

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2013



Kentucky 
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Commonwealth of Kentucky
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2013

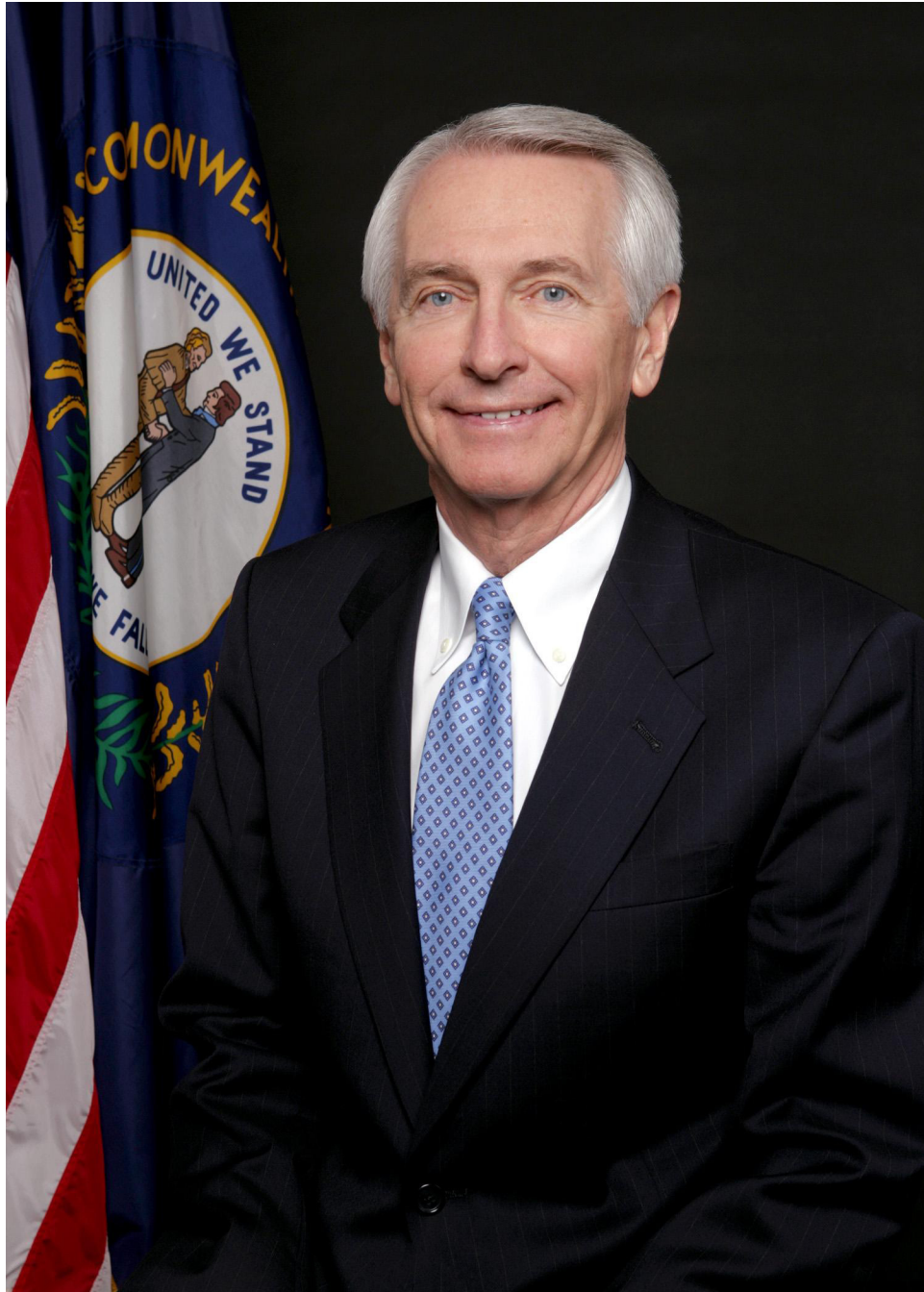
Steven L. Beshear, Governor



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



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INTRODUCTORY SECTION



STEVEN L. BESHEAR
Governor

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LORI H. FLANERY
Secretary

December 13, 2013

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, 2013. 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 for the year ended June 30, 2013, 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 and GASB 61. 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, Bluegrass State Skills Corporation, Board of Agriculture, 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 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. Encumbrances in all other funds lapse at the end of the fiscal year.

ECONOMIC CONDITION AND OUTLOOK

National Economy

With four years of economic recovery now in the rearview mirror, more areas of the economy are displaying signs of improvement. The robustness of the housing market and consumer spending levels has led many economists to greatly increase their expectations for growth.

However, the significant downward revision of the first calendar quarter GDP estimates for 2013 to 1.8 percent from 2.4 percent was reminiscent of past years when a strong initial start for a calendar year faded in the second and third calendar quarters. The modest overall numbers are deceiving because the economy is starting from such a weak base.

As we enter the 2014 fiscal year, there are solid reasons to expect momentum to rebuild by the second and third quarters of the fiscal year. Businesses and consumers have adjusted to the fiscal tightening imposed by the budget sequester and the impact of the two-percentage-point increase in payroll taxes that resulted from the loss of the payroll tax holiday in the beginning of calendar 2013. Continuing improvement in the housing market, with building, sales and prices all climbing, should also add to the expansion and give businesses and consumers the confidence to continue making purchases that increase total consumption and nonresidential fixed investment.

At the federal level, increased tax revenues and reduced expenditures have reduced the budget deficit and removed the pressure needed for Congress to achieve a compromise on a fiscal policy agreement. The requirement to address the nation's debt ceiling will not arrive until the end of calendar 2013, allowing the nation to continue to operate under continued spending resolutions. As a result, the current budget sequester is expected to remain in place throughout the calendar year, causing forecasted GDP growth to be 0.1 percent lower than expected.

The split between a re-energizing private sector and further cutbacks in government spending partially explain how job growth has increased at a faster pace than economic growth. Spending cuts by the federal government have had more of an effect on outlays and hours worked by federal employees and contractors than they have on employment. That being said, there are concerns about the quality of jobs being added in the private sector, which have been heavily weighted toward lower-paying industries, many of which predominantly employ part-time workers.

As we enter FY14, there is still very little inflation pressure in the economy. A stubbornly high 7.7% unemployment rate is restraining wages, while weakening demand overseas is continuing to cause deflationary commodity price movements. Europe's recession is deepening and China's economy is slowing, further helping to keep inflation expectations low and removing price power from firms trying to increase prices.

As the fourth quarter of fiscal 2013 drew to a close, global financial markets responded negatively to statements made by Federal Reserve Chairman Ben Bernanke concerning the possibility of the Federal Reserve tapering their purchases of bond assets. The extreme volatility was especially apparent in bond markets, but all financial asset classes experienced significant declines in value, especially emerging country and currency markets.

The Federal Reserve is fully expected to continue with renewed purchases of \$45 billion in long-term Treasuries per month. This is in addition to the previously announced program of quantitative easing focused on the purchase of \$40 billion in mortgage backed securities per month, and continued guidance on "near-zero" interest rates until unemployment drops to 6.5%. Given the current forecast, this would keep the Federal Reserve's interest rate policies and asset purchasing programs in place through calendar 2013, with the potential for a tapering of the program to begin in early 2014.

Overall, the outlook for the next three quarters is positive, but continued slow growth. Real GDP is expected to grow at an annualized rate 1.5 percent over the next quarter, and for the first three quarters of FY14, real GDP is forecasted to grow at an annualized rate of 2.0 percent, representing a 1.9% increase over the same period in FY13. Consumption is forecast to grow by an annual rate of 2.1 percent over the next quarter, representing a 2.2% increase over the first three quarters of FY12. Government expenditures at all levels, Federal, state, and local, will continue to decline significantly.

