895	150	4,929
Transportation	20,816,119	1,155,413	714,749	21,256,783
Total Governmental Funds Capital Assets by Function	<u>\$ 22,312,635</u>	<u>\$ 1,371,873</u>	<u>\$ 774,358</u>	<u>\$ 22,910,150</u>

(1) Internal Service Funds are not included in this schedule. Internal Service Fund assets are included as governmental activities in the Statement of Net Assets.

PENSION (AND OTHER POST EMPLOYMENT BENEFIT) TRUST FUNDS

Pension (and other post employment benefit) trust funds account for monies received for and expenses incurred by the various public employee retirement systems administered by the Commonwealth. Kentucky uses the following Pension Trust Funds:

Kentucky Employees Retirement System (KERS) - accounts for pension and other post employment benefits administered by the System, which covers substantially all regular full-time employees of any State department, board or agency directed by Executive Order to participate in the System.

County Employees Retirement System (CERS) - accounts for pension and other post employment benefits administered by the System, which covers substantially all regular full-time employees of each county, local school board, and additional local agencies electing to participate in the System.

State Police Retirement System (SPRS) - accounts for pension and other post employment benefits administered by the System, which covers substantially all regular full-time officers of the Kentucky State Police.

Kentucky Teachers' Retirement System (KTRS) - accounts for pension and other post employment benefits administered by the System, which covers substantially all persons occupying positions in the public elementary and secondary schools for which a certificate is required, faculty members of five regional universities, the Commissioner of Education and the professional staff members of the Department of Education.

Judicial Retirement Plan - accounts for pension and other post employment benefits administered by the Plan, which covers all District Judges, Judges of the Court of Appeals, and Judges of the Supreme Court.

Legislators' Retirement Plan - accounts for pension and other post employment benefits administered by the Plan, which covers all members of the General Assembly.

Kentucky Public Employees Deferred Compensation Authority - accounts for the monies withheld from participating employees payroll to be placed in an Internal Revenue Code Section 401 or 457 deferred compensation plan. The amounts are deposited with third party administrators which oversee the investment activities of such monies.

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	<u>Pension Funds</u>	<u>Insurance Funds</u>	<u>Totals June 30, 2012</u>
Assets			
Cash and Short-Term Investments:			
Cash	\$ 30,445	\$ 6,854	\$ 37,299
Medicare drug deposit		101	101
Short-term investments	2,917,056	247,566	3,164,622
Total Cash and Short-Term Investments	<u>2,947,501</u>	<u>254,521</u>	<u>3,202,022</u>
Receivables:			
Investments - accounts receivable	33,684	2,244	35,928
Interest receivable	88,129	10,853	98,982
Accounts receivable	210,246	76,537	286,783
Total Receivables	<u>332,059</u>	<u>89,634</u>	<u>421,693</u>
Investments at Fair Value:			
Corporate and government bonds	6,662,204	1,319,512	7,981,716
Common stocks	15,715,216	1,881,746	17,596,962
Mortgages	798,379	87,994	886,373
Mutual funds	764,469	748	765,217
Real estate	640,848	8,101	648,949
Total Investments at Fair Value	<u>24,581,116</u>	<u>3,298,101</u>	<u>27,879,217</u>
Invested security collateral	1,685,360	199,218	1,884,578
Capital assets, net	20,640		20,640
Prepaid expenses	63	147	210
Total Assets	<u>29,566,739</u>	<u>3,841,621</u>	<u>33,408,360</u>
Liabilities			
Investments - accounts payable	66,136	10,123	76,259
Accounts payable	44,187	39,255	83,442
Obligations under securities lending	1,685,360	199,218	1,884,578
Total Liabilities	<u>1,795,683</u>	<u>248,596</u>	<u>2,044,279</u>
Net assets held in trust for pension and other post employment benefits	<u>\$ 27,771,056</u>	<u>\$ 3,593,025</u>	<u>\$ 31,364,081</u>

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	<u>Pension Funds</u>	<u>Insurance Funds</u>	<u>Totals June 30, 2012</u>
Additions			
Contributions:			
Employer	\$ 1,171,357	\$ 613,047	\$ 1,784,404
Member	726,527	129,197	855,724
Total Contributions	<u>1,897,884</u>	<u>742,244</u>	<u>2,640,128</u>
Other Contributions:			
Recovery Income	518	9,962	10,480
Medicare D Receipts		18,098	18,098
Participant fees	10,473		10,473
Total Other Contributions	<u>10,991</u>	<u>28,060</u>	<u>39,051</u>
Investment Income:			
Net increase (decrease) in fair value of investments	(291,508)	(121,708)	(413,216)
Interest	498,715	81,887	580,602
Dividends	166,887	873	167,760
Real estate operating income, net	30,537		30,537
Securities lending income, net	3,433	84	3,517
Total Investment Income	<u>408,064</u>	<u>(38,864)</u>	<u>369,200</u>
Less: Investment expense	70,327	8,348	78,675
Less: Securities lending expense	901	(85)	816
Net Investment Income	<u>336,836</u>	<u>(47,127)</u>	<u>289,709</u>
Total Additions	<u>2,245,711</u>	<u>723,177</u>	<u>2,968,888</u>
Deductions			
Benefit payments	3,271,398	4,397	3,275,795
Refunds	50,526		50,526
Administrative expenses	42,534	13,284	55,818
Capital project expense	17		17
Self funding insurance cost		132,144	132,144
Healthcare premium subsidies		250,921	250,921
Other deductions, net		228,975	228,975
Total Deductions	<u>3,364,475</u>	<u>629,721</u>	<u>3,994,196</u>
Change in Net Assets	(1,118,764)	93,456	(1,025,308)
Net Assets Held in Trust			
Net Assets at July 1	28,889,820	3,499,569	32,389,389
Net Assets at June 30	<u>\$ 27,771,056</u>	<u>\$ 3,593,025</u>	<u>\$ 31,364,081</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
Assets				
Cash and Short-Term Investments:				
Cash	\$ 1,024	\$ 316	\$ 760	\$ 592
Short-term investments	101,548	18,546	183,733	59,946
Total Cash and Short-Term Investments	<u>102,572</u>	<u>18,862</u>	<u>184,493</u>	<u>60,538</u>
Receivables:				
Investments - accounts receivable				
Interest receivable	10,273	1,641	18,895	5,872
Accounts receivable	40,290	4,664	51,375	14,188
Total Receivables	<u>50,563</u>	<u>6,305</u>	<u>70,270</u>	<u>20,060</u>
Investments at Fair Value:				
Corporate and government bonds	972,045	159,055	1,850,724	573,583
Common stocks	1,783,142	278,879	3,108,317	972,329
Mortgages	69,786	11,677	142,047	43,460
Mutual funds				
Real estate	12,891	4,516	25,160	10,036
Total Investments at Fair Value	<u>2,837,864</u>	<u>454,127</u>	<u>5,126,248</u>	<u>1,599,408</u>
Invested security collateral	731,422	33,456	385,278	120,548
Capital assets, net	4,663	402	7,955	683
Prepaid expenses				
Total Assets	<u>3,727,084</u>	<u>513,152</u>	<u>5,774,244</u>	<u>1,801,237</u>
Liabilities				
Investments - accounts payable				
Accounts payable	18,593	3,107	7,364	7,719
Obligations under securities lending	731,422	33,456	385,278	120,548
Total Liabilities	<u>750,015</u>	<u>36,563</u>	<u>392,642</u>	<u>128,267</u>
Net assets held in trust for employee retirement benefits	<u>\$ 2,977,069</u>	<u>\$ 476,589</u>	<u>\$ 5,381,602</u>	<u>\$ 1,672,970</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2012
\$ 246	\$ 25,325	\$ 69	\$ 167	\$ 1,946	\$ 30,445
11,566	608,260			1,933,457	2,917,056
11,812	633,585	69	167	1,935,403	2,947,501
	33,560	113	11		33,684
842	49,847	627	132		88,129
2,205	49,946			47,578	210,246
3,047	133,353	740	143	47,578	332,059
83,980	2,957,084	55,061	10,672		6,662,204
146,945	9,260,312	134,468	30,824		15,715,216
5,671	525,738				798,379
	764,469				764,469
1,444	586,801				640,848
238,040	14,094,404	189,529	41,496		24,581,116
18,109	396,547				1,685,360
78	6,859				20,640
	63				63
271,086	15,264,811	190,338	41,806	1,982,981	29,566,739
	66,136				66,136
2,501	4,053			850	44,187
18,109	396,547				1,685,360
20,610	466,736			850	1,795,683
\$ 250,476	\$ 14,798,075	\$ 190,338	\$ 41,806	\$ 1,982,131	\$ 27,771,056

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 216,408	\$ 17,996	\$ 275,765	\$ 78,122
Member	96,418	11,602	119,123	41,797
Total Contributions	<u>312,826</u>	<u>29,598</u>	<u>394,888</u>	<u>119,919</u>
Other Contributions:				
Recovery Income				
Participant fees				
Total Other Contributions	<u></u>	<u></u>	<u></u>	<u></u>
Investment Income:				
Net increase (decrease) in fair value of investments	(57,548)	(20,338)	(117,311)	(60,565)
Interest	79,998	11,672	130,934	41,001
Dividends				
Real estate operating income, net				
Securities lending income, net	141	26	59	89
Total Investment Income	<u>22,591</u>	<u>(8,640)</u>	<u>13,682</u>	<u>(19,475)</u>
Less: Investment expense	12,810	1,646	17,048	5,254
Less: Securities lending expense	(8)		(17)	(5)
Net Investment Income	<u>9,789</u>	<u>(10,286)</u>	<u>(3,349)</u>	<u>(24,724)</u>
Total Additions	<u>322,615</u>	<u>19,312</u>	<u>391,539</u>	<u>95,195</u>
Deductions				
Benefit payments	858,151	48,424	524,385	169,352
Refunds	12,004	2,543	12,765	3,516
Administrative expenses	8,776	877	16,740	1,319
Capital project expense	8		9	
Total Deductions	<u>878,939</u>	<u>51,844</u>	<u>553,899</u>	<u>174,187</u>
Change in Net Assets	(556,324)	(32,532)	(162,360)	(78,992)
Net Assets Held in Trust				
Net Assets at July 1, As Restated	3,533,393	509,121	5,543,962	1,751,962
Net Assets at June 30	<u>\$ 2,977,069</u>	<u>\$ 476,589</u>	<u>\$ 5,381,602</u>	<u>\$ 1,672,970</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2012
\$ 15,086	\$ 557,340	\$ 4,843	\$ 709	\$ 5,088	\$ 1,171,357
5,154	309,730	1,693	265	140,745	726,527
<u>20,240</u>	<u>867,070</u>	<u>6,536</u>	<u>974</u>	<u>145,833</u>	<u>1,897,884</u>
		404	114		518
		<u>404</u>	<u>114</u>	<u>10,473</u>	<u>10,473</u>
				<u>10,473</u>	<u>10,991</u>
(5,418)	(68,480)	14,762	3,100	20,290	(291,508)
6,419	210,200	2,348	473	15,670	498,715
	163,431	2,790	666		166,887
	30,537				30,537
13	3,105				3,433
<u>1,014</u>	<u>338,793</u>	<u>19,900</u>	<u>4,239</u>	<u>35,960</u>	<u>408,064</u>
972	28,089	189		4,319	70,327
(1)	932				901
<u>43</u>	<u>309,772</u>	<u>19,711</u>	<u>4,239</u>	<u>31,641</u>	<u>336,836</u>
<u>20,283</u>	<u>1,176,842</u>	<u>26,651</u>	<u>5,327</u>	<u>187,947</u>	<u>2,245,711</u>
48,867	1,483,031	21,704	3,329	114,155	3,271,398
149	19,549				50,526
73	7,763	212	106	6,668	42,534
					17
<u>49,089</u>	<u>1,510,343</u>	<u>21,916</u>	<u>3,435</u>	<u>120,823</u>	<u>3,364,475</u>
(28,806)	(333,501)	4,735	1,892	67,124	(1,118,764)
279,282	15,131,576	185,603	39,914	1,915,007	28,889,820
<u>\$ 250,476</u>	<u>\$ 14,798,075</u>	<u>\$ 190,338</u>	<u>\$ 41,806</u>	<u>\$ 1,982,131</u>	<u>\$ 27,771,056</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 555	\$ 34	\$ 570	\$ 39
Medicare drug deposit	20	11	42	23
Short-term investments	33,748	24,366	80,072	39,452
Total Cash and Short-Term Investments	<u>34,323</u>	<u>24,411</u>	<u>80,684</u>	<u>39,514</u>
Receivables:				
Investments - accounts receivable				
Interest receivable	1,302	1,133	5,024	2,732
Accounts receivable	15,908	5,544	20,705	16,169
Total Receivables	<u>17,210</u>	<u>6,677</u>	<u>25,729</u>	<u>18,901</u>
Investments at Fair Value:				
Corporate and government bonds	123,864	122,004	515,716	282,365
Common stocks	236,243	171,434	784,254	426,931
Mortgages	17,798	7,079	31,071	16,592
Mutual funds				
Real estate	519	950	4,058	2,196
Total Investments at Fair Value	<u>378,424</u>	<u>301,467</u>	<u>1,335,099</u>	<u>728,084</u>
Invested security collateral	31,234	19,920	91,073	49,003
Prepaid expenses				
Total Assets	<u>461,191</u>	<u>352,475</u>	<u>1,532,585</u>	<u>835,502</u>
Liabilities				
Investments - accounts payable				
Accounts payable	11,467	1,825	12,691	625
Obligations under securities lending	31,234	19,920	91,073	49,003
Total Liabilities	<u>42,701</u>	<u>21,745</u>	<u>103,764</u>	<u>49,628</u>
Net assets held in trust for other post employment benefits	<u>\$ 418,490</u>	<u>\$ 330,730</u>	<u>\$ 1,428,821</u>	<u>\$ 785,874</u>

<u>State Police Retirement System</u>	<u>Kentucky Teachers' Retirement System</u>	<u>Judicial Retirement Plan</u>	<u>Legislators' Retirement Plan</u>	<u>Totals June 30, 2012</u>
\$ 34	\$ 5,502	\$ 17	\$ 103	\$ 6,854
5				101
7,748	62,180			247,566
<u>7,787</u>	<u>67,682</u>	<u>17</u>	<u>103</u>	<u>254,521</u>
	2,209	28	7	2,244
425		155	82	10,853
2,996	15,215			76,537
<u>3,421</u>	<u>17,424</u>	<u>183</u>	<u>89</u>	<u>89,634</u>
	213,865	13,539	6,617	1,319,512
41,542	141,013	33,065	19,111	1,881,746
69,695	12,647			87,994
2,807	748			748
378				8,101
<u>114,422</u>	<u>368,273</u>	<u>46,604</u>	<u>25,728</u>	<u>3,298,101</u>
				199,218
7,988	147			147
<u>133,618</u>	<u>453,526</u>	<u>46,804</u>	<u>25,920</u>	<u>3,841,621</u>
	10,123			10,123
232	12,415			39,255
7,988				199,218
<u>8,220</u>	<u>22,538</u>			<u>248,596</u>
<u>\$ 125,398</u>	<u>\$ 430,988</u>	<u>\$ 46,804</u>	<u>\$ 25,920</u>	<u>\$ 3,593,025</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 146,844	\$ 23,984	\$ 164,297	\$ 90,204
Member	12,229	339	15,525	290
Total Contributions	<u>159,073</u>	<u>24,323</u>	<u>179,822</u>	<u>90,494</u>
Other Contributions:				
Recovery Income	3,437	537	1,968	405
Medicare D Receipts	7,856	351	8,443	871
Total Other Contributions	<u>11,293</u>	<u>888</u>	<u>10,411</u>	<u>1,276</u>
Investment Income:				
Net increase (decrease) in fair value of investments	(12,575)	(6,675)	(63,013)	(32,299)
Interest	9,167	7,702	33,381	17,951
Dividends				
Securities lending income, net	12	9	39	21
Total Investment Income	<u>(3,396)</u>	<u>1,036</u>	<u>(29,593)</u>	<u>(14,327)</u>
Less: Investment expense	1,420	985	3,438	1,821
Less: Securities lending expense	(13)	(9)	(39)	(21)
Net Investment Income	<u>(4,803)</u>	<u>60</u>	<u>(32,992)</u>	<u>(16,127)</u>
Total Additions	<u>165,563</u>	<u>25,271</u>	<u>157,241</u>	<u>75,643</u>
Deductions				
Benefit payments				
Administrative expenses	5,203	335	5,545	688
Self funding insurance cost	58,941	2,894	62,316	5,930
Healthcare Premiums Subsidies	104,900	11,047	79,378	44,225
Other deductions, net				
Total Deductions	<u>169,044</u>	<u>14,276</u>	<u>147,239</u>	<u>50,843</u>
Change in Net Assets	(3,481)	10,995	10,002	24,800
Net Assets Held in Trust				
Net Assets at July 1, As Restated	421,971	319,735	1,418,819	761,074
Net Assets at June 30	<u>\$ 418,490</u>	<u>\$ 330,730</u>	<u>\$ 1,428,821</u>	<u>\$ 785,874</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2012
\$ 10,808	\$ 175,651	\$ 941	\$ 318	\$ 613,047
20	100,346	329	119	129,197
<u>10,828</u>	<u>275,997</u>	<u>1,270</u>	<u>437</u>	<u>742,244</u>
2	3,484	78	51	9,962
279	298			18,098
<u>281</u>	<u>3,782</u>	<u>78</u>	<u>51</u>	<u>28,060</u>
(4,139)	(7,267)	2,868	1,392	(121,708)
3,040	9,977	457	212	81,887
	32	542	299	873
3				84
<u>(1,096)</u>	<u>2,742</u>	<u>3,867</u>	<u>1,903</u>	<u>(38,864)</u>
365	282	37		8,348
(3)				(85)
<u>(1,458)</u>	<u>2,460</u>	<u>3,830</u>	<u>1,903</u>	<u>(47,127)</u>
<u>9,651</u>	<u>282,239</u>	<u>5,178</u>	<u>2,391</u>	<u>723,177</u>
	4,397			4,397
201	1,224	41	47	13,284
2,063				132,144
8,728		1,988	655	250,921
	228,975			228,975
<u>10,992</u>	<u>234,596</u>	<u>2,029</u>	<u>702</u>	<u>629,721</u>
(1,341)	47,643	3,149	1,689	93,456
126,739	383,345	43,655	24,231	3,499,569
<u>\$ 125,398</u>	<u>\$ 430,988</u>	<u>\$ 46,804</u>	<u>\$ 25,920</u>	<u>\$ 3,593,025</u>

AGENCY FUNDS

Agency Funds account for monies held by the Commonwealth for custodial purposes only. Kentucky uses the following Agency Funds:

Commonwealth Choice Program - accounts for flexible benefits spending accounts.

County Fees Trust Fund - accounts for monies held by the Commonwealth for those counties with a population greater than 70,000.

Special Deposit Trust Fund - accounts for monies held by the Commonwealth and are marked for specific purposes such as employee withholdings.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	<u>Commonwealth Choice Program</u>	<u>County Fees Trust Fund</u>	<u>Special Deposit Trust Fund</u>	<u>Totals June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ 1,702	\$ 209	\$ 196,448	\$ 198,359
Investments, net of amortization			63,776	63,776
Invested security collateral			670,781	670,781
Receivables, net		12,676	24	12,700
Total Assets	<u>\$ 1,702</u>	<u>\$ 12,885</u>	<u>\$ 931,029</u>	<u>\$ 945,616</u>
Liabilities				
Accounts payable	\$ 1,702		\$ 216,682	\$ 216,682
Amounts held in custody for others		12,885	43,566	58,153
Obligations under securities lending			670,781	670,781
Total Liabilities	<u>\$ 1,702</u>	<u>\$ 12,885</u>	<u>\$ 931,029</u>	<u>\$ 945,616</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	<u>Balances</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2012</u>
<u>COMMONWEALTH CHOICE PROGRAM</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 1,915	\$ 16,866	\$ 17,079	\$ 1,702
Total Assets	<u>\$ 1,915</u>	<u>\$ 16,866</u>	<u>\$ 17,079</u>	<u>\$ 1,702</u>
<u>Liabilities</u>				
Amounts held in custody for others	\$ 1,915	\$ 16,866	\$ 17,079	\$ 1,702
Total Liabilities	<u>\$ 1,915</u>	<u>\$ 16,866</u>	<u>\$ 17,079</u>	<u>\$ 1,702</u>
<u>COUNTY FEES TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 195	\$ 14	\$	\$ 209
Accounts receivable	13,369	128,288	128,981	12,676
Total Assets	<u>\$ 13,564</u>	<u>\$ 128,302</u>	<u>\$ 128,981</u>	<u>\$ 12,885</u>
<u>Liabilities</u>				
Amounts held in custody for others	\$ 13,564	\$ 128,302	\$ 128,981	\$ 12,885
Total Liabilities	<u>\$ 13,564</u>	<u>\$ 128,302</u>	<u>\$ 128,981</u>	<u>\$ 12,885</u>
<u>SPECIAL DEPOSIT TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 241,582	\$ 611,149	\$ 656,283	\$ 196,448
Investments	56,207	28,340	20,771	63,776
Invested security collateral	331,314	339,467		670,781
Accounts receivable	35,874	24	35,874	24
Total Assets	<u>\$ 664,977</u>	<u>\$ 978,980</u>	<u>\$ 712,928</u>	<u>\$ 931,029</u>
<u>Liabilities</u>				
Accounts payable	\$ 237,250	\$ 17,231	\$ 37,799	\$ 216,682
Amounts held in custody for others	96,413	615,836	668,683	43,566
Obligations under securities lending	331,314	339,467		670,781
Total Liabilities	<u>\$ 664,977</u>	<u>\$ 972,534</u>	<u>\$ 706,482</u>	<u>\$ 931,029</u>
<u>ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 243,692	\$ 628,029	\$ 673,362	\$ 198,359
Investments	56,207	28,340	20,771	63,776
Invested security collateral	331,314	339,467		670,781
Accounts receivable	49,243	128,312	164,855	12,700
Total Assets	<u>\$ 680,456</u>	<u>\$ 1,124,148</u>	<u>\$ 858,988</u>	<u>\$ 945,616</u>
<u>Liabilities</u>				
Accounts payable	\$ 237,250	\$ 17,231	\$ 37,799	\$ 216,682
Amounts held in custody for others	111,892	761,004	814,743	58,153
Obligations under securities lending	331,314	339,467		670,781
Total Liabilities	<u>\$ 680,456</u>	<u>\$ 1,117,702</u>	<u>\$ 852,542</u>	<u>\$ 945,616</u>

NON-MAJOR COMPONENT UNITS - COMBINING

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
JUNE 30, 2012**

(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2012
Assets			
Current assets:			
Cash and cash equivalents	\$ 507,352	\$ 317,490	\$ 824,842
Restricted cash	6,423	42,355	48,778
Investments, net of amortization	16,199	4,011	20,210
Accounts receivable, net	47,797	83,356	131,153
Interest receivable	1,982	3,880	5,862
Inventories	725	7,203	7,928
Prepaid expenses	374	10,922	11,296
Other current assets	61,141	8,497	69,638
Total Current Assets	<u>641,993</u>	<u>477,714</u>	<u>1,119,707</u>
Noncurrent assets:			
Restricted cash	2,625	139,169	141,794
Long-term investments	68,289	222,782	291,071
Restricted long-term investments	12,315	169,995	182,310
Long-term receivables, net	836,899	30,852	867,751
Deferred charges	2,752		2,752
Land	25,323	64,644	89,967
Improvements other than buildings	1,591	117,220	118,811
Buildings	438,859	1,963,588	2,402,447
Machinery and equipment	77,782	362,428	440,210
Other capital assets	53,752	93,787	147,539
Less: Accumulated depreciation and amortization	(267,358)	(1,110,705)	(1,378,063)
Construction in progress	4,423	98,387	102,810
Total Capital Assets	<u>334,372</u>	<u>1,589,349</u>	<u>1,923,721</u>
Other assets	9,509	10,651	20,160
Total Noncurrent Assets	<u>1,266,761</u>	<u>2,162,798</u>	<u>3,429,559</u>
Total Assets	<u>1,908,754</u>	<u>2,640,512</u>	<u>4,549,266</u>
Liabilities			
Current liabilities:			
Accounts payable and accruals	20,436	62,171	82,607
Current portion of long-term debt:			
Notes payable	533	3,720	4,253
Bonds payable	25,129	22,121	47,250
Capital lease obligations	2,021	7,803	9,824
Compensated absences	1,850	22,495	24,345
Claims liability		709	709
Deferred revenues	7,865	32,445	40,310
Payable from restricted assets		3,774	3,774
Other current liabilities	4,845	11,081	15,926
Total Current Liabilities	<u>62,679</u>	<u>166,319</u>	<u>228,998</u>
Noncurrent liabilities:			
Notes payable	1,602	25,483	27,085
Bonds payable	404,963	436,085	841,048
Capital lease obligations	22,823	57,290	80,113
Compensated absences	750	397	1,147
Other long-term liabilities	6,565	102,610	109,175
Total Noncurrent Liabilities	<u>436,703</u>	<u>621,865</u>	<u>1,058,568</u>
Total Liabilities	<u>499,382</u>	<u>788,184</u>	<u>1,287,566</u>
Net Assets			
Invested in capital assets, net of related debt	264,449	1,016,373	1,280,822
Restricted for:			
Debt service		36,404	36,404
Capital projects	13,127	77,070	90,197
Other purposes	1,030,652	405,436	1,436,088
Unrestricted	101,144	317,045	418,189
Total Net Assets	<u>\$ 1,409,372</u>	<u>\$ 1,852,328</u>	<u>\$ 3,261,700</u>

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012**
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2012
Expenses:			
Operating and other expenses	\$ 408,705	\$ 1,303,052	\$ 1,711,757
Total expenses	<u>408,705</u>	<u>1,303,052</u>	<u>1,711,757</u>
Program Revenues:			
Charges for services	315,883	607,607	923,490
Operating grants and contributions	51,434	132,560	183,994
Capital grants and contributions	595	4,296	4,891
Total Program Revenues	<u>367,912</u>	<u>744,463</u>	<u>1,112,375</u>
Net Program (Expense) Revenue	<u>(40,793)</u>	<u>(558,589)</u>	<u>(599,382)</u>
General Revenues:			
Unrestricted grants and contributions	415	190,977	191,392
Unrestricted investment earnings	(253)	4,842	4,589
Gain on sale of capital assets	6,308	39	6,347
Miscellaneous general	141,083	369,650	510,733
Total General Revenues	<u>147,553</u>	<u>565,508</u>	<u>713,061</u>
Change in Net Assets	<u>106,760</u>	<u>6,919</u>	<u>113,679</u>
Net Assets at July 1, As Restated	1,302,612	1,845,409	3,148,021
Net Assets at June 30	<u>\$ 1,409,372</u>	<u>\$ 1,852,328</u>	<u>\$ 3,261,700</u>



NON-MAJOR COMPONENT UNITS - AUTHORITIES

Kentucky River Authority – is responsible for the maintenance of the Commonwealth’s locks and dams on the Kentucky River.