Kentucky's Economy

For the first three quarters of FY14, Kentucky is expected to lag the national economy in some areas of economic activity while experiencing greater growth than the national averages in some important categories. Kentucky's personal income growth is expected to be 3.0 percent, slightly lagging the national average of 3.3 percent. However, growth in wages and salaries is expected to exceed the national growth rate with 3.6 percent increase versus the national increase of 3.4 percent.

Employment gains in the Commonwealth should be similar to the national average, with growth in the non-farm sector of 1.3 percent and a modest 2.3 percent in the goods producing sector. For the manufacturing sector, the continued recession in the Eurozone and slowing economic growth in China and other emerging markets will reduce demand for exports of manufactured, durable goods.

The service producing industries continue to account for approximately two-thirds of Kentucky jobs. The service-providing industries are forecasted to expand by 1.5 percent with the creation of approximately 17,000 jobs. If the recent nation trend of expanding the number of part-time workers in the service sector to mute the impact of the Affordable Care Act requirements is observed in the Commonwealth, the forecasted growth of service sector employment may be exceeded.

Employment in government—including federal, state, and local—is expected to continue to slow as government at all levels adjust to continued budgetary constraints and the continued federal budget sequester. Overall, the sector is expected to decline by 0.1 percent for the first three quarters of FY14.

For the past four quarters, coal production, utilization and severance taxes have decreased significantly. In the fourth fiscal quarter of 2012, an equal share of the national electricity production was produced by coal and natural gas. Since the end of the fourth quarter of FY12, a combination of higher prices for natural gas and increased demand for electricity during the summer and winter months led electric systems across much of the country to increase their use of coal-fired units. As we enter FY14 and demand for electricity typically rises, higher prices for natural gas have reduced the fuel's share of total generation and coal-fired facilities have generated 40 percent or more of the nation's electricity in recent months.

Additionally, two recent trends may indicate that Kentucky coal production could begin to recover from the recent low levels of production. The first concerns coal stockpiles at generating facilities. Last spring, when natural gas prices were near ten-year lows, coal consumption for electricity generation declined and stockpile levels increased. Coal consumption has since increased, but most power plants are burning down the record stockpile levels rather than increase purchases of coal. As the stockpiles are reduced, demand for coal production will begin to increase slightly as we move into the third quarter of FY14. The second trend concerns exports of US mined coal to foreign countries. In the last quarter, monthly international exports exceeded previous records by approximately one million tons. Kentucky has historically exported approximately five percent of the annual production of the Commonwealth. The major destinations for exported coal are China, Netherlands, United Kingdom, South Korea, and Brazil. In each of these regions, natural gas prices have remained high as advanced drilling production techniques have not expanded significantly in their respective energy production markets.

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 2013 are:

	<u>Debt Service (thousands)</u>	<u>Ratio to Total General Governmental Expenditures</u>	<u>Debt Per Capita</u>
General Bonded Debt	\$1,119,399	5.38 %	\$1,467

No general obligation bonds were authorized or outstanding at June 30, 2013.

A detailed analysis of the Commonwealth's debt issuance during the fiscal year ended 2013 is presented in Note 15.

Major Initiatives

Fiscal year 2013 was the first fiscal year of the Commonwealth's 2012-14 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 fiscal year 2013 budget was enacted in the 2012 Regular Session of the Kentucky General Assembly. General Fund revenue growth was 2.8 percent, contributing \$40 million to the year-end surplus of \$70 million. Road Fund revenues increased by 3.3 percent, resulting in a \$18 million year-end surplus. In FY13, General Fund spending increased by just 1 percent. Of the \$70 million General Fund surplus, \$45 million was reserved for unbudgeted expenses and \$25 million was deposited into the Rainy Day Fund, the Budget Reserve Trust Fund, bringing that fund's balance up to \$147 million.

The muted General Fund spending growth was primarily due to spending cuts that were incorporated into the FY13 budget, a total of \$177 million, despite the revenue growth of 2.8 percent. Additional spending in the areas of pension contributions and health insurance were necessary, and the budget made a significant reduction in the Commonwealth's structural budget imbalance of the prior year. Most other areas of government spending were again reduced, some as much as 8.4 percent; the sixth consecutive year of reductions. Some areas of the government have incurred up to 38 percent in General Fund budget reductions since FY08. Despite Road Fund revenue growth of 3.3 percent, spending from the Road Fund increased by 15 percent primarily due to the schedule of major road project expenditures, which occur over a multi-year period.

Fiscal year 2013 was the second 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 resulted in sufficient savings that Medicaid spending from the General Fund was over \$50 million less than in FY12. Due to the implementation of several policy changes in the Corrections area, the inmate population grew only 1.5 percent.

The Commonwealth's capital program for the 2012-14 biennial period included the lowest amount of General Fund supported debt in over 20 years. This was another reflection of the tight fiscal situation. The largest areas of emphasis were in local school buildings, maintenance and improvement, the permanent closure of a nuclear waste disposal site, and the addition of a fourth veterans' nursing facility.

During FY13, the Commonwealth continued to implement past actions and enacted further reforms 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 new reforms replaced a phased-in financing plan with one that will achieve the necessary actuarial contributions to the Kentucky state employees' retirement systems. Moreover, a new hybrid-cash balance plan was put in place for all new employees which mitigates the growth of future pension liabilities. Fiscal year 2013 was the third year of a six-year 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

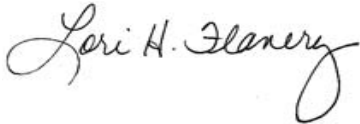
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Kentucky for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This is the 26th consecutive 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, the Kentucky Transportation Cabinet's Division of Graphic Design and Printing, 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 cursive script that reads "Lori H. Flanery". The signature is written in black ink and is positioned above the printed name and title.

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 13, 2013

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, 2013, 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 "EC Ross", written over a horizontal line.