Kentucky Higher Education Assistance Authority - was established by KRS 164.742 to improve higher education opportunities by insuring eligible student loans and providing grants and scholarship awards to eligible students.

Bluegrass State Skills Corporation - established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skill, training and education.

Kentucky State Fair Board - accounts for the revenues earned and expenses incurred in the commercial operations of the State Fair Board.

Kentucky Center for the Arts Corporation - established by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The Center has the responsibility of maintaining, operating and insuring the Kentucky Center for the Arts building.

Kentucky Educational Television Authority - established by KRS 168.030 to produce and transmit educational television programming to the citizens of the Commonwealth.

Kentucky Economic Development Finance Authority - established in 1958 under KRS Chapter 154 to promote industrial development, and authorized to issue industrial revenue bonds that do not constitute a legal or moral obligation of the Commonwealth.

Kentucky Artisan Center - established to celebrate Kentucky’s artisan heritage and encourage Kentuckians and those traveling in Kentucky to enjoy artisan products and activities.

Kentucky Infrastructure Authority - established in 1988 by KRS 224A.030, and amended, to assume all powers, duties and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority in assisting governmental agencies within the Commonwealth in constructing and acquiring infrastructure projects.

Kentucky Agricultural Finance Corporation - created by the 1984 General Assembly to “improve and promote the health, welfare and prosperity of the people of the Commonwealth through stimulation of existing agricultural ventures.” This corporation helps banks and other financial institutions assist eligible farmers in receiving low interest loans through the issuance of tax-exempt agricultural revenue bonds.

Kentucky Grain Insurance Corporation - provides protection to grain producers in the event of the failure of a grain dealer or grain warehouseman.

Kentucky Local Correctional Facilities Construction Authority - created in 1982 pursuant to Sections 441.605 through 441.695 of the KRS to provide an additional and alternative method for constructing, improving, repairing, and financing regional and local jail facilities.

Kentucky Horse Park Foundation, Inc. – is a legally separate tax-exempt Kentucky corporation that receives, holds, and administers gifts and grants in the name of the Kentucky Horse Park.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS - AUTHORITIES
JUNE 30, 2012
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
Assets				
Current assets:				
Cash and cash equivalents	\$ 811	\$ 26,071	\$	\$ 6,462
Restricted cash	6,423			
Investments, net of amortization		2,622		
Accounts receivable, net	691	12,003	10	5,198
Interest receivable		126		
Inventories				
Prepaid expenses				
Other current assets		450	2,785	813
Total Current Assets	<u>7,925</u>	<u>41,272</u>	<u>2,795</u>	<u>12,473</u>
Noncurrent assets:				
Restricted cash		1,000		1,022
Long-term investments		28,176		1,314
Restricted long-term investments				
Long-term receivables, net		10,224		4,673
Deferred charges		68		
Land	546			23,405
Improvements other than buildings				1,169
Buildings	432	11,986		370,832
Machinery and equipment	262	6,460		5,781
Other capital assets	47,558			
Less: Accumulated depreciation and amortization	(6,376)	(9,547)		(165,324)
Construction in progress	1,343			3,049
Total Capital Assets	<u>43,765</u>	<u>8,899</u>		<u>238,912</u>
Other assets		8,756		753
Total Noncurrent Assets	<u>43,765</u>	<u>57,123</u>		<u>246,674</u>
Total Assets	<u>51,690</u>	<u>98,395</u>	<u>2,795</u>	<u>259,147</u>
Liabilities				
Current liabilities:				
Accounts payable and accruals	303	1,523	2,754	6,852
Current portion of long-term debt:				
Notes payable				
Bonds payable				2,680
Capital lease obligations	533	500		988
Compensated absences	67	664	31	
Deferred revenues				5,940
Other current liabilities		165		
Total Current Liabilities	<u>903</u>	<u>2,852</u>	<u>2,785</u>	<u>16,460</u>
Noncurrent liabilities:				
Notes payable				
Bonds payable				40,855
Capital lease obligations	11,887	4,285		6,651
Compensated absences	22		26	
Other long-term liabilities				900
Total Noncurrent Liabilities	<u>11,909</u>	<u>4,285</u>	<u>26</u>	<u>48,406</u>
Total Liabilities	<u>12,812</u>	<u>7,137</u>	<u>2,811</u>	<u>64,866</u>
Net Assets				
Invested in capital assets, net of related debt	31,094			193,288
Restricted for:				
Capital projects	6,422	4,181		2,212
Other purposes		87,077	(16)	
Unrestricted	1,362			(1,219)
Total Net Assets	<u>\$ 38,878</u>	<u>\$ 91,258</u>	<u>\$ (16)</u>	<u>\$ 194,281</u>

<u>Kentucky Center for the Arts Corporation</u>	<u>Kentucky Educational Television Authority</u>	<u>Kentucky Economic Development Finance Authority</u>	<u>Kentucky Artisan Center</u>	<u>Kentucky Infrastructure Authority</u>	<u>Kentucky Agricultural Finance Corporation</u>
\$ 1,989	\$ 4,561	\$ 18,973	\$ 36	\$ 434,658	\$ 4,719
434	8,661			1,691	
315	1,259	92	21		26,889
7	44	93		1,683	
20	397		308		
227	129		12		
	132	12,204		44,431	
<u>2,992</u>	<u>15,183</u>	<u>31,362</u>	<u>377</u>	<u>482,463</u>	<u>31,608</u>
	603				
13,941		533	54	14,095	4,572
	4,972			6,096	
17	143	18,728		802,498	
	65			2,544	
129	76		1,167		
31,571	16,149		6,706		
29,107	35,112		1,001		
4,334	1,860				
(44,683)	(38,967)		(1,315)		
	31				
<u>20,458</u>	<u>14,261</u>		<u>7,559</u>		
<u>34,416</u>	<u>20,044</u>	<u>19,261</u>	<u>7,613</u>	<u>825,233</u>	<u>4,572</u>
<u>37,408</u>	<u>35,227</u>	<u>50,623</u>	<u>7,990</u>	<u>1,307,696</u>	<u>36,180</u>
1,428	1,768	261	108	5,322	8
	107			20,049	
175	707	74	115		17
501	1,389			4,680	
<u>2,104</u>	<u>3,971</u>	<u>335</u>	<u>223</u>	<u>30,051</u>	<u>25</u>
	1,602			359,091	
	583	77	27		15
	3,200				
	5,385	77	27	359,091	15
<u>2,104</u>	<u>9,356</u>	<u>412</u>	<u>250</u>	<u>389,142</u>	<u>40</u>
19,957	12,552		7,558		
	312				
3,030	5,853	10,631		918,554	
12,317	7,154	39,580	182		36,140
<u>\$ 35,304</u>	<u>\$ 25,871</u>	<u>\$ 50,211</u>	<u>\$ 7,740</u>	<u>\$ 918,554</u>	<u>\$ 36,140</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS - AUTHORITIES
JUNE 30, 2012
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2012
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,432	\$ 5,996	\$ 644	\$ 507,352
Restricted cash				6,423
Investments, net of amortization			2,791	16,199
Accounts receivable, net		597	722	47,797
Interest receivable		29		1,982
Inventories				725
Prepaid expenses			6	374
Other current assets		323	3	61,141
Total Current Assets	<u>2,432</u>	<u>6,945</u>	<u>4,166</u>	<u>641,993</u>
Noncurrent assets:				
Restricted cash				2,625
Long-term investments	2,354	2,335	915	68,289
Restricted long-term investments			1,247	12,315
Long-term receivables, net		616		836,899
Deferred charges		75		2,752
Land				25,323
Improvements other than buildings			422	1,591
Buildings			1,183	438,859
Machinery and equipment			59	77,782
Other capital assets				53,752
Less: Accumulated depreciation and amortization			(1,146)	(267,358)
Construction in progress				4,423
Total Capital Assets			<u>518</u>	<u>334,372</u>
Other assets				9,509
Total Noncurrent Assets	<u>2,354</u>	<u>3,026</u>	<u>2,680</u>	<u>1,266,761</u>
Total Assets	<u>4,786</u>	<u>9,971</u>	<u>6,846</u>	<u>1,908,754</u>
Liabilities				
Current liabilities:				
Accounts payable and accruals		64	45	20,436
Current portion of long-term debt:				
Notes payable			426	533
Bonds payable		2,400		25,129
Capital lease obligations				2,021
Compensated absences				1,850
Deferred revenues			35	7,865
Other current liabilities				4,845
Total Current Liabilities		<u>2,464</u>	<u>506</u>	<u>62,679</u>
Noncurrent liabilities:				
Notes payable				1,602
Bonds payable		5,017		404,963
Capital lease obligations				22,823
Compensated absences				750
Other long-term liabilities			2,465	6,565
Total Noncurrent Liabilities		<u>5,017</u>	<u>2,465</u>	<u>436,703</u>
Total Liabilities		<u>7,481</u>	<u>2,971</u>	<u>499,382</u>
Net Assets				
Invested in capital assets, net of related debt				264,449
Restricted for:				
Capital projects				13,127
Other purposes			5,523	1,030,652
Unrestricted	4,786	2,490	(1,648)	101,144
Total Net Assets	<u>\$ 4,786</u>	<u>\$ 2,490</u>	<u>\$ 3,875</u>	<u>\$ 1,409,372</u>



COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
Expenses:				
Operating and other expenses	\$ 3,479	\$ 221,651	\$ 9,353	\$ 54,439
Total expenses	<u>3,479</u>	<u>221,651</u>	<u>9,353</u>	<u>54,439</u>
Program Revenues:				
Charges for services	2,501	237,166		44,904
Operating grants and contributions				
Capital grants and contributions				
Total Program Revenues	<u>2,501</u>	<u>237,166</u>	<u></u>	<u>44,904</u>
Net Program (Expense) Revenue	<u>(978)</u>	<u>15,515</u>	<u>(9,353)</u>	<u>(9,535)</u>
General Revenues:				
Unrestricted grants and contributions				
Unrestricted investment earnings	39			(1,970)
Gain on sale of capital assets				6,308
Miscellaneous general	248		9,354	5,729
Total General Revenues	<u>287</u>	<u></u>	<u>9,354</u>	<u>10,067</u>
Change in Net Assets	<u>(691)</u>	<u>15,515</u>	<u>1</u>	<u>532</u>
Net Assets at July 1, As Restated	39,569	75,743	(17)	193,749
Net Assets at June 30	<u>\$ 38,878</u>	<u>\$ 91,258</u>	<u>\$ (16)</u>	<u>\$ 194,281</u>

Kentucky Center for the Arts Corporation	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Artisan Center	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation
\$ 12,157	\$ 25,503	\$ 10,406	\$ 2,527	\$ 66,530	\$ 428
12,157	25,503	10,406	2,527	66,530	428
5,124	1,728	1,104	1,649	16,461	
1,244	8,921		638	39,732	215
6	589				
6,374	11,238	1,104	2,287	56,193	215
(5,783)	(14,265)	(9,302)	(240)	(10,337)	(213)
415					
(423)	231			1,160	710
3,218	11,859	355		110,315	
3,210	12,090	355		111,475	710
(2,573)	(2,175)	(8,947)	(240)	101,138	497
37,877	28,046	59,158	7,980	817,416	35,643
\$ 35,304	\$ 25,871	\$ 50,211	\$ 7,740	\$ 918,554	\$ 36,140