Edgar C. Ross, Controller



Government Finance Officers Association

**Certificate of
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for Excellence
in Financial
Reporting**

Presented to

Commonwealth of Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

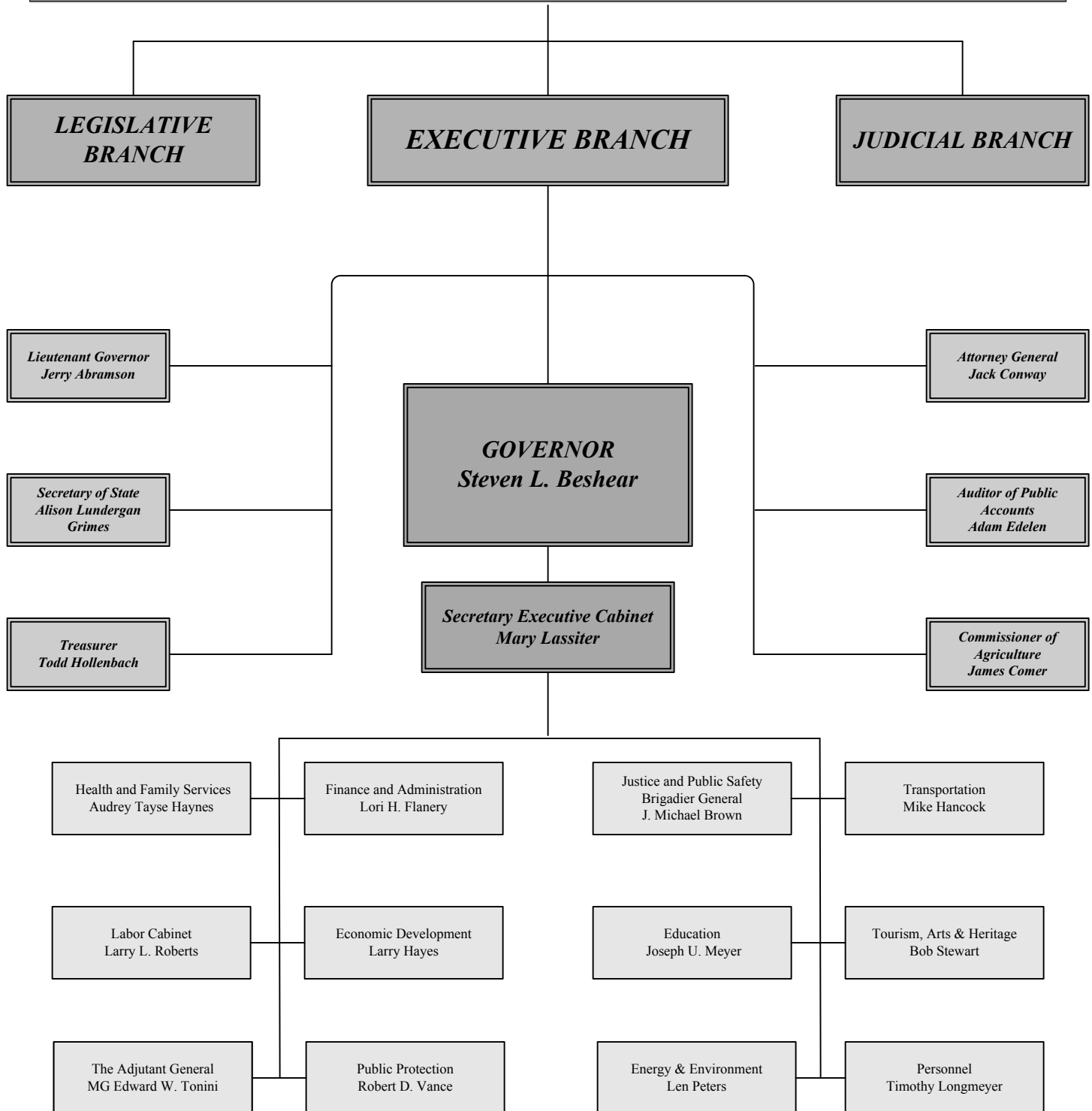


Executive Director/CEO

COMMONWEALTH OF KENTUCKY

ELECTORATE OF KENTUCKY

"UNITED WE STAND, DIVIDED WE FALL"



*Principal Officials at June 30, 2013

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Commonwealth's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 solely on 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
- Bluegrass State Skills Corporation

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:

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

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	1.08 %	.21 %
Primary Government - Business-Type Activities	30.91 %	2.10 %
Component Units	99.22 %	99.86 %
Fund Financial Statements:		
Governmental Funds - Non-Major Funds	34.54 %	3.60 %
Proprietary Funds - Business-Type Activities - Enterprise Funds	30.80 %	3.40 %
Proprietary Funds - Governmental Activities - Internal Service Funds	4.83 %	12.97 %
Fiduciary Funds - Pension and Insurance Trust Funds	100.00 %	100.00%
Component Units	99.22 %	99.86 %

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commonwealth's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

In our opinion, based on our audit and the reports of the 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, 2013, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 through 23, 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, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

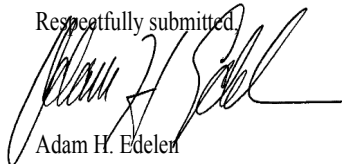
The Introductory and Statistical sections presented in this report on pages 2 through 10 and 202 through 223 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the People of Kentucky
The Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Page 4

Other Reporting Required by Government Auditing Standards

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* in considering the Commonwealth's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', is written over the typed name.

Adam H. Edelen
Auditor of Public Accounts

December 13, 2013

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, 2013. 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, 2013, by \$11 billion, a decrease of \$240 million related to current year activity. Liabilities of the Commonwealth's business-type activities exceeded assets by \$547 million, an increase in net position of \$131.9 million related to current year activity. Total net position decreased by \$108 million to \$10.5 billion.

The assets of component units exceeded liabilities at fiscal year ending June 30, 2013, by \$9.1 billion, an increase of \$268.2 million related to current year activity.

Fund Highlights:

As of the close of FY13, the Commonwealth's governmental funds reported combined ending fund balances of \$2.3 billion, a decrease of \$174 million in comparison with the prior year. Approximately 105 percent or \$2.4 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 position of \$(547) million, of which 329.3 million was restricted or invested in capital assets and the balance of \$(876.3) million was unrestricted.

Long-Term Debt:

The Commonwealth's total long-term debt obligations (bonds and notes payable) decreased by \$148.9 million to \$8.1 billion during the current fiscal year. The decrease is attributable to the issuance of bonds mainly to refund older debt outstanding. The deductions to liability which would include advanced retirement of old debt and payment of principle were \$661.1 million while new issues for refunding and new projects were \$512.2 million during FY13. 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 Position 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.

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 53.

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.

Table 1. Major Features of the Commonwealth of Kentucky's Government-Wide and Fund Financial Statements				
	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 Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fund Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statements of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
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 Position

Net position may serve as a useful indicator of a government's financial position. The Commonwealth's combined net position (governmental and business-type activities) totaled \$10.5 billion at the end of 2013, as compared to \$10.6 billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$20.5 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 position, totaling \$1.2 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 position. The unrestricted net position, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is \$(11.2) 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 position 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 position.

Table 2 below presents the Commonwealth's condensed statement of net position as of June 30, 2013 and June 30, 2012, derived from the government-wide Statement of Net Position.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 5,905,738	\$ 6,232,526	\$ 1,031,667	\$ 1,237,817	\$ 6,937,405	\$ 7,470,343
Capital Assets	22,991,474	22,447,545	342,131	349,902	23,333,605	22,797,447
Other Assets	295	3,083			295	3,083
Total Assets	28,897,507	28,683,154	1,373,798	1,587,719	30,271,305	30,270,873
Deferred outflows of resources	14,612	18,515			14,612	
Non Current Liabilities	15,008,709	14,359,024	1,799,654	2,142,900	16,808,363	16,501,924
Other Liabilities	2,830,822	3,027,905	121,126	123,665	2,951,948	3,151,570
Total Liabilities	17,839,531	17,386,929	1,920,780	2,266,565	19,760,311	19,653,494
Deferred inflows of resources	25,040	27,208			25,040	
Invested in Capital Assets						
Net of Related Debt	20,195,976	19,616,044	328,382	334,611	20,524,358	19,950,655
Restricted	1,167,435	1,480,299	913	729	1,168,348	1,481,028
Unrestricted	(10,315,863)	(9,808,811)	(876,277)	(1,014,186)	(11,192,140)	(10,822,997)
Total Net Position	\$ 11,047,548	\$ 11,287,532	\$ (546,982)	\$ (678,846)	\$ 10,500,566	\$ 10,608,686

Changes in Net Position

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 position changed during FY13. The Commonwealth received program revenues of 11.4 billion and general revenues (including transfers) of \$11.8 billion for total revenues of \$23.2 billion during FY13. Expenses for the Commonwealth during FY13 were \$23.3 billion, which resulted in a total decrease of the Commonwealth's net position in the amount of \$108 million, net of contributions, transfers and special items.