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2012**

(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2012
Expenses:				
Operating and other expenses	\$ 17	\$ 428	\$ 1,787	\$ 408,705
Total expenses	<u>17</u>	<u>428</u>	<u>1,787</u>	<u>408,705</u>
Program Revenues:				
Charges for services		3,644	1,602	315,883
Operating grants and contributions			684	51,434
Capital grants and contributions				595
Total Program Revenues		<u>3,644</u>	<u>2,286</u>	<u>367,912</u>
Net Program (Expense) Revenue	<u>(17)</u>	<u>3,216</u>	<u>499</u>	<u>(40,793)</u>
General Revenues:				
Unrestricted grants and contributions				415
Unrestricted investment earnings	10	76	(86)	(253)
Gain on sale of capital assets				6,308
Miscellaneous general	5			141,083
Total General Revenues	<u>15</u>	<u>76</u>	<u>(86)</u>	<u>147,553</u>
Change in Net Assets	<u>(2)</u>	<u>3,292</u>	<u>413</u>	<u>106,760</u>
Net Assets at July 1, As Restated	4,788	(802)	3,462	1,302,612
Net Assets at June 30	<u>\$ 4,786</u>	<u>\$ 2,490</u>	<u>\$ 3,875</u>	<u>\$ 1,409,372</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS-AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Totals June 30, 2012
Cash Flows from Operating Activities			
Cash payments to suppliers for goods and services	\$ (254)	\$ (2)	\$ (256)
Cash payments for employee salaries and benefits	(165)		(165)
Cash payments for claims expenses		(15)	(15)
Cash payments from other sources	3,235	5	3,240
Net Cash Provided (Used) by Operating Activities	<u>2,816</u>	<u>(12)</u>	<u>2,804</u>
Cash Flows from Investing Activities			
Purchase of investment securities	(4,046)	(1,965)	(6,011)
Interest and dividends on investments		10	10
Net Cash Provided (Used) in Investing Activities	<u>(4,046)</u>	<u>(1,955)</u>	<u>(6,001)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,230)	(1,967)	(3,197)
Cash and Cash Equivalents at July 1	5,949	4,399	10,348
Cash and Cash Equivalents at June 30	<u>\$ 4,719</u>	<u>\$ 2,432</u>	<u>\$ 7,151</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 497	\$ (12)	\$ 485
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	2,310		2,310
Increase (decrease) in liabilities:			
Accounts payable	2		2
Compensated absences	7		7
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,816</u>	<u>\$ (12)</u>	<u>\$ 2,804</u>



NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES

Universities, Colleges, and Related Entities

The Universities, Colleges, and Related Entities Funds account for all transactions relating to the State supported universities and the community colleges and technical schools. These institutions maintain their own financial records and are not part of the central accounting system operated by the Finance and Administration Cabinet. The non-major component units-universities are:

Eastern Kentucky University
Western Kentucky University
Morehead State University
Murray State University
Northern Kentucky University
Kentucky State University

Kentucky Council on Postsecondary Education – established in 1997 by the Postsecondary Education Improvement Act to coordinate changes and improvements within Kentucky’s postsecondary education system.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
JUNE 30, 2012
(Expressed in Thousands)

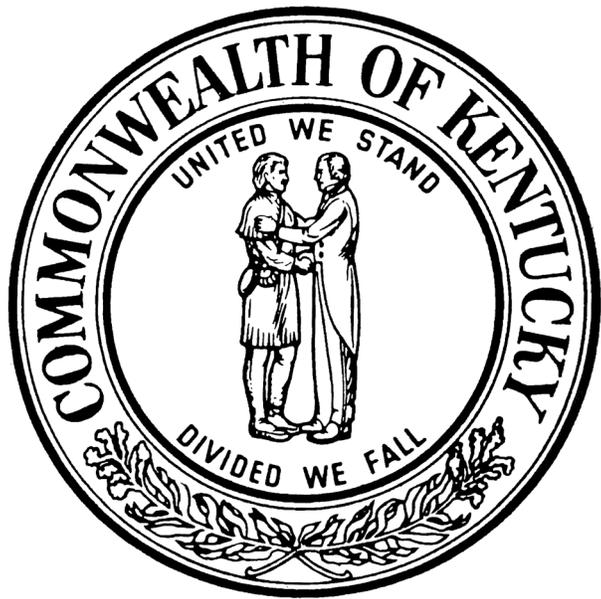
	Eastern Kentucky University	Western Kentucky University	Morehead State University
Assets			
Current assets:			
Cash and cash equivalents	\$ 43,851	\$ 93,533	\$ 18,722
Restricted cash			21,989
Investments, net of amortization	565	3,446	
Accounts receivable, net	24,936	9,761	12,008
Interest receivable	364	3,476	6
Inventories	428	2,770	1,572
Prepaid expenses	1,556	5,481	
Other current assets		529	964
Total Current Assets	<u>71,700</u>	<u>118,996</u>	<u>55,261</u>
Noncurrent assets:			
Restricted cash	30,948	39,677	
Long-term investments	67,575	113,198	36,653
Restricted long-term investments			
Long-term receivables, net	5,171	15,755	3,697
Land	8,088	13,064	20,066
Improvements other than buildings	25,047	45,451	
Buildings	381,984	540,701	251,263
Machinery and equipment	31,641	114,900	25,466
Other capital assets	43,442		31,995
Less: Accumulated depreciation and amortization	(203,813)	(263,081)	(143,657)
Construction in progress	31,468	39,604	8,717
Total Capital Assets	<u>317,857</u>	<u>490,639</u>	<u>193,850</u>
Other assets		7,716	1,947
Total Noncurrent Assets, Net	<u>421,551</u>	<u>666,985</u>	<u>236,147</u>
Total Assets	<u>493,251</u>	<u>785,981</u>	<u>291,408</u>
Liabilities			
Current liabilities:			
Accounts payable and accruals	14,584	9,803	5,120
Current portion of long-term debt:			
Notes payable		1,896	
Bonds payable	2,880	9,127	3,420
Capital lease obligations	4,666	31	543
Compensated absences	5,669	2,988	2,398
Claims liability			
Deferred revenues	6,004	9,579	4,824
Payable from restricted assets		523	499
Other current liabilities	901	6,207	1,079
Total Current Liabilities	<u>34,704</u>	<u>40,154</u>	<u>17,883</u>
Noncurrent liabilities:			
Notes payable		11,272	
Bonds payable	49,105	201,266	52,925
Capital lease obligations	34,844	574	11,491
Compensated absences			
Other long-term liabilities	19,675	49,157	4,627
Total Noncurrent Liabilities	<u>103,624</u>	<u>262,269</u>	<u>69,043</u>
Total Liabilities	<u>138,328</u>	<u>302,423</u>	<u>86,926</u>
Net Assets			
Invested in capital assets, net of related debt	221,531	242,070	124,871
Restricted for:			
Debt service	30,994		
Capital projects		54,633	
Other purposes	54,950	107,627	60,182
Unrestricted	47,448	79,228	19,429
Total Net Assets	<u>\$ 354,923</u>	<u>\$ 483,558</u>	<u>\$ 204,482</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2012
\$ 57,114	\$ 78,851	\$ 24,874	\$ 545	\$ 317,490
	17,899		2,467	42,355
6,263	13,436	13,941	3,011	4,011
	34			83,356
2,046	300	87		3,880
1,315	2,041	415	114	7,203
3,638		46	3,320	10,922
<u>70,376</u>	<u>112,561</u>	<u>39,363</u>	<u>9,457</u>	<u>477,714</u>
38,735	29,809			139,169
	1,755	170	3,431	222,782
76,122	73,808	18,112	1,953	169,995
3,387	2,102	740		30,852
12,290	9,385	1,751		64,644
14,157	28,667	3,898		117,220
251,658	385,387	152,595		1,963,588
59,133	102,037	28,502	749	362,428
2,513	4,622	11,215		93,787
(179,419)	(205,234)	(115,021)	(480)	(1,110,705)
14,526	2,418	1,654		98,387
<u>174,858</u>	<u>327,282</u>	<u>84,594</u>	<u>269</u>	<u>1,589,349</u>
721	267			10,651
293,823	435,023	103,616	5,653	2,162,798
364,199	547,584	142,979	15,110	2,640,512
7,088	13,670	3,790	8,116	62,171
1,050	774			3,720
2,252	4,067	375		22,121
196	1,945	422		7,803
6,032	3,144	1,730	534	22,495
588		121		709
2,837	6,195	2,211	795	32,445
	2,752			3,774
2,692	78	122	2	11,081
<u>22,735</u>	<u>32,625</u>	<u>8,771</u>	<u>9,447</u>	<u>166,319</u>
12,495	1,716			25,483
41,248	87,751	3,790		436,085
730	5,565	4,086		57,290
			397	397
4,042	24,117	992		102,610
58,515	119,149	8,868	397	621,865
81,250	151,774	17,639	9,844	788,184
121,247	230,545	75,840	269	1,016,373
2,241	3,169			36,404
19,559	2,878			77,070
75,227	82,084	23,283	2,083	405,436
64,675	77,134	26,217	2,914	317,045
<u>\$ 282,949</u>	<u>\$ 395,810</u>	<u>\$ 125,340</u>	<u>\$ 5,266</u>	<u>\$ 1,852,328</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Expenses:			
Operating and other expenses	\$ 279,686	\$ 338,786	\$ 148,684
Total Expenses	<u>279,686</u>	<u>338,786</u>	<u>148,684</u>
Program Revenues:			
Charges for services	113,581	175,258	61,559
Operating grants and contributions	53,072	8,668	17,973
Capital grants and contributions			
Total Program Revenues	<u>166,653</u>	<u>183,926</u>	<u>79,532</u>
Net Program (Expense) Revenue	<u>(113,033)</u>	<u>(154,860)</u>	<u>(69,152)</u>
General Revenues:			
Unrestricted grants and contributions	39,654	70,690	22,001
Unrestricted investment earnings	782	617	68
Gain on sale of capital assets		39	
Miscellaneous general	71,693	78,435	49,067
Total General Revenues	<u>112,129</u>	<u>149,781</u>	<u>71,136</u>
Change in Net Assets	<u>(904)</u>	<u>(5,079)</u>	<u>1,984</u>
Net Assets at July 1, As Restated	355,827	488,637	202,498
Net Assets at June 30	<u>\$ 354,923</u>	<u>\$ 483,558</u>	<u>\$ 204,482</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2012
\$ 173,211	\$ 222,111	\$ 76,076	\$ 64,498	\$ 1,303,052
173,211	222,111	76,076	64,498	1,303,052
97,725	130,396	26,814	2,274	607,607
7,909	12,720	16,686	15,532	132,560
	3,898		398	4,296
105,634	147,014	43,500	18,204	744,463
(67,577)	(75,097)	(32,576)	(46,294)	(558,589)
23,313	27,588	7,731		190,977
1,841	495	1,050	(11)	4,842
				39
49,142	50,062	25,308	45,943	369,650
74,296	78,145	34,089	45,932	565,508
6,719	3,048	1,513	(362)	6,919
276,230	392,762	123,827	5,628	1,845,409
\$ 282,949	\$ 395,810	\$ 125,340	\$ 5,266	\$ 1,852,328



STATISTICAL SECTION

This part of the Commonwealth of Kentucky's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Financial Trends

The schedules presented in this section contain trend information to help the reader understand how the Commonwealth's financial performance and fiscal health has changed over time. Fund perspective statements are presented for the last ten fiscal years, except where noted.

Revenue Capacity

The schedules presented in this section contain information to help the reader assess the Commonwealth's most significant revenue source, which is personal income tax.

Debt Capacity

The schedules presented in this section contain information to help the reader assess the affordability of the Commonwealth's current levels of outstanding debt, and the Commonwealth's ability to issue additional debt in the future.

Demographic Information

The schedules presented in this section offer demographic and economic indicators to help the reader understand the environment within the Commonwealth and the financial impact of those activities.

Operating Information

The schedules presented in this section offer operating data to help the reader understand how the information in the Commonwealth's financial report relates to the services it provided and the activities performed by the governmental agencies.

COMMONWEALTH OF KENTUCKY
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2012	2011	2010
General Fund			
Nonspendable:			
Inventories	\$ 5,515	\$ 6,099	\$ 5,079
Assigned	35,563	57,456	71,975
Unassigned	54,035	249,482	9,150
Total General Fund	<u>95,113</u>	<u>313,037</u>	<u>86,204</u>
All Other Governmental Funds			
Nonspendable:			
Inventories	86,240	49,078	54,290
Cash with Fiscal Agents	29,045	67,469	80,576
Restricted	2,452,952	2,165,308	1,833,356
Committed	183,414	148,636	161,548
Assigned	13,157	27,034	15,641
Unassigned	(420,183)	(120,235)	(65,628)
Total All Other Governmental Funds	<u>2,344,625</u>	<u>2,337,290</u>	<u>2,079,783</u>
Total Fund Balances - Governmental Funds	<u>\$ 2,439,738</u>	<u>\$ 2,650,327</u>	<u>\$ 2,165,987</u>

Note: In FY 2010, the fund balance categories were reclassified as a result of implementing GASB 54.