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

	2013 Governmental Activities	2012 Governmental Activities	2013 Business-Type Activities	2012 Business-Type Activities	2013 Total	2012 Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,483,849	\$ 1,202,661	\$ 2,383,241	\$ 2,385,722	\$ 3,867,090	\$ 3,588,383
Operating Grants and Contributions	6,294,292	6,381,991	408,125	705,465	6,702,417	7,087,456
Capital Grants and Contributions	806,675	836,370	155	1,032	806,830	837,402
General Revenues:						
Income Taxes	4,171,101	3,844,512			4,171,101	3,844,512
Sales Taxes	5,292,465	5,505,336			5,292,465	5,505,336
Property Taxes	556,986	534,189			556,986	534,189
Other Taxes	706,927	414,196			706,927	414,196
Investment Earnings	2,179	(21,439)			2,179	(21,439)
Other	569,403	527,490	485,257	115,114	1,054,660	642,604
Total Revenues	19,883,877	19,225,306	3,276,778	3,207,333	23,160,655	22,432,639
Expenses:						
Governmental Activities:						
General Government	3,333,535	3,089,651			3,333,535	3,089,651
Legislative and Judicial	406,949	411,579			406,949	411,579
Commerce	112,296	132,078			112,296	132,078
Education and Humanities	5,214,551	5,818,383			5,214,551	5,818,383
Human Resources	7,618,717	7,623,348			7,618,717	7,623,348
Justice	936,118	923,628			936,118	923,628
Natural Resources and Environmental Protection	229,245	221,822			229,245	221,822
Public Protection and Regulation	160,071	156,755			160,071	156,755
Transportation	1,720,513	1,496,753			1,720,513	1,496,753
Interest Expense	369,773	403,534			369,773	403,534
Business-type Activities:						
State Parks			92,724	93,925	92,724	93,925
Kentucky Horse Park			15,856	13,970	15,856	13,970
Kentucky Public Employees Health Plan			1,677,143	1,687,322	1,677,143	1,687,322
Insurance Administration			93,876	38,081	93,876	38,081
Unemployment Compensation			1,287,408	1,193,572	1,287,408	1,193,572
Total Expenses	20,101,768	20,277,531	3,167,007	3,026,870	23,268,775	23,304,401
Increase (Decrease) in Net Position Before Transfers	(217,891)	(1,052,225)	109,771	180,463	(108,120)	(871,762)
Transfers	(22,093)	(12,293)	22,093	12,293		
Change in Net Position	(239,984)	(1,064,518)	131,864	192,756	(108,120)	(871,762)
Net Position, July 1, as restated	11,287,532	12,352,050	(678,846)	(871,602)	10,608,686	11,480,448
Net Position, June 30	\$ 11,047,548	\$ 11,287,532	\$ (546,982)	\$ (678,846)	\$ 10,500,566	\$ 10,608,686

Governmental Activities:

During the fiscal year, the change in net position resulted in a decrease from the previous year. The decrease in net position of governmental activities was \$240 million or 2.1 percent. Approximately 54 percent of the governmental activities' total revenue came from taxes, while 35.7 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	\$ 3,333,535	\$ 875,074	\$ 2,458,461
Legislative and Judicial	406,949	34,147	372,802
Commerce	112,296	66,023	46,273
Education and Humanities	5,214,551	1,091,552	4,122,999
Human Resources	7,618,717	5,003,035	2,615,682
Justice	936,118	69,474	866,644
Natural Resources and Environmental Protection	229,245	389,018	(159,773)
Public Protection and Regulation	160,071	100,752	59,319
Transportation	1,720,513	955,741	764,772
Totals	\$ 19,731,995	\$ 8,584,816	\$ 11,147,179

Business-Type Activities:

Table 5 below presents program expenses and revenues for business-type activities. The business-type activities increased the Commonwealth's net position by \$132 million. Program revenues generated by the operations of the State Parks, Kentucky Horse Park, and Unemployment Compensation 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 Kentucky Public Employees Health Plan 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	\$ 92,724	\$ 48,794	\$ (43,930)
Kentucky Horse Park	15,856	10,923	(4,933)
Kentucky Public Employees Health Plan	1,677,143	1,680,011	2,868
Insurance Administration	93,876	114,333	20,457
Unemployment Compensation	1,287,408	937,460	(349,948)
Totals	\$ 3,167,007	\$ 2,791,521	\$ (375,486)

Overall Analysis

Financial highlights for the State as a whole during fiscal year ended June 30, 2013, include the following:

- The asset of the State's governmental activities continues to exceed liabilities (net position) at the close of the fiscal year. Assets exceeded liability by \$11 billion and the condition of the State's business-type activities continued to have liabilities that exceed net position by \$547 million.
- The State's total net position decreased during the year by \$108 million. Net position of governmental activities decreased by \$240 million, while net position of business-type activities increased by \$131.9 million.
- The major reason for the decline in net position of the governmental activities was an increase in the Employers unfunded pension contribution of \$746.1 million. The primary cause of the increase in business-type activities net position is a decrease in loans payable to the Federal government of \$329.3 million for unemployment insurance.

FINANCIAL ANALYSIS OF THE COMMONWEALTH'S INDIVIDUAL FUNDS

At June 30, 2013, the Commonwealth's governmental funds reported combined ending fund balances of \$2.3 billion, a decrease of \$174 million in comparison with the prior year. \$106.5 million is nonspendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The \$2.4 billion is restricted for certain purposes and is not available to fund current operations. The \$(220.2) 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, 2013, was \$201.2 million. The balance reported reflects an increase of \$104.3 million from the previously reported amount, which represents an increase of 109.7%. The major factor for the increase in fund balance is an increase in tax revenue of \$405.3 million or 4.71%.

The fund balance is segregated into nonspendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of \$7.3 million represents the nonspendable amount, \$34.7 million is assigned and represents continuing appropriations and the \$159.2 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 an increase in other revenues of \$68.8 million while expenditures decreased across a majority of all functions. The Transportation Fund experienced a slight increase in revenues due to increased tax receipts and a slight increase in expenditures, resulting in an increase in fund balance of \$38.7 million.

Proprietary Funds - The Commonwealth's proprietary funds reported net position of \$(465.3) million, which included \$(547) million in the enterprise funds and \$81.7 million in the internal service funds. This is a total increase in net position of \$98.5 million from the previous year.

The overall increase in net position of the Unemployment Compensation Fund is due to an increase in insurance receipts of \$174.3 million and a smaller increase in benefit payments of \$93.7 million.

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 \$50 million. The original budgeted expenditures were decreased to accommodate revenue shortfalls. Actual expenditures for the year were approximately \$225 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, 2013, amounts to \$24.5 billion, with accumulated depreciation of \$1.2 billion, leaving a net book value of \$23.3 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 \$686.9 million for the year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$97.7 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 eight years.
- Actual expenditures necessary to maintain and preserve infrastructure assets at target condition levels were approximately 1.8 percent more than the reported estimate of \$1,063.8 billion for fiscal year 2013.

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 decreased by \$128 million to \$6.4 billion, a 2% decrease during the current fiscal year. The major factor in this decrease is a result of the refunding of old issues by the FY13 new issues. Therefore, the remaining liability on the retired bonds plus the FY13 principle payments on the remaining outstanding bonds were greater than the FY13 issues for new projects. No general obligation bonds were authorized or outstanding at June 30, 2013. 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.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

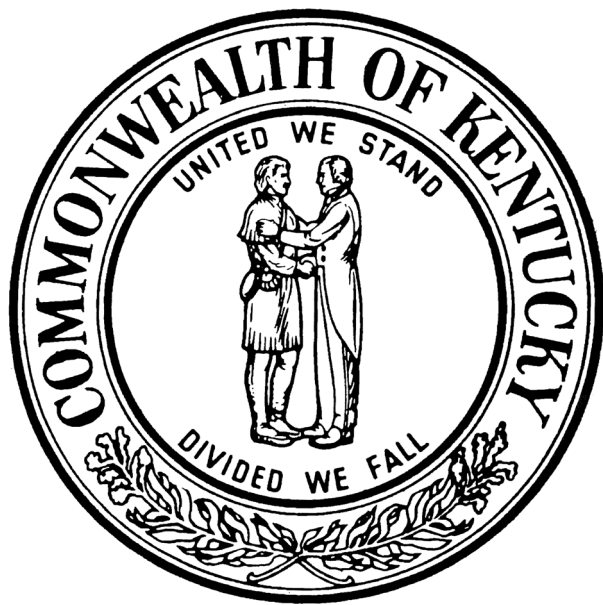
The unemployment rate for the Commonwealth of Kentucky is currently 8.4 percent. The October rate is down 0.8 percentage points compared to the October 2012 level of 9.2 percent. The national unemployment rate has also fallen losing 0.6 percentage points from 7.9 percent in October 2012 to 7.3 percent in October 2013. Kentucky saw net job growth in five of eight major sectors over the previous year.