	2009
General Fund:	
Reserved	\$ 80,135
Unreserved	(49,698)
Total General Fund	<u>\$ 30,437</u>
All Other Governmental Funds:	
Reserved	\$ 882,654
Unreserved, reported in:	
Debt Service Fund	309,234
Special Revenue Funds	719,767
Capital Projects Funds	45,585
Total All Other Governmental Funds	<u>\$ 1,957,240</u>

Note: Information is presented on the modified accrual basis of accounting.

2008	2007	2006	2005	2004	2003
\$ 290,108	\$ 295,917	\$ 183,555	\$ 76,505	\$ 85,834	\$ 114,415
(1,937)	517,277	713,339	593,472	303,623	183,922
<u>\$ 288,171</u>	<u>\$ 813,194</u>	<u>\$ 896,894</u>	<u>\$ 669,977</u>	<u>\$ 389,457</u>	<u>\$ 298,337</u>
\$ 919,085	\$ 704,496	\$ 597,827	\$ 664,265	\$ 941,891	\$ 575,983
369,603	381,313	377,202	292,406	293,654	354,836
786,125	1,031,387	1,394,633	1,112,499	603,323	969,767
72,094	(66,785)	(129,103)	(120,098)	(201,248)	(36,012)
<u>\$ 2,146,907</u>	<u>\$ 2,050,411</u>	<u>\$ 2,240,559</u>	<u>\$ 1,949,072</u>	<u>\$ 1,637,620</u>	<u>\$ 1,864,574</u>

COMMONWEALTH OF KENTUCKY
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2012	2011	2010	2009
Revenues				
Taxes	\$ 10,403,782	\$ 10,113,502	\$ 9,366,175	\$ 9,560,283
Licenses, fees, and permits	339,642	330,263	330,387	323,012
Intergovernmental	7,098,675	8,016,458	8,381,546	7,055,624
Charges for services	1,117,177	911,202	803,961	774,553
Fines and forfeits	80,132	82,856	86,980	90,812
Interest and other investment income	30,822	29,092	45,214	67,076
Increase (decrease) in fair value of investments	(18,705)	795	(150)	(4)
Securities lending income	3,121	1,966	1,711	11,060
Other revenues	562,394	822,936	492,508	461,824
Total Revenues	19,617,040	20,309,070	19,508,332	18,344,240
Expenditures				
Current:				
General government	2,390,204	2,302,228	2,592,283	2,472,452
Legislative and judicial	409,685	392,791	378,475	359,666
Commerce	112,139	86,506	92,437	94,989
Education and humanities	5,322,439	6,125,603	5,104,048	4,860,442
Human resources	7,984,895	8,088,667	8,124,836	7,919,632
Justice	802,108	789,602	782,443	737,997
Natural resources and environmental protection	213,283	200,899	193,111	188,039
Public protection and regulation	157,846	163,438	115,857	120,406
Transportation	2,109,125	1,959,030	2,014,490	1,977,924
Debt Service:				
Principal retirement	306,504	308,484	386,212	299,940
Interest and fiscal charges	367,966	351,539	306,139	252,466
Other expenditures	55,983	8,002	27,335	25,036
Securities lending expense	1,593	1,163	933	6,080
Capital outlay:				
Buildings	253,894	466,335	609,309	442,315
Total Expenditures	20,487,664	21,244,287	20,727,908	19,757,384
Excess (Deficiency) of Revenues over (under) Expenditures	(870,624)	(935,217)	(1,219,576)	(1,413,144)
Other Financing Sources (Uses)				
Transfers in	1,539,696	1,852,945	1,955,274	2,157,662
Transfers from component units				
Transfers out	(1,530,423)	(1,675,200)	(1,776,171)	(1,880,360)
Transfers to component units				
Capitalized leases	9,546	6,864	10,182	4,456
Insurance proceeds			9,876	
Issuance of bonds:				
New issues	419,700	472,123	873,326	655,350
Refunding issues	527,118	240,590	347,835	508,520
Premiums	74,049	34,035	37,442	35,905
Discounts	(927)	(2,022)	(2,619)	(4,193)
Proceeds from notes	82,717	737,370	89,710	
Other financing sources				
Payments to refunded bond escrow agent	(455,473)	(233,642)	(186,602)	(508,320)
Total Other Financing Sources (Uses)	666,003	1,433,063	1,358,253	969,020
Net Change in Fund Balances	\$ (204,621)	\$ 497,846	\$ 138,677	\$ (444,124)
Debt service as a percentage of noncapital expenditures	3.19%	3.19%	3.34%	2.89%

Note: Information is presented on the modified accrual basis of accounting.

	2008	2007	2006	2005	2004	2003
\$	9,871,590	\$ 9,668,573	\$ 9,465,785	\$ 8,745,358	\$ 7,933,198	\$ 7,777,612
	309,413	303,849	294,575	287,045	265,699	252,123
	6,169,116	5,810,270	5,662,112	5,351,830	5,150,705	5,093,078
	758,805	752,532	781,105	728,998	616,638	548,226
	97,898	80,741	90,118	86,771	95,745	73,691
	149,833	163,833	111,894	84,006	75,980	133,532
	6,529	11,241	(5,799)	9,408	(40,558)	15,614
	31,576	36,673	39,918	16,831	15,549	
	474,555	517,266	597,088	611,966	625,008	506,272
	<u>17,869,315</u>	<u>17,344,978</u>	<u>17,036,796</u>	<u>15,922,213</u>	<u>14,737,964</u>	<u>14,400,148</u>
	2,702,730	2,591,176	2,444,023	2,131,008	1,933,909	1,889,243
	338,839	303,799	302,303	277,792	265,847	246,838
	100,535	96,572	81,037	66,609	65,518	62,486
	4,800,460	4,554,565	4,395,948	4,091,135	3,823,798	3,752,918
	7,301,114	6,764,174	6,602,797	6,188,350	5,984,514	5,650,039
	767,270	727,178	710,142	633,662	563,890	575,237
	192,957	195,980	171,407	161,899	149,401	135,349
	97,482	98,517	67,329	73,868	112,587	139,299
	2,090,584	1,825,318	1,661,585	1,520,371	1,724,342	1,695,652
	341,733	285,809	246,404	247,290	286,166	260,977
	210,331	200,297	174,972	190,225	181,424	195,126
	21,025	15,960	26,649	26,574	78,052	4,153
	26,774	35,318	38,144	15,619	13,123	
	582,550	583,302	446,855	279,953	293,761	244,419
	<u>19,574,384</u>	<u>18,277,965</u>	<u>17,369,595</u>	<u>15,904,355</u>	<u>15,476,332</u>	<u>14,851,736</u>
	<u>(1,705,069)</u>	<u>(932,987)</u>	<u>(332,799)</u>	<u>17,858</u>	<u>(738,368)</u>	<u>(451,588)</u>
	2,357,766	2,216,889	2,124,893	1,791,143	1,781,871	1,926,260
	(2,258,283)	(2,041,824)	(1,969,206)	(1,645,143)	(1,563,679)	(1,676,970)
	3,280	7,364	6,079	18,905	5,359	7,592
	372,135	159,140	445,350	213,750	508,991	
	100,000	105,085		257,685	601,879	
	46,322	16,610	21,416	53,484	103,316	
	750,085	520,354	(58)	232,760	171,260	
	(100,000)	(330,193)		(258,550)	(944,495)	(1,567)
	<u>1,271,305</u>	<u>653,425</u>	<u>628,474</u>	<u>664,034</u>	<u>664,502</u>	<u>255,315</u>
\$	<u>(433,764)</u>	<u>(279,562)</u>	<u>295,675</u>	<u>681,892</u>	<u>(73,866)</u>	<u>(196,273)</u>
	<u>2.94%</u>	<u>2.57%</u>	<u>2.49%</u>	<u>2.82%</u>	<u>3.18%</u>	<u>3.24%</u>

COMMONWEALTH OF KENTUCKY
NET ASSETS BY COMPONENT
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2012	2011	2010	2009
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 19,616,044	\$ 19,153,511	\$ 18,418,874	\$ 19,547,435
Restricted	1,480,299	1,286,431	1,206,293	1,094,433
Unrestricted	(9,731,379)	(8,071,118)	(6,803,987)	(5,861,735)
Total Governmental Activities Net Assets	<u>11,364,964</u>	<u>12,368,824</u>	<u>12,821,180</u>	<u>14,780,133</u>
Business-type Activities:				
Invested in Capital Assets, net of related debt	334,611	350,505	341,172	330,078
Restricted	729	326	9,646	5,615
Unrestricted	(1,014,186)	(1,199,294)	(1,151,091)	(859,772)
Total Business-Type Activities Net Assets	<u>(678,846)</u>	<u>(848,463)</u>	<u>(800,273)</u>	<u>(524,079)</u>
Primary Government:				
Invested in capital assets, net of related debt	19,950,655	19,504,016	18,760,046	19,877,513
Restricted	1,481,028	1,286,757	1,215,939	1,100,048
Unrestricted	(10,745,565)	(9,270,412)	(7,955,078)	(6,721,507)
Total Primary Government Net Assets	<u>\$ 10,686,118</u>	<u>\$ 11,520,361</u>	<u>\$ 12,020,907</u>	<u>\$ 14,256,054</u>

NOTE: This schedule is presented on the accrual basis of accounting.

	2008	2007	2006	2005	2004	2003
\$	19,911,942	\$ 17,947,656	\$ 17,633,886	\$ 17,188,142	\$ 17,156,329	\$ 16,368,574
	1,139,727	1,237,151	1,376,301	1,081,388	994,827	1,189,894
	(4,816,142)	(1,807,615)	(1,191,204)	(819,692)	(1,480,592)	(1,288,090)
	<u>16,235,527</u>	<u>17,377,192</u>	<u>17,818,983</u>	<u>17,449,838</u>	<u>16,670,564</u>	<u>16,270,378</u>
	290,365	267,144	254,623	249,728	257,794	249,023
	310,216	359,605	392,318	375,488	382,173	464,354
	(553,995)	(634,297)	(612,782)	(633,046)	(721,878)	(774,119)
	<u>46,586</u>	<u>(7,548)</u>	<u>34,159</u>	<u>(7,830)</u>	<u>(81,911)</u>	<u>(60,742)</u>
	20,202,307	18,214,800	17,888,509	17,437,870	17,414,123	16,617,597
	1,449,943	1,596,756	1,768,619	1,456,876	1,377,000	1,654,248
	(5,370,137)	(2,441,912)	(1,803,986)	(1,452,738)	(2,202,470)	(2,062,209)
\$	<u>16,282,113</u>	<u>\$ 17,369,644</u>	<u>\$ 17,853,142</u>	<u>\$ 17,442,008</u>	<u>\$ 16,588,653</u>	<u>\$ 16,209,636</u>

COMMONWEALTH OF KENTUCKY
GOVERNMENT-WIDE EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2012	2011	2010	2009
Function/Program Revenues				
Primary Government:				
Governmental Activities:				
Charges for Services:				
General government	\$ 668,709	\$ 438,993	\$ 384,050	\$ 366,634
Legislative and judicial	21,750	21,177	20,226	28,561
Commerce	53,375	36,774	40,657	47,770
Education and humanities	66,246	78,996	55,926	50,988
Human Resources	16,593	484,958	103,025	121,752
Justice	21,500	22,121	21,641	20,611
Natural resources and environmental protection	12,451	43,338	41,123	35,959
Public protection and regulation	92,806	83,816	73,066	71,078
Transportation	249,231	218,846	230,918	238,110
Operating Grants and Contributions	6,381,991	7,071,327	7,621,275	6,575,144
Capital Grants and Contributions	836,370	697,927	773,661	550,416
Total Governmental Activities	<u>8,421,022</u>	<u>9,198,273</u>	<u>9,365,568</u>	<u>8,107,023</u>
Business-Type Activities:				
Charges for Services:				
State Parks	50,064	49,437	50,802	52,439
Kentucky Lottery Corporation		772,349	772,497	810,544
Kentucky Horse Park	9,161	7,798	6,880	6,423
Insurance Administration	122,962	110,829	121,445	93,438
Kentucky Public Employees' Health Plan	1,681,642	1,752,908	1,548,458	1,392,971
Unemployment Compensation	521,893	471,876	1,556,290	412,430
Operating Grants and Contributions	705,465	953,112	3,849	363,028
Capital Grants and Contributions	1,032	2,326		4,633
Total Business-Type Activities	<u>3,092,219</u>	<u>4,120,635</u>	<u>4,060,221</u>	<u>3,135,906</u>
Total Primary Government	<u>\$ 11,513,241</u>	<u>\$ 13,318,908</u>	<u>\$ 13,425,789</u>	<u>\$ 11,242,929</u>
Expenses				
Primary Government:				
Governmental Activities:				
General government	\$ 3,002,882	\$ 3,212,093	\$ 4,377,373	\$ 3,837,639
Legislative and judicial	411,579	400,786	376,743	360,872
Commerce	132,078	113,156	124,263	112,825
Education and humanities	5,818,383	6,036,864	5,148,482	4,887,919
Human Resources	7,623,348	7,652,130	7,725,161	7,611,725
Justice	923,628	887,611	876,065	822,301
Natural resources and environmental protection	221,822	198,067	192,518	197,086
Public protection and regulation	156,755	164,052	113,558	121,952
Transportation	1,496,753	1,340,012	1,175,210	1,331,764
Interest expense	403,534	377,725	332,639	265,984
Total Governmental Activities	<u>20,190,762</u>	<u>20,382,496</u>	<u>20,442,012</u>	<u>19,550,067</u>
Business-Type Activities:				
State Parks	93,925	92,777	101,861	98,795
Kentucky Lottery Corporation		566,117	568,183	619,902
Kentucky Horse Park	13,970	14,804	13,521	11,411
Insurance Administration	38,081	232,100	107,286	(18,953)
Kentucky Public Employees' Health Plan	1,687,322	1,624,444	1,497,656	1,434,951
Unemployment Compensation	1,193,572	1,521,994	1,958,414	1,317,067
Total Business-Type Activities	<u>3,026,870</u>	<u>4,052,236</u>	<u>4,246,921</u>	<u>3,463,173</u>
Total Primary Government	<u>\$ 23,217,632</u>	<u>\$ 24,434,732</u>	<u>\$ 24,688,933</u>	<u>\$ 23,013,240</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (11,769,740)	\$ (11,184,223)	\$ (11,076,444)	\$ (11,443,044)
Business-Type Activities	65,349	68,399	(186,700)	(327,267)
Total Primary Government Net Expense	<u>\$ (11,704,391)</u>	<u>\$ (11,115,824)</u>	<u>\$ (11,263,144)</u>	<u>\$ (11,770,311)</u>

	2008	2007	2006	2005	2004	2003
\$	494,587	\$ 375,662	\$ 374,655	\$ 355,890	\$ 312,007	\$ 276,792
	15,225	14,558	13,667	11,314	11,111	9,755
	41,821	42,267	34,390	35,002	34,689	32,247
	68,609	85,538	102,783	106,059	14,185	8,789
	200,913	197,556	106,238	181,921	138,487	418,444
	24,096	22,189	33,185	22,790	23,011	18,631
	42,511	39,412	33,205	31,094	39,311	19,961
	66,495	64,260	63,341	53,629	69,194	71,829
	16,849	215,869	202,569	227,700	207,151	235,700
	5,554,089	5,261,989	5,139,428	4,915,115	4,528,038	4,583,434
	750,184	658,132	597,282	520,194	524,936	547,363
	<u>7,275,379</u>	<u>6,977,432</u>	<u>6,700,743</u>	<u>6,460,708</u>	<u>5,902,120</u>	<u>6,222,945</u>
	57,605	56,208	52,751	50,655	50,925	49,368
	778,211	744,222	742,312	707,260	725,252	673,485
	6,763	6,632	6,010	5,791	5,896	5,840
	129,870	130,994	178,305	133,380	129,084	157,109
	1,270,899	1,158,078	595,435			
	381,410	357,396	377,265	371,099	332,047	354,432
	53,838	46,798	45,573	49,509	130,212	210,488
	1,735	476	112	33	586	1,046
	<u>2,680,331</u>	<u>2,500,804</u>	<u>1,997,763</u>	<u>1,317,727</u>	<u>1,374,002</u>	<u>1,451,768</u>
\$	<u>9,955,710</u>	<u>9,478,236</u>	<u>8,698,506</u>	<u>7,778,435</u>	<u>7,276,122</u>	<u>7,674,713</u>
\$	4,370,883	\$ 3,708,700	\$ 2,714,165	\$ 2,234,111	\$ 2,322,043	\$ 1,949,067
	335,635	313,010	305,466	282,389	268,001	247,503
	107,774	96,486	103,996	81,639	128,548	80,459
	4,852,742	4,608,914	4,421,812	4,092,896	3,824,742	3,752,426
	6,904,568	6,468,225	6,259,383	5,897,619	5,630,683	5,646,075
	845,153	803,120	794,698	702,796	564,202	616,236
	197,265	191,052	207,369	164,498	150,380	136,057
	97,360	116,770	68,108	68,956	111,928	139,518
	1,170,102	1,123,493	1,263,891	1,191,512	1,020,786	1,062,576
	254,488	266,388	250,622	201,564	200,315	227,926
	<u>19,135,970</u>	<u>17,696,158</u>	<u>16,389,510</u>	<u>14,917,980</u>	<u>14,221,628</u>	<u>13,857,843</u>
	104,672	111,973	90,283	92,193	92,287	88,423
	599,490	563,549	558,435	552,410	554,880	515,629
	12,799	10,624	9,690	9,387	11,732	8,562
	117,817	176,338	70,683	101,312	77,241	83,536
	1,288,981	1,152,794	507,282			
	493,397	450,629	396,052	429,007	556,870	490,348
	<u>2,617,156</u>	<u>2,465,907</u>	<u>1,632,425</u>	<u>1,184,309</u>	<u>1,293,010</u>	<u>1,186,498</u>
\$	<u>21,753,126</u>	<u>20,162,065</u>	<u>18,021,935</u>	<u>16,102,289</u>	<u>15,514,638</u>	<u>15,044,341</u>
\$	(11,860,591)	\$ (10,718,726)	\$ (9,688,767)	\$ (8,457,272)	\$ (8,319,508)	\$ (7,634,898)
	63,175	34,897	365,338	133,418	80,992	265,270
\$	<u>(11,797,416)</u>	<u>(10,683,829)</u>	<u>(9,323,429)</u>	<u>(8,323,854)</u>	<u>(8,238,516)</u>	<u>(7,369,628)</u>

Continued

COMMONWEALTH OF KENTUCKY
GOVERNMENT-WIDE EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2012	2011	2010	2009
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Sales and gross receipt	\$ 5,505,336	\$ 5,152,345	\$ 4,880,831	\$ 4,777,321
Individual income	3,474,027	3,451,268	3,125,824	3,359,471
Corporate income	370,485	317,578	235,654	278,103
Property	534,189	509,961	504,189	534,441
License and privilege	26,792	29,690	29,198	37,442
Severance	170,980	366,633	325,077	362,965
Inheritance and estate	68,119	45,144	38,058	43,237
Miscellaneous taxes	148,305	168,847	152,016	146,977
Unrestricted grants and contributions	14,640	14,071	9,365	10,263
Unrestricted investment earnings	(21,439)	7,146	9,531	(9,977)
Gain on sale of capital assets	10,363	9,727	22,682	12,730
Miscellaneous general	493,133	444,309	388,144	319,408
Transfers	(12,293)	206,078	172,007	264,032
Total General Revenues and Transfers	<u>10,782,637</u>	<u>10,722,797</u>	<u>9,892,576</u>	<u>10,136,413</u>
Change in Net Assets	(987,103)	(461,426)	(1,183,868)	(1,306,631)
Net Assets at July 1, as Restated	12,352,067	12,830,250	14,005,048	16,086,764
Net Assets at June 30	<u>\$ 11,364,964</u>	<u>\$ 12,368,824</u>	<u>\$ 12,821,180</u>	<u>\$ 14,780,133</u>
Business-Type Activities:				
Unrestricted grants and contributions	\$	\$ 208	\$	\$
Unrestricted investment earnings		56,203	47,657	(28,261)
Gain on sale of capital assets	55,123	597	1,844	38
Miscellaneous general		21,902	35,792	48,894
Transfers		(206,078)	(172,007)	(264,032)
Total General Revenues and Transfers	<u>55,123</u>	<u>(127,168)</u>	<u>(86,714)</u>	<u>(243,361)</u>
Change in Net Assets	192,756	(58,769)	(273,414)	(570,628)
Net Assets at July 1, as Restated	(871,602)	(789,694)	(526,859)	46,549
Net Assets at June 30	<u>\$ (678,846)</u>	<u>\$ (848,463)</u>	<u>\$ (800,273)</u>	<u>\$ (524,079)</u>
Change in Net Assets				
Governmental Activities	\$ (987,103)	\$ (461,426)	\$ (1,183,868)	\$ (1,306,631)
Business-Type Activities	192,756	(58,769)	(273,414)	(570,628)
Total Primary Government Changes in Net Assets	<u>\$ (794,347)</u>	<u>\$ (520,195)</u>	<u>\$ (1,457,282)</u>	<u>\$ (1,877,259)</u>

NOTE: This schedule is presented on the accrual basis of accounting.

	2008	2007	2006	2005	2004	2003
\$	4,828,223	\$ 4,623,126	\$ 4,433,893	\$ 4,031,452	\$ 3,780,204	\$ 3,653,535
	3,512,908	2,975,875	2,863,269	3,060,274	2,790,732	2,764,133
	397,842	961,204	1,013,768	476,524	311,284	290,403
	497,326	503,853	492,532	479,815	462,062	439,129
	33,049	42,738	73,679	142,962	142,048	162,929
	310,294	279,924	290,203	237,512	194,369	176,300
	51,423	49,574	40,498	66,766	66,287	93,553
	163,842	164,715	161,663	180,045	152,921	149,089
	11,923	731	723	1,836	69,037	68,721
	31,335	57,070	58,428	31,858	24,368	10,184
	10,123	3,288	4,637			(73,096)
	596,079	421,772	499,657	456,736	468,056	392,330
	126,716	169,150	187,101	141,338	201,712	231,828
	<u>10,571,083</u>	<u>10,253,020</u>	<u>10,120,051</u>	<u>9,307,118</u>	<u>8,663,080</u>	<u>8,359,038</u>
	(1,289,508)	(465,706)	431,284	849,846	343,572	724,140
	17,525,035	17,842,898	17,387,699	16,599,992	16,326,992	15,546,140
\$	<u>16,235,527</u>	<u>17,377,192</u>	<u>17,818,983</u>	<u>17,449,838</u>	<u>16,670,564</u>	<u>16,270,280</u>
\$	16,531	\$ 83,846	\$ 26,793	\$ 36,782	\$ 20	\$ (5,015)
	59	72	30	61	21,259	19,251
	18,746	8,628	25,900	47,820	75	437
	<u>(126,716)</u>	<u>(169,150)</u>	<u>(187,101)</u>	<u>(141,338)</u>	<u>(201,712)</u>	<u>(231,828)</u>
	(91,380)	(76,604)	(134,378)	(56,675)	(113,669)	(219,142)
	(28,205)	(41,707)	230,960	76,743	(32,677)	46,128
	74,791	34,159	(196,801)	(84,573)	(49,234)	(106,870)
\$	<u>46,586</u>	<u>(7,548)</u>	<u>34,159</u>	<u>(7,830)</u>	<u>(81,911)</u>	<u>(60,742)</u>
\$	(1,289,508)	\$ (465,706)	\$ 431,284	\$ 849,846	\$ 343,572	\$ 724,140
	<u>(28,205)</u>	<u>(41,707)</u>	<u>230,960</u>	<u>76,743</u>	<u>(32,677)</u>	<u>46,128</u>
\$	<u>(1,317,713)</u>	<u>(507,413)</u>	<u>662,244</u>	<u>926,589</u>	<u>310,895</u>	<u>770,268</u>

**COMMONWEALTH OF KENTUCKY
PERSONAL INCOME TAX INFORMATION
CALENDAR YEARS 2000 and 2010**

Personal Income Tax Filers and Liability by Income Level (C)

KY Federal AGI (from KY form 740) Income Level	Calendar Year 2010			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Resident Taxpayer				
less than \$25,001	748,992	43.83%	\$ 235,998,094	7.59%
\$25,001-\$50,000	411,786	24.10%	514,037,028	16.54%
\$50,001-\$100,000	381,689	22.34%	976,760,785	31.42%
\$100,001-\$200,000	134,549	7.87%	702,207,117	22.59%
\$200,001-\$500,000	26,070	1.53%	349,532,824	11.24%
Greater than \$500,000	5,658	0.33%	329,935,664	10.61%
Total Resident	1,708,744	100.00%	3,108,471,512	100.00%
Non-Resident Taxpayer				
less than \$25,001	44,406	35.51%	5,153,087	3.40%
\$25,001-\$50,000	21,951	17.55%	11,495,908	7.58%
\$50,001-\$100,000	24,209	19.36%	21,207,910	13.99%
\$100,001-\$200,000	16,001	12.80%	23,819,402	15.72%
\$200,001-\$500,000	9,380	7.50%	21,907,203	14.45%
Greater than \$500,000	9,098	7.28%	67,982,070	44.85%
Total Non-Resident	125,045	100.00%	151,565,580	100.00%
Totals	1,833,789		\$ 3,260,037,092	

Personal Income Tax Rates

Tax Years 2000 - 2010	2%	3%	4%	5%	6.0%
Tax Rate					\$8,001 and UP
Income Bracket	\$0-3,000	\$3,001-4,000	\$4,001-5,000	\$5,001-8,000	
	2010		2000		
Personal Income Tax Revenue	\$ 3,260,037,092 (A)		\$ 2,618,135,253		
Personal Income	102,391,000 (B)		68,851,883		
Average Effective Rate	3.1%		2.6%		

Source of Tax Information:

(A) Kentucky Department of Revenue

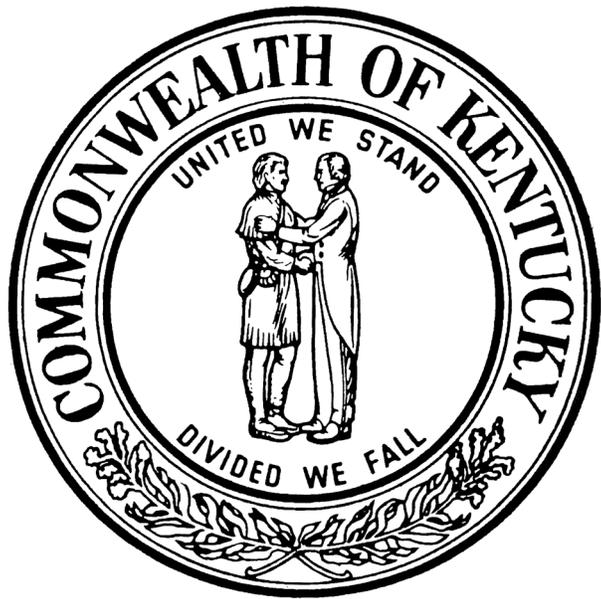
NOTE: Calendar year 2010 is the most current year for which data is available and calendar year 2000 was the first year for which comparable data was available.