Personal incomes in both Kentucky and the nation are improving. Real per capita incomes of Kentuckians in the second quarter of 2013 was up 0.64 percent from the second quarter of 2012. Recent growth rates have also been modest and steady. Quarter-to-quarter growth has been between 0.2 and 0.5 percent for the last five quarters.

U.S. real gross domestic product is projected to grow at a rate of 2.5 percent in 2014, and above three percent in 2015. The housing sector continues to show signs of improvement, and deleveraging by households and financial institutions will likely decrease. An increase in domestic energy production is likely to cause energy prices to fall, encouraging expansion of production. Slow economic growth in Europe and remaining fiscal uncertainty in Washington could put some downward pressure on U.S. economic growth prospects.

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 POSITION
JUNE 30, 2013
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents (Note 5)	\$ 762,398	\$ 179,564	\$ 941,962	\$ 1,299,450
Cash with fiscal agents (Note 5)	36,548	2,057	38,605	
Restricted cash (Note 5)		41,140	41,140	
Investments, net of amortization (Note 5)	1,585,651	462,234	2,047,885	2,587,630
Invested security collateral	877,873		877,873	
Receivables, net (Note 4)	2,256,959	243,453	2,500,412	3,479,726
Notes receivable	5,737		5,737	
Capital lease receivable (Note 4)	372,160		372,160	
Internal balances (Note 7)	(74,433)	74,433		
Inventories	70,349	2,262	72,611	53,308
Prepaid expenses	3,842	198	4,040	22,516
Unamortized cost of issuance	8,654		8,654	2,362
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (Note 5)				386,452
Investments (Note 5)		26,326	26,326	1,450,784
Capital assets (Note 6):				
Land	190,370	21,583	211,953	283,488
Improvements other than buildings	21,331	144,076	165,407	394,763
Buildings	1,371,181	339,151	1,710,332	6,605,932
Machinery and equipment	628,620	20,760	649,380	1,351,649
Other capital assets				813,855
Easements and other intangibles	174,560	2,322	176,882	
Less: Accumulated depreciation and amortization	(997,106)	(209,934)	(1,207,040)	(4,147,859)
Construction in progress	1,826,840	24,173	1,851,013	236,331
Infrastructure	19,775,678		19,775,678	
Total Capital Assets	22,991,474	342,131	23,333,605	5,538,159
Other assets	295		295	379,969
Total Assets	28,897,507	1,373,798	30,271,305	15,200,356
Deferred outflows of resources (Note 15)	14,612		14,612	12,854
Liabilities				
Accounts payable (Note 4)	1,211,994	60,648	1,272,642	447,596
Tax refunds payable	318,058		318,058	
Unearned revenue	422,897	17,874	440,771	128,655
Other liabilities		42,604	42,604	121,958
Liabilities from restricted assets				68,369
Obligations under securities lending	877,873		877,873	
Noncurrent liabilities:				
Due within one year (Note 15)	802,108	200,370	1,002,478	343,077
Due in more than one year (Note 15)	14,206,601	1,599,284	15,805,885	4,949,156
Total Liabilities	17,839,531	1,920,780	19,760,311	6,058,811
Deferred inflows of resources (Note 15)	25,040		25,040	52,026
Net Position				
Net investment in capital assets	20,195,976	328,382	20,524,358	3,853,020
Restricted for:				
Debt service	124,951		124,951	330,958
Capital projects	247,602	588	248,190	234,915
Highways	794,882		794,882	
Other purposes (Note 1)		325	325	3,139,328
Unrestricted	(10,315,863)	(876,277)	(11,192,140)	1,544,152
Total Net Position	\$ 11,047,548	\$ (546,982)	\$ 10,500,566	\$ 9,102,373

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, 2013
(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	\$ 3,333,535	\$ 681,819	\$ 167,955	\$ 25,300
Legislative and judicial	406,949	25,676	8,471	
Commerce	112,296	41,337	23,893	793
Education and humanities	5,214,551	67,290	1,022,201	2,061
Human resources	7,618,717		4,941,762	61,273
Justice	936,118	27,369	42,042	63
Natural resources and environmental protection	229,245	308,890	80,128	
Public protection and regulation	160,071	93,172	7,580	
Transportation	1,720,513	238,296	260	717,185
Interest expense	369,773			
Total Governmental Activities	<u>20,101,768</u>	<u>1,483,849</u>	<u>6,294,292</u>	<u>806,675</u>
Business-Type Activities:				
State Parks	92,724	48,774	20	
Kentucky Horse Park	15,856	9,981	787	155
Kentucky Public Employees Health Plan	1,677,143	1,680,011		
Insurance Administration	93,876	112,177	2,156	
Unemployment Compensation	1,287,408	532,298	405,162	
Total Business-Type Activities	<u>3,167,007</u>	<u>2,383,241</u>	<u>408,125</u>	<u>155</u>
Total Primary Government	<u>\$ 23,268,775</u>	<u>\$ 3,867,090</u>	<u>\$ 6,702,417</u>	<u>\$ 806,830</u>
Component Units:				
Authorities:				
Kentucky Housing Corporation	\$ 320,362	\$ 82,889	\$ 226,644	\$
Kentucky Higher Education Student Loan Corporation	47,120	58,709		
Kentucky Lottery Corporation	814,136	810,837		
Universities, Colleges, & Related Entities:				
University of Kentucky	2,331,968	1,647,453	474,484	31,081
University of Louisville	968,313	481,837	163,835	
Kentucky Community and Technical College System	668,763	95,175	94,608	
Other component units	1,703,446	745,569	356,286	61,799
Total Component Units	<u>\$ 6,854,108</u>	<u>\$ 3,922,469</u>	<u>\$ 1,315,857</u>	<u>\$ 92,880</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 Position				
Net Position at July 1, As Restated (Note 2)				
Net Position at June 30				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Totals	
\$ (2,458,461)	\$	\$ (2,458,461)	
(372,802)		(372,802)	
(46,273)		(46,273)	
(4,122,999)		(4,122,999)	
(2,615,682)		(2,615,682)	
(866,644)		(866,644)	
159,773		159,773	
(59,319)		(59,319)	
(764,772)		(764,772)	
(369,773)		(369,773)	
(11,516,952)		(11,516,952)	
	(43,930)	(43,930)	
	(4,933)	(4,933)	
	2,868	2,868	
	20,457	20,457	
	(349,948)	(349,948)	
	(375,486)	(375,486)	
(11,516,952)	(375,486)	(11,892,438)	
			\$ (10,829)
			11,589
			(3,299)
			(178,950)
			(322,641)
			(478,980)
			(539,792)
			(1,522,902)
5,292,465		5,292,465	
3,748,008		3,748,008	
423,093		423,093	
556,986		556,986	
21,091		21,091	
461,866		461,866	
20,503		20,503	
203,467		203,467	
16,332		16,332	620,682
2,179	(16,154)	(13,975)	80,551
8,885		8,885	629
544,186	501,411	1,045,597	1,089,223
(22,093)	22,093		
11,276,968	507,350	11,784,318	1,791,085
(239,984)	131,864	(108,120)	268,183
11,287,532	(678,846)	10,608,686	8,834,190
\$ 11,047,548	\$ (546,982)	\$ 10,500,566	\$ 9,102,373

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 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 that 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 page146