(B) See Schedule of Personal Income

(C) This information is presented on a cash basis.

Calendar Year 2000

Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
805,957	50.05%	\$ 218,426,319	8.68%
408,903	25.39%	551,103,310	21.91%
306,597	19.04%	843,345,292	33.53%
68,021	4.22%	394,353,831	15.68%
16,749	1.04%	243,645,359	9.69%
4,228	0.26%	264,123,850	10.50%
1,610,455	100.00%	2,514,997,961	100.00%
49,232	43.32%	5,390,760	5.23%
23,750	20.90%	12,641,801	12.26%
19,663	17.30%	20,389,476	19.77%
9,465	8.33%	17,063,873	16.54%
5,583	4.91%	12,843,514	12.45%
5,953	5.24%	34,807,868	33.75%
113,646	100.00%	103,137,292	100.00%
1,724,101		\$ 2,618,135,253	



COMMONWEALTH OF KENTUCKY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FOR CALENDAR YEARS 2002-2011
(Expressed in Thousands, Except Ratio Data)

For the Year Ended December 31	Real Property		Personal Property		Totals		Ratio of Total Assessed to Total Estimated
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Actual Value
2002	\$ 153,558,852	\$ 163,360,481	\$ 178,290,246	\$ 178,290,246	\$ 331,849,098	\$ 341,650,727	97.1%
2003	162,167,033	172,518,120	188,846,577	188,846,577	351,013,610	361,364,697	97.1%
2004	171,533,143	182,482,067	190,803,292	190,803,292	362,336,435	373,285,359	97.1%
2005	183,052,164	194,736,345	198,811,311	198,811,311	381,863,475	393,547,656	97.0%
2006	195,349,504	207,818,621	146,437,150	146,437,150	341,786,654	354,255,771	96.5%
2007	209,408,191	222,774,671	155,998,799	155,998,799	365,406,990	378,773,470	96.5%
2008	219,881,174	233,916,143	160,465,814	160,465,814	380,346,988	394,381,957	96.4%
2009	226,213,765	240,652,941	160,898,648	160,898,648	387,112,413	401,551,589	96.4%
2010	226,833,829	241,312,584	169,307,231	169,307,231	396,141,060	410,619,815	96.5%
2011	229,344,568	243,983,583	169,933,206	169,933,206	399,277,774	413,916,789	96.5%

SOURCE: Kentucky Department of Revenue

NOTE: Assessed values are established through the utilization of an annual ad valorem tax based on the fair value of property.

COMMONWEALTH OF KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
FOR CALENDAR YEARS 2002-2011
(Expressed in Thousands, Except Percentages)

For the Year Ended June 30	Total Levied	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Weighted Average State Rate **
2002	\$ 429,425	\$ 407,380	94.9%	\$ 22,045	\$ 429,425	100.0%	66.98
2003	450,348	414,399	92.0%	23,353	437,752	97.2%	68.35
2004	478,017	432,937	90.6%	18,813	451,750	94.5%	70.03
2005	505,847	451,949	89.3%	23,632	475,581	94.0%	71.12
2006	483,608	467,209	96.6%	16,299 *	483,508	100.0%	65.05
2007	513,301	483,127	94.1%	17,520	500,647	97.5%	66.45
2008	527,149	490,176	93.0%	22,946	513,122	97.3%	65.26
2009	530,822	491,218	92.5%	24,952	516,170	97.2%	64.26
2010	536,828	486,675	90.7%	28,141	514,816	95.9%	65.35
2011	545,501	512,879	94.0%	16,688	529,567	97.1%	66.27

SOURCE: Kentucky Department of Revenue

NOTE: Property taxes are assessed as of January 1 of each year in one of two ways: 1) by the 120 Property Valuation Administrators within the State, or 2) by the Revenue Cabinet. The tax rates are set by the various taxing jurisdictions and applied to the particular assessment. Tax bills are delivered by September 15 of each year. Also, the "Total Tax Levy" in this table has been re-specified for the years shown to adjust for the fact that the receipts for motor vehicles involve two different assessment years.

* Delinquent tax collections in excess of the current year levy have been allocated to prior years.

** The weighted average state rate includes state and local rates and are expressed in cents per \$100 of assessed value.

COMMONWEALTH OF KENTUCKY
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands, Except Ratio Data)

	2012	2011	2010	2009
Governmental Activities Debt				
Revenue Bonds (2)	\$ 6,555,729	\$ 6,241,628	\$ 5,959,846	\$ 4,429,520
Notes (2)	1,669,372	1,715,915	1,089,740	1,059,520
Capital Leases (2)	46,069	30,877	32,341	26,638
Total Government Activities Debt	<u>8,271,170</u>	<u>7,988,420</u>	<u>7,081,927</u>	<u>5,515,678</u>
Business-Type Activities Debt				
Notes (2)				
Capital Leases (2)	8,112	8,748	127	211
Total Business-Type Activities Debt	<u>8,112</u>	<u>8,748</u>	<u>127</u>	<u>211</u>
Total Primary Government Debt	<u>\$ 8,279,282</u>	<u>\$ 7,997,168</u>	<u>\$ 7,082,054</u>	<u>\$ 5,515,889</u>
Total Debt Ratios				
Ratio of Total Debt to Personal Income	<u>7.96%</u>	<u>7.81%</u>	<u>7.09%</u>	<u>5.45%</u>
Total Debt Per Capita (1)	<u>\$ 1,894.85</u>	<u>\$ 1,840.01</u>	<u>\$ 1,641.60</u>	<u>\$ 1,292.01</u>
Net Bonded Debt				
Gross Bonded Debt	\$ 6,555,729	\$ 6,241,628	\$ 5,959,846	\$ 4,429,520
Less: Debt Service Funds	120,304	137,921	197,802	353,391
Net Bonded Debt	<u>\$ 6,435,425</u>	<u>\$ 6,103,707</u>	<u>\$ 5,762,044</u>	<u>\$ 4,076,129</u>
Net Bonded Debt Ratios				
Ratio of Net Bonded Debt to Governmental Funds Revenues	<u>33.36%</u>	<u>31.64%</u>	<u>29.54%</u>	<u>22.22%</u>
Net Bonded Debt Per Capita (1)	<u>\$ 1,472.85</u>	<u>\$ 1,404.36</u>	<u>\$ 1,335.63</u>	<u>\$ 954.77</u>

(1) Per Capita calculations are based on the population figures for the prior year. (See Demographics Schedule on page 212)

(2) See Note 15 for Debt Amounts

2008	2007	2006	2005	2004	2003
\$ 3,617,080	\$ 3,442,634	\$ 3,546,468	\$ 3,236,766	\$ 3,225,431	\$ 3,165,223
1,516,350	910,310	554,790	373,990	186,970	31,475
30,968	39,079	28,450	32,518	17,252	8,565
<u>5,164,398</u>	<u>4,392,023</u>	<u>4,129,708</u>	<u>3,643,274</u>	<u>3,429,653</u>	<u>3,205,263</u>
				451	
212	197	307	275	245	77
<u>212</u>	<u>197</u>	<u>307</u>	<u>275</u>	<u>696</u>	<u>77</u>
<u>\$ 5,164,610</u>	<u>\$ 4,392,220</u>	<u>\$ 4,130,015</u>	<u>\$ 3,643,549</u>	<u>\$ 3,430,349</u>	<u>\$ 3,205,340</u>
<u>5.21%</u>	<u>4.64%</u>	<u>4.54%</u>	<u>4.26%</u>	<u>4.28%</u>	<u>4.42%</u>
<u>\$ 1,217.65</u>	<u>\$ 1,044.26</u>	<u>\$ 989.60</u>	<u>\$ 878.83</u>	<u>\$ 833.05</u>	<u>\$ 783.15</u>
\$ 3,617,080	\$ 3,442,634	\$ 3,546,468	\$ 3,236,766	\$ 3,225,431	\$ 3,165,223
405,028	415,386	403,002	314,554	317,665	354,836
<u>\$ 3,212,052</u>	<u>\$ 3,027,248</u>	<u>\$ 3,143,466</u>	<u>\$ 2,922,212</u>	<u>\$ 2,907,766</u>	<u>\$ 2,810,387</u>
<u>17.97%</u>	<u>17.77%</u>	<u>18.45%</u>	<u>18.35%</u>	<u>18.26%</u>	<u>17.65%</u>
<u>\$ 757.30</u>	<u>\$ 719.73</u>	<u>\$ 753.21</u>	<u>\$ 704.84</u>	<u>\$ 706.14</u>	<u>\$ 686.65</u>

**COMMONWEALTH OF KENTUCKY
UNIVERSITY AND COLLEGE REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS**
(Expressed in Thousands, Except Ratio Data)

Fiscal Year Ending June 30	Revenue Stream Available For Debt Service	Debt Service Requirement	Coverage Ratio
2003	\$ 112,670 *	\$ 53,825	2.09
2004	337,945 *	54,034	6.25
2005	326,099 *	57,375	5.68
2006	499,346 *	57,141	8.74
2007	613,592 *	43,071	14.25
2008	235,398 *	47,782	4.93
2009	231,058 *	55,549	4.16
2010	308,774 *	61,448	5.02
2011	418,370 *	56,920	7.35
2012	3,930,749 **	1,531,031	2.57

SOURCE: Commonwealth of Kentucky Comprehensive Annual
Financial Reports; State universities' audited financial statements

* Calculated using net operating revenue and short-term bond liability

** Calculated using Gross revenue stream, state appropriation, current and long term bond liability

**TOP 10 MANUFACTURERS/SUPPORTIVE SERVICE FIRMS
(Ranked by Number of Employees)
CURRENT YEAR AND NINE YEARS AGO**

Company	2012			2003		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
United Parcel Service, Inc.	12,635	1	0.68%			
Toyota Motor Corp.	10,742	2	0.57%	8,723	3	0.47%
Humana Inc.	10,725	3	0.57%			
Ford Motor Co.	5,378	4	0.29%	10,900	1	0.59%
Amazon.com	5,362	5	0.29%			
General Electric Co.	4,948	6	0.26%	8,299	2	0.45%
FMR LLC	3,900	7	0.21%			
Berkshire Hathaway Inc.	3,334	8	0.18%			
Xerox Coporation	3,284	9	0.18%			
Delta Air Lines, Inc.	2,700	10	0.14%			
Johnson Controls, Inc.				4,076	4	0.22%
Lexmark International Inc.				4,500	5	0.24%
Dana Corp.				4,650	6	0.25%
Toyota Tsusho				2,204	7	0.12%
Emerson Electric Company				2,656	8	0.14%
Alcan				2,632	9	0.14%
Flynn Enterprises				2,394	10	0.13%
	<u>63,008</u>		<u>3.37%</u>	<u>51,034</u>		<u>2.75%</u>

SOURCE:

Website Address: <http://www.thinkkentucky.com>

<http://www.workforcekentucky.ky.gov>

**DEMOGRAPHIC STATISTICS
FOR CALENDAR YEARS 2002-2011**

For the Year Ended December 31	Estimated Population	Per Capita Income	Unemployment Rate
2002	4,092,891	\$ 25,579	5.6%
2003	4,117,827	26,252	6.2%
2004	4,145,922	27,709	5.3%
2005	4,173,405	28,513	6.1%
2006	4,206,074	29,352	5.7%
2007	4,241,474	31,111	5.5%
2008	4,269,245	31,826	6.4%
2009	4,314,113	32,306	10.5%
2010	4,346,266	32,376	10.5%
2011	4,369,356	33,667	9.5%

SOURCE: Website Addresses: <http://www.bea.gov>
<http://www.bls.gov>

**COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR CALENDAR YEARS 2002-2011**
(Expressed in Thousands, Except Percent Data)