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013
(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)	\$ 316,618	\$ 38,751	\$ 53,033	\$ 39,890	\$ 14,238	\$ 616	\$ 239,949	\$ 703,095
Cash with fiscal agents (Note 5)				15,519		17,918		33,437
Investments, net of amortization (Note 5)	14,393	679,785		309,629	243,272	1,462	309,530	1,558,071
Invested security collateral	150,949	331,770		158,737	118,730		117,687	877,873
Receivables, net (Note 4)	881,306	156,860	1,024,368	69,421	13,405	29	110,050	2,255,439
Notes receivable			148	3,544			1,925	5,617
Capital lease receivable (Note 4)						372,160		372,160
Interfund receivables (Note 7)	20,101	2,088	8,782	51,579	1,094		112,359	196,003
Interfund loans receivable (Note 7)				36,240			12,227	48,467
Inventories	7,299	57,062	152	2,865			50	67,428
Total Assets	<u>\$ 1,390,666</u>	<u>\$ 1,266,316</u>	<u>\$ 1,086,483</u>	<u>\$ 687,424</u>	<u>\$ 390,739</u>	<u>\$ 392,185</u>	<u>\$ 903,777</u>	<u>\$ 6,117,590</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable (Note 4)	\$ 395,471	\$ 121,846	\$ 477,137	\$ 91,824	\$ 23,693	\$	\$ 9,479	\$ 1,119,450
Tax refunds payable	318,062							318,062
Interfund payables (Note 7)	101,826	3,743	27,176	22,543	227	29	119,891	275,435
Interfund loans payable (Note 7)			36,240	8,708				44,948
Obligations under securities lending	150,949	331,770		158,737	118,730		117,687	877,873
Unearned revenue			422,056	67			1,646	423,769
Total Liabilities	<u>966,308</u>	<u>457,359</u>	<u>962,609</u>	<u>281,879</u>	<u>142,650</u>	<u>29</u>	<u>248,703</u>	<u>3,059,537</u>
Deferred inflows of resources Unavailable	223,161	14,075	78,523	24,825	487	372,160	85,155	798,386
Fund Balances:								
Nonspendable (Note 1)	7,299	57,062	300	21,927		17,918	1,975	106,481
Restricted for (Note 1)		737,820	501,005	426,768	249,282	2,078	456,396	2,373,349
Committed to (Note 1)				28,343			147,333	175,676
Assigned to (Note 1)	34,700						7,019	41,719
Unassigned (Note 1)	159,198		(455,954)	(96,318)	(1,680)		(42,804)	(437,558)
Total Fund Balances	<u>201,197</u>	<u>794,882</u>	<u>45,351</u>	<u>380,720</u>	<u>247,602</u>	<u>19,996</u>	<u>569,919</u>	<u>2,259,667</u>
Total Liabilities and Fund Balances	<u>\$ 1,390,666</u>	<u>\$ 1,266,316</u>	<u>\$ 1,086,483</u>	<u>\$ 687,424</u>	<u>\$ 390,739</u>	<u>\$ 392,185</u>	<u>\$ 903,777</u>	<u>\$ 6,117,590</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 POSITION
JUNE 30, 2013
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds	\$ 2,259,667
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Amounts reported for governmental activities in the statement of net position 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	302,135	
Buildings, equipment, and other depreciable assets	1,661,452	
Infrastructure	19,775,678	
Accumulated depreciation	(737,824)	
Construction in progress	1,748,475	22,749,916

Certain revenues are earned but not available, and therefore, are deferred in the funds.	798,353
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	12,365
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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 Position.	81,652
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital lease obligations	(32,426)	
Compensated absences	(218,298)	
Pollution remediation obligations	(18,232)	
Judgements and contingencies	(40,315)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	(138,635)	
Net pension obligations	(5,908,601)	(6,356,507)

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 Position. This is the net effect of these balances on the statement:

Bonds payable	(6,427,591)	
Notes payable	(1,648,642)	
Unamortized premiums and discounts	(296,916)	
Less deferred amounts on refundings	(10,428)	
Accrued interest payable	(114,321)	(8,497,898)

Net Position of Governmental Activities	\$ 11,047,548
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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, 2013
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 9,018,088	\$ 1,340,825	\$	\$ 374,055	\$	\$	\$ 80,941	\$ 10,813,909
Licenses, fees, and permits	27,639	137,427		168,955			3,410	337,431
Intergovernmental	15,543	14	6,997,766	33,553	92,288		4,239	7,143,403
Charges for services	231,349	8,989	2,457	599,609	485	144,355	188,144	1,175,388
Fines and forfeits	46,431	141		7,933			25,722	80,227
Interest and other								
investment income	1,637	(5,581)	33	5,973	10,142	352	847	13,403
Increase (decrease) in fair value of investments	(218)	4,565		(3,341)	(9,268)	(4)	605	(7,661)
Securities lending income	722	1,587		759	568		562	4,198
Other revenues	67,560	4,219	107,855	289,960	5,770	352	202,642	678,358
Total Revenues	9,408,751	1,492,186	7,108,111	1,477,456	99,985	145,055	507,112	20,238,656
Expenditures								
Current:								
General government	1,539,956		127,437	152,370			462,435	2,282,198
Legislative and judicial	355,981		4,431	46,387			1	406,800
Commerce	27,874		16,277	43,655			4,506	92,312
Education and humanities	4,110,659		980,178	71,163		152,400	70,281	5,384,681
Human resources	2,027,936		4,965,290	949,557			20,589	7,963,372
Justice	674,530		41,196	107,749			1,719	825,194
Natural resources and environmental protection	69,480		80,467	47,121			3,980	201,048
Public protection and regulation	17,074		7,284	72,396			61,863	158,617
Transportation	5,513	1,296,112	669,187	228,847			63,516	2,263,175
Debt service:								
Principal retirement						414,220	119,858	534,078
Interest and fiscal charges						258,318	96,370	354,688
Other expenditures						2,920	9,843	12,763
Securities lending expense	406	893		427	319		317	2,362
Capital outlay:								
Buildings					330,795			330,795
Total Expenditures	8,829,409	1,297,005	6,891,747	1,719,672	331,114	827,858	915,278	20,812,083
Excess (Deficiency) of Revenues over (under) Expenditures	579,342	195,181	216,364	(242,216)	(231,129)	(682,803)	(408,166)	(573,427)
Other Financing Sources (Uses)								
Transfers in	103,131	2,777	5,175	439,335	48,596	525,402	686,032	1,810,448
Transfers out	(578,171)	(159,286)	(64,417)	(375,975)	(92,455)	(368)	(562,424)	(1,833,096)
Capitalized leases				10,007				10,007
Issuance of bonds:								
New issues					155,840		65,470	221,310
Refunding issues						50,230	77,414	127,644
Premiums					19,351	7,944		27,295
Discounts							(408)	(408)
Issuance of notes					10,000	153,290		163,290
Payments to refunded bond escrow agent						(60,120)	(66,915)	(127,035)
Total Other Financing Sources (Uses)	(475,040)	(156,509)	(59,242)	73,367	141,332	676,378	199,169	399,455
Net Change in Fund Balances	104,302	38,672	157,122	(168,849)	(89,797)	(6,425)	(208,997)	(173,972)
Fund Balances at July 1, As Restated (Note 2)	95,113	756,692	(111,764)	549,407	337,399	26,421	778,909	2,432,177
Increase (decrease) in inventories	1,782	(482)	(7)	162			7	1,462
Fund Balances at June 30	\$ 201,197	\$ 794,882	\$ 45,351	\$ 380,720	\$ 247,602	\$ 19,996	\$ 569,919	\$ 2,259,667

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, 2013
(Expressed in Thousands)**

Net Change in Fund Balances-Total Governmental Funds	\$	(173,972)
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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	(68,436)	
Donated assets, fair market value	1,072	
Buildings, equipment, and other depreciable assets	158,404	
Infrastructure	509,576	
Accumulated depreciation	<u>(71,032)</u>	529,584

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		156,876
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Certain expenditures are reported in the funds; however, they increase assets reported on the Statement of Net Position and have been eliminated from the Statement of Activities:

Prepaid Expenses	3,416	
Inventories	<u>1,462</u>	4,878

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.		(33,373)
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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 Position and have been eliminated from the Statement of Activities.

Capital lease payments	4,004	
Compensated absence payments	3,246	
Pollution remediation payments	6,625	
Litigation payments	(23,650)	
Excess contributions to pension funds	<u>(746,129)</u>	(755,904)

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 position. 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 and note proceeds and premiums received	(539,131)	
Repayment of bond principal	534,078	
Payment to refunded bond escrow agent	127,035	
Accrued interest	(86,687)	
Loss on refunding	(2,001)	
Unamortized issue costs	<u>(1,367)</u>	31,927

Change in Net Position of Governmental Activities	\$	<u>(239,984)</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, local boards of education, and quasi-governmental agencies.

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 POSITION
PROPRIETARY FUNDS
JUNE 30, 2013
(Expressed in Thousands)

	Business-Type Activities-		
	State Parks	Kentucky Horse Park	Insurance Administration
Assets			
Current assets:			
Cash and cash equivalents (Note 5)	\$	\$ 1,082	\$ 70,218
Cash on deposit with the federal government (Note 5)			
Cash with fiscal agents (Note 5)			
Restricted cash (Note 5)		24	
Receivables, net (Note 4)	1,050	555	19,226
Interfunds receivable (Note 7)	161		151
Inventories	1,568	694	
Prepaid expenses	44		
Total Current Assets	2,823	2,355	89,595
Noncurrent assets:			
Restricted investments (Note 5)		399	
Investments, net of amortization (Note 5)	11,937		383,752
Receivables, net		94	
Capital assets (Note 6):			
Land	17,130	4,453	
Improvements other than buildings	113,757	30,319	
Buildings	239,420	99,731	
Machinery and equipment	14,165	4,995	1,600
Easements and other intangibles	2,322		
Less: Accumulated depreciation and amortization	(179,600)	(29,188)	(1,146)
Construction in progress	20,221	3,952	
Total Capital Assets	227,415	114,262	454
Total Noncurrent Assets	239,352	114,755	384,206
Total Assets	242,175	117,110	473,801
Liabilities			
Current liabilities:			
Accounts payable (Note 4)	3,584	447	1,549
Judgments payable (Note 15)	2		
Interfunds payable (Note 7)	4,497	50	308
Claims liability (Note 15)			87,166
Claims adjustment liability (Note 15)			5,405
Capital lease obligations (Note 10) (Note 15)	643	333	
Compensated absences (Note 15)	2,611	474	758
Unearned revenue	1,347	334	
Other liabilities	1		
Total Current Liabilities	12,685	1,638	95,186
Noncurrent liabilities:			
Claims liability (Note 15)			913,341
Claims adjustment liability (Note 15)			44,687
Capital lease obligations (Note 10) (Note 15)	10,286	2,486	
Compensated absences (Note 15)	2,662	176	629
Loans payable to the federal government (Note 15)			
Other liabilities (Note 15)		4	
Total Noncurrent Liabilities	12,948	2,666	958,657
Total Liabilities	25,633	4,304	1,053,843
Net Position			
Net investment in capital assets	216,485	111,443	454
Restricted for:			
Capital projects	165	423	
Other purposes (Note 1)			
Unrestricted	(108)	940	(580,496)
Total Net Position	\$ 216,542	\$ 112,806	\$ (580,042)

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, 2013	Activities- Internal Service Funds
\$ 104,153	\$ 4,111	\$ 179,564	\$ 62,190
	2,057	2,057	
41,116		41,140	224
47,038	174,640	242,509	1,518
78,995		79,307	6,336
		2,262	2,922
154		198	427
271,456	180,808	547,037	73,617
25,927		26,326	
66,545		462,234	27,578
850		944	119
		21,583	18,219
		144,076	3,133
		339,151	275,883
		20,760	123,565
		2,322	1,675
		(209,934)	(259,282)
		24,173	78,365
		342,131	241,558
93,322		831,635	269,255
364,778	180,808	1,378,672	342,872
25,402	29,666	60,648	10,519
18		2	
102,811		4,873	4,857
		189,977	27,089
		5,405	898
		976	5,764
167		4,010	4,673
	16,193	17,874	734
42,600		42,601	
170,998	45,859	326,366	54,534
		913,341	178,715
		44,687	5,261
		12,772	20,121
146		3,613	2,589
	624,871	624,871	
		4	
146	624,871	1,599,288	206,686
171,144	670,730	1,925,654	261,220
		328,382	215,674
		588	
325		325	
193,309	(489,922)	(876,277)	(134,022)
\$ 193,634	\$ (489,922)	\$ (546,982)	\$ 81,652

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(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	\$ 48,774	\$	\$
Horse park admissions and sales		9,981	
Insurance receipts			112,177
Unemployment insurance receipts			
Internal service fund receipts			
Other services	388	787	2,156
Total Operating Revenues	<u>49,162</u>	<u>10,768</u>	<u>114,333</u>
Operating Expenses:			
Personal services	50,333	6,884	20,312
Utilities, rental, and other services	15,085	2,242	2,162
Commodities and supplies	14,220	2,450	1,218
Grants and subsidies	40		
Depreciation and amortization	12,268	1,245	120
Travel	264		358
Reinsurance expense			
Claims expense			68,509
Claims adjustment expense			(10,410)
Other expenses		1,908	3
Total Operating Expenses	<u>92,210</u>	<u>14,729</u>	<u>82,272</u>
Operating Income (Loss)	<u>(43,048)</u>	<u>(3,961)</u>	<u>32,061</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	(140)	(709)	
Interest and other investment income			16,027
Increase (decrease) in fair value of investments			(32,079)
Interest expense	(374)	(177)	
Other revenues (expenses)		(241)	(11,604)
Total Nonoperating Revenues (Expenses)	<u>(514)</u>	<u>(1,127)</u>	<u>(27,656)</u>
Income (Loss) before Capital Contributions and Transfers	(43,562)	(5,088)	4,405
Capital contributions		155	
Transfers in	38,319	3,524	3,690
Transfers out	(256)		(18,097)
Change in Net Position	<u>(5,499)</u>	<u>(1,409)</u>	<u>(10,002)</u>
Net Position at July 1, As Restated (Note 2)	222,041	114,215	(570,040)
Net Position at June 30	<u>\$ 216,542</u>	<u>\$ 112,806</u>	<u>\$ (580,042)</u>

Enterprise Funds			Governmental
Kentucky Public Employees Health Plan	Unemployment Compensation	Totals June 30, 2013	Activities- Internal Service Funds
\$	\$	\$	\$
1,680,011	1,437,640	48,774	
		9,981	
		1,792,188	
		1,437,640	205,678
		3,331	13,370
1,680,011	1,437,640	3,291,914	219,048
6,846		84,375	98,103
1,317	128	20,934	33,601
33		17,921	42,811
	1,287,280	1,287,320	229
		13,633	12,999
10		632	307
			906
1,575,758		1,644,267	63,989
82,079		71,669	171
11,100		13,011	
1,677,143	1,287,408	3,153,762	253,116
2,868	150,232	138,152	(34,068)
		(849)	(399)
416	(518)	15,925	16
		(32,079)	
		(551)	(624)
863		(10,982)	65
1,279	(518)	(28,536)	(942)
4,147	149,714	109,616	(35,010)
		155	797
		45,533	17,677
(863)	(4,224)	(23,440)	(16,837)
3,284	145,490	131,864	(33,373)
190,350	(635,412)	(678,846)	115,025
\$ 193,634	\$ (489,922)	\$ (546,982)	\$ 81,652