Source	2002*		2003**		2004**		2005**		2006**	
	Amount	Percent								
Farm	\$ 883,000	1.2%	\$ 854,000	1.1%	\$ 580,000	0.7%	\$ 1,520,500	1.7%	\$ 532,750	0.6%
Agriculture services, forestry, fisheries and others	521,000	0.7%	383,250	0.5%	359,250	0.4%	369,750	0.4%	422,500	0.4%
Mining	1,382,000	1.9%	1,310,500	1.6%	1,495,250	1.7%	1,879,750	2.1%	2,128,750	2.3%
Manufacturing	13,611,000	18.8%	14,816,000	18.5%	16,142,000	18.9%	16,364,000	18.0%	17,033,000	18.0%
Construction	4,276,000	5.9%	4,821,250	6.0%	4,819,750	5.6%	5,133,750	5.6%	5,225,750	5.5%
Wholesale and retail trade	11,088,000	15.3%	9,940,250	12.4%	10,475,250	12.3%	10,857,250	11.9%	11,430,750	12.1%
Finance, insurance and real estate	4,034,000	5.6%	4,962,750	6.2%	5,274,250	6.2%	5,487,250	6.0%	5,922,750	6.3%
Transportation and public utilities	5,478,000	7.6%	5,023,250	6.3%	5,386,750	6.3%	5,452,500	6.0%	5,653,750	6.0%
Services	17,285,000	23.8%	23,330,250	29.1%	24,756,000	29.0%	26,222,250	28.9%	27,810,500	29.4%
Government and government enterprises	13,940,000	19.2%	14,686,250	18.3%	16,196,000	18.9%	17,594,750	19.4%	18,420,500	19.5%
Earnings by Place of Work	<u>\$ 72,498,000</u>	<u>100.0%</u>	<u>\$ 80,127,750</u>	<u>100.0%</u>	<u>\$ 85,484,500</u>	<u>100.0%</u>	<u>\$ 90,881,750</u>	<u>100.0%</u>	<u>\$ 94,581,000</u>	<u>100.0%</u>

Source	2007**		2008**		2009**		2010**		2011**	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,040,750	1.0%	\$ 932,500	0.9%	\$ 1,364,000	1.4%	\$ 1,208,000	1.2%	\$ 811,000	0.8%
Agriculture services, forestry, fisheries and others	407,250	0.4%	421,500	0.4%	319,250	0.3%	316,000	0.3%	280,000	0.3%
Mining	2,227,000	2.2%	2,475,000	2.4%	2,121,000	2.1%	2,353,000	2.3%	2,256,000	1.3%
Manufacturing	17,069,000	17.2%	16,305,750	16.1%	13,446,500	13.5%	14,293,000	14.0%	12,563,000	12.3%
Construction	5,292,750	5.3%	5,356,750	5.3%	5,045,000	5.1%	4,726,000	4.6%	5,101,000	5.0%
Wholesale and retail trade	11,726,500	11.8%	11,870,500	11.7%	11,548,500	11.6%	11,456,000	11.2%	12,021,000	11.7%
Finance, insurance and real estate	6,345,250	6.4%	6,390,750	6.3%	5,979,500	6.0%	5,956,000	5.8%	6,507,000	6.4%
Transportation and public utilities	6,237,000	6.3%	6,008,000	5.9%	6,062,250	6.1%	6,130,000	6.0%	6,199,000	6.1%
Services	29,033,250	29.4%	30,718,250	30.3%	31,714,500	31.6%	32,939,000	32.1%	34,521,000	33.1%
Government and government enterprises	19,826,000	20.0%	20,809,250	20.5%	22,249,500	22.3%	23,014,000	22.5%	23,727,000	23.2%
Earnings by Place of Work	<u>\$ 99,204,750</u>	<u>100.0%</u>	<u>\$ 101,288,250</u>	<u>100.0%</u>	<u>\$ 99,850,000</u>	<u>100.0%</u>	<u>\$ 102,391,000</u>	<u>100.0%</u>	<u>\$ 103,986,000</u>	<u>100.0%</u>

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis (<http://www.bea.gov>)

NOTE: Percentages may not add to 100% due to rounding.

* 2002 annual estimates computed with BEA table SQ5 by adding 4 quarters of 2002 and dividing by 4.

** Annual estimates computed with BEA table SQ5N by adding 4 quarters of each year and dividing by 4.

Quarterly charts show each quarter as an annualized amount based on amounts to date.

Amounts are based on the North American Industry Classification System (NAICS) instead of the Standard Industrial Classification (SIC) system used in previous years. This affects comparability of amounts. NAICS will be used in the future fiscal years.

**COMMONWEALTH OF KENTUCKY
OPERATING INDICATORS BY FUNCTION
FOR THE LAST SEVEN FISCAL YEARS**

	2012	2011	2010	2009	2008	2007	2006
Personnel							
Number of Full Time Employees-							
Executive Branch	33,267	33,464	33,225	32,747	33,608	33,204	34,947
Health Insurance Expenditures -							
Percentage Increase/(decrease)	(0.9)	4.5%	18.7%	(1.3%)	6.1%	(1.8%)	29%
Education							
K-12 Enrollment	647,827	644,963	636,188	671,147	671,542	668,337	664,606
K-12 Attendance Rate	94.05%	94.05%	94.18%	94.17%	94.18%	94.60%	94.31%
K-12 Graduation Rate	76.68%	80.5%***	83.91%	84.52%	83.72%	83.26%	82.84%
Statewide Academic Index	*	*	*	*	82.20%	81.80%	78.30%
Average ACT Score	19.8	19.6	19.4	19.4**	20.9	20.7	20.6
GED Graduates	9,469	10,294	9,357	9,382	10,307	9,757	9,054
College Going Rate for 9th Graders	42%	42%	42%	44%	38%	38%	37%
Postsecondary Education Enrollment	235,833	232,318	223,893	211,179	212,994	206,419	202,197
Bachelor's and Higher Degrees Awarded	30,034	29,911	28,798	27,983	27,246	27,042	26,544
Justice and Public Safety							
Incarcerated Population-Daily Average	21,471	20,785	20,798	21,470	22,219	20,772	19,943
Probation and Parole Population - Daily Average	41,790	41,534	39,364	38,933	39,206	33,642	33,643
Health and Family Services							
Medicaid Enrollment-Average	825,648	815,460	788,236	748,296	722,559	710,000	699,595
Food Stamp Recipients-Monthly Average	843,939	814,176	761,654	680,087	623,997	595,366	598,486
Temporary Assistance for Needy							
Families (TANF)-Monthly Average	48,817	50,583	48,894	48,368	48,743	68,260	69,696
Children with substantiated incidences	15,699	15,721	15,092	14,475	15,196	15,500	15,526
Environmental and Public Protection							
Air Pollution Source Inspections	3,355	3,390	5,910	3,085	4,310	4,000	4,600
Waste Management Inspections	6,062	6,155	7,060	5,910	6,443	7,500	7,200
Acres of Land Reforested	10,396	4,827	4,520	5,580	5,105	2,000	1,600
Mine Permits Issued	719	691	608	688	848	954	1,025
Mine Reclamation and Enforcement							
Inspections	26,942	25,392	25,686	24,890	26,062	22,898	22,001
Mine Safety-Completed Inspections	3,203	3,102	4,611	2,888	2,718	2,364	2,500
Transportation							
Percentage of Total Road System							
Needing Improvement	19%	15%	18%	14%	15%	15%	14%
Statewide Road Maintainance							
Rating (Top Score = 80)	80.1	81.5	79.7	80.9	81.7	80.1	79.1
Daily Miles Traveled-Percentage							
Changed (as compared to 2005 Data)	0.17%	0.20%	(0.1%)	0.0%	(0.5%)	0.1%	(0.3%)
State-Maintained Lane Miles-							
Annual Percent Change	0.10%	0.30%	0.10%	1.6%	0.6%	0.2%	0.2%
Kentucky Road Construction Cost							
Index-Percent Increase (1987 Base Year)	10.7%	36.3%	13.9%	22.7%	28.0%	32.0%	19.5%

* The Statewide Academic Index is no longer generated.

** First graduating class in which all students were required to take the ACT. A reduction was expected.

***First year using Average Freshman Graduation Rate

**COMMONWEALTH OF KENTUCKY
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST SEVEN FISCAL YEARS**

	2012	2011	2010	2009	2008	2007	2006
<u>General Government</u>							
Number of Buildings	310	292	326	309	558	566	297
Number of Vehicles	377	394	365	356	411	487	258
Land (Acres)	15,041	14,968	14,614	14,293	13,352	14,108	13,294
<u>Commerce</u>							
Number of Resort Parks	17	17	17	17	17	17	17
Number of Recreation Parks	21	23	23	24	24	24	24
Number of Historic Sites	9	10	10	11	11	11	10
Area of State Parks (Acres)	45,180	42,397	42,035	42,597	42,428	42,428	45,137
<u>Education and Humanities</u>							
Number of Buildings	65	66	73	72	70	69	70
Number of Vehicles	89	105	101	113	123	134	209
Land (Acres)	387	388	388	388.4	372	388.4	388
<u>Human Resources</u>							
Number of Buildings	182	182	200	196	196	193	190
Number of Vehicles	23	45	46	40	150	165	215
Land (Acres)	1,206	1,206	1,206	1,206	1,007	1,206	1,206
<u>Justice</u>							
Number of Buildings	459	465	508	479	482	449	440
Number of Vehicles	2043	2,102	1,863	1,861	1,696	1,668	3,911
Land (Acres)	8,685	8,865	8,867	8,903	6,166	5,314	9,044
<u>Natural Resources and Environmental Protection</u>							
Number of Buildings	20	21	26	26	26	27	25
Number of Vehicles	847	827	916	815	847	1,319	2,622
Land (Acres)	62,661	60,003	59,149	58,325	51,175	50,983	64,134
<u>Public Protection and Regulation</u>							
Number of Vehicles	132	118	121	90	76	86	44
<u>Transportation</u>							
Number of Lane Miles -State Maintained Highways	63,175	63,135	62,913	62,823	62,419	62,071	62,193
Number of State maintained Bridges	8,972	8,957	8,933	8,870	8,842	8,974	8,974
Land (Acres)	1,653	1,653	1,981	1,981	1,977	1,977	1,961

**COMMONWEALTH OF KENTUCKY
OPERATING INFORMATION
STATE GOVERNMENT EMPLOYEES BY FUNCTION
FOR THE LAST TEN FISCAL YEARS**

	2012	2011	2010	2009
<u>FULL-TIME EMPLOYEES</u>				
FUNCTION				
General government	4,669	4,738	4,841	4,706
Legislative and judicial	3,503	3,502	3,597	3,759
Commerce	1,914	1,972	2,023	2,038
Education and humanities	2,701	2,696	2,712	2,760
Human resources	7,481	7,517	7,482	7,182
Justice	8,070	8,016	7,938	7,955
Natural resources and environmental protection	1,614	1,648	1,675	1,649
Public protection and regulation	1,097	1,113	1,127	1,102
Transportation	4,682	4,670	4,713	4,467
Total full-time employees	35,731	35,872	36,108	35,618
<u>PART-TIME and TEMPORARY EMPLOYEES</u>				
FUNCTION				
General government	663	657	662	659
Legislative and judicial	484	476	483	539
Commerce	498	384	1,376	1,496
Education and humanities	227	198	306	219
Human resources	119	108	124	91
Justice	24	26	39	27
Natural resources and environmental protection	26	31	56	31
Public protection and regulation	20	30	31	14
Transportation	40	138	133	129
Total part-time and temporary employees	2,101	2,048	3,210	3,205
Total Employees	37,832	37,920	39,318	38,823

2008	2007	2006	2005	2004	2003
4,855	4,984	5,004	5,150	5,062	5,317
3,730	3,626	3,445	3,332	3,138	3,177
2,141	2,155	2,212	2,206	2,188	2,348
2,967	2,984	2,906	2,923	3,158	2,026
7,387	7,751	8,411	8,861	9,015	9,395
8,090	7,967	7,932	7,693	7,488	7,139
1,601	1,673	1,659	1,681	1,692	1,575
1,208	1,194	1,199	1,164	1,112	1,819
4,549	4,711	4,715	5,082	5,251	5,860
<u>36,528</u>	<u>37,045</u>	<u>37,483</u>	<u>38,092</u>	<u>38,104</u>	<u>38,656</u>
649	757	781	787	665	684
574	554	583	751	747	720
1,506	1,548	1,516	1,522	1,525	1,587
228	281	306	265	347	408
71	165	114	97	69	112
58	33	50	49	27	33
27	67	54	51	38	26
15	54	34	35	23	33
156	202	165	126	80	88
<u>3,284</u>	<u>3,661</u>	<u>3,603</u>	<u>3,683</u>	<u>3,521</u>	<u>3,691</u>
<u>39,812</u>	<u>40,706</u>	<u>41,086</u>	<u>41,775</u>	<u>41,625</u>	<u>42,347</u>

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