COMMONWEALTH OF KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Business-Type Activities -		
	State Parks	Kentucky Horse Park	Insurance Administration
Cash Flows from Operating Activities			
Cash received from customers - public	\$ 48,307	\$ 10,642	\$ 128,482
Cash received from customers - state	1,500		1,107
Cash payments to suppliers for goods and services	(31,344)	(6,140)	(5,921)
Cash payments for employee salaries and benefits	(50,787)	(6,841)	(19,760)
Cash payments for claims expense			(81,078)
Cash payments from other sources	388		3,931
Cash payments to other sources	(41)	(241)	(48,442)
Net Cash Provided (Used) by Operating Activities	(31,977)	(2,580)	(21,681)
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	38,319	3,524	3,690
Transfers to other funds	(256)		(18,097)
Net Cash Provided (Used) by Noncapital Financing Activities	38,063	3,524	(14,407)
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(7,237)	(366)	(237)
Principal paid on revenue bond maturities and equipment contracts	(47)	(322)	
Interest paid on revenue bonds and equipment contracts	(302)	(177)	
Proceeds from the sale of capital assets			
Net Cash Provided (Used) for Capital and Related Financing Activities	(7,586)	(865)	(237)
Cash Flows from Investing Activities			
Purchase of investment securities	(2,615)		(64,181)
Proceeds from the sale of investment securities		65	81,803
Interest and dividends on investments			16,000
Net Cash Provided (Used) in Investing Activities	(2,615)	65	33,622
Net Increase (Decrease) in Cash and Cash Equivalents	(4,115)	144	(2,703)
Cash and Cash Equivalents at July 1	4,115	962	72,921
Cash and Cash Equivalents at June 30	\$	\$ 1,106	\$ 70,218
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (43,048)	\$ (3,961)	\$ 32,061
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	12,268	1,245	120
Miscellaneous nonoperating income (expense)		(241)	(46,349)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	(432)	175	16,947
Interfund receivables	1,458		151
Inventories	165	(73)	
Prepaid expenses			177
Other assets			
Increase (decrease) in liabilities:			
Accounts payable	(2,016)	19	(960)
Interfund payables	71		(492)
Claims liability			(22,850)
Claims adjustment liability			(135)
Compensated absences	(190)		(351)
Unearned revenue	7	256	
Other liabilities	(260)		
Net Cash Provided (Used) by Operating Activities	\$ (31,977)	\$ (2,580)	\$ (21,681)
Noncash Investing, Capital, and Financing Activities			
Change in fair value of investments	\$	\$	\$ (32,079)
Contributions of capital assets		155	
Capital assets acquired through leases			
Total Noncash Investing, Capital, and Financing Activities	\$	\$ 155	\$ (32,079)

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, 2013	Activities - Internal Service Funds
\$ 193,985	\$ 1,428,445	\$ 1,809,861	\$ 105,492
1,455,143		1,457,750	110,234
(4,769)	(128)	(48,302)	(70,827)
(3,225)		(80,613)	(97,061)
(1,650,968)		(1,732,046)	(40,605)
34,807		39,126	325
	(1,624,644)	(1,673,368)	(1,241)
24,973	(196,327)	(227,592)	6,317
		45,533	17,677
(863)	(4,224)	(23,440)	(16,837)
(863)	(4,224)	22,093	840
		(7,840)	(7,079)
		(369)	(4,434)
		(479)	(624)
			6,178
		(8,688)	(5,959)
		(66,796)	(5,886)
11,507		93,375	18,836
416	(517)	15,899	16
11,923	(517)	42,478	12,966
36,033	(201,068)	(171,709)	14,164
109,236	207,236	394,470	48,026
\$ 145,269	\$ 6,168	\$ 222,761	\$ 62,190
\$ 2,868	\$ 150,232	\$ 138,152	\$ (34,068)
		13,633	12,999
		(46,590)	65
(76,028)	(9,675)	(69,013)	1,021
78,669		80,278	(4,069)
		92	(130)
(28)		149	6,776
811		811	
(3,861)	(8,021)	(14,839)	8,333
18		(403)	(115)
10,754		(12,096)	12,588
621		486	171
31		(510)	2,470
	479	742	276
11,118	(329,342)	(318,484)	
\$ 24,973	\$ (196,327)	\$ (227,592)	\$ 6,317
\$	\$	\$ (32,079)	\$
		155	796
			11,055
\$	\$	\$ (31,924)	\$ 11,851

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 POSITION
ALL FIDUCIARY FUNDS
JUNE 30, 2013
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 5)	\$ 2,783,157	\$ 231,521
Investments, net of amortization (Note 5)		28,168
Pension trust fund investments (Note 5):		
Corporate and government bonds	6,629,379	
Common stocks	19,080,642	
Mortgages	3,720,381	
Mutual funds	541,995	
Real estate	870,858	
Invested security collateral	2,401,776	566,368
Receivables, net	430,544	15,159
Prepaid expenses	272	
Capital assets, net	25,339	
Total Assets	<u>36,484,343</u>	<u>841,216</u>
Liabilities		
Investments - accounts payable	162,138	
Accounts payable	69,739	180,986
Amounts held in custody for others		93,862
Obligations under securities lending	2,401,776	566,368
Total Liabilities	<u>2,633,653</u>	<u>841,216</u>
Net Position		
Held in trust for:		
Pension and other post employment benefits	33,850,690	
Total Net Position	<u>\$ 33,850,690</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 POSITION
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds
Additions	
Contributions:	
Employer	\$ 1,953,079
Member	865,585
Total Contributions	2,818,664
Other Contributions:	
Recovery income	6,505
Medicare D receipts	11,189
Participant fees	7,623
Total Other Contributions	25,317
Investment income:	
Net increase (decrease) in fair value of investments	3,006,043
Interest	656,100
Dividends	189,466
Real estate operating income, net	30,060
Securities lending income, net	11,007
Total Investment Income	3,892,676
Less: Investment expense	89,217
Less: Securities lending expense	1,861
Net Investment Income	3,801,598
Total Additions	6,645,579
Deductions	
Benefit payments	3,437,289
Refunds	54,312
Administrative expenses	57,184
Self funding insurance costs	78,852
Healthcare premiums subsidies	285,752
Other deductions, net	240,932
Total Deductions	4,154,321
Change in Net Position	2,491,258
Net Position Held In Trust	
Net Position at July 1, As Restated (Note 2)	31,359,432
Net Position at June 30	\$ 33,850,690

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 operates 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 eight State-supported universities and the system of 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 POSITION
COMPONENT UNITS
JUNE 30, 2013
(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)	\$ 391,975	\$ 121,113	\$ 218,938
Restricted cash (Note 5)			
Investments, net of amortization (Note 5)	6,944	25,686	37
Accounts receivable, net	228,526	60,931	26,650
Interest receivable	826		75
Inventories	27,672	1,067	
Prepaid expenses	6,612	382	1,197
Other current assets	1,905	8,263	
Total Current Assets	664,460	217,442	246,897
Noncurrent assets:			
Restricted cash (Note 5)	59,892	54,243	34,149
Long-term investments (Note 5)	43,192	812,495	57,181
Restricted long-term investments (Note 5)	1,172,830	5,473	
Long-term receivables, net	50,478	48,803	5,002
Unamortized cost of issuance			
Capital assets (Note 6):			
Land	71,480	86,099	30,586
Improvements other than buildings	202,525	15,886	12,977
Buildings	2,275,071	1,126,995	718,546
Machinery and equipment	573,849	203,548	119,122
Other capital assets	296,166	264,911	68,879
Less: Accumulated depreciation and amortization	(1,509,731)	(727,311)	(398,208)
Construction in progress	34,762	63,116	40,930
Total Capital Assets	1,944,122	1,033,244	592,832
Other assets	16,299	4,572	10,585
Total Noncurrent Assets, Net	3,286,813	1,958,830	699,749
Total Assets	3,951,273	2,176,272	946,646
Deferred outflows of resources (Note 15)			
Liabilities			
Current liabilities:			
Accounts payable and accruals	192,661	90,063	8,603
Current portion of long-term debt:			
Notes payable (Note 15)	1,055	48,414	
Bonds payable (Note 15)	10,380	23,038	
Capital lease obligations (Note 10)	39,257	2,924	3,242
Compensated absences (Note 16)	585		1,200
Claims liability			
Prize liability			
Unearned revenues		57,796	29,743
Payable from restricted assets	64,552		
Other current liabilities	19,031	16,589	16,467
Total Current Liabilities	327,521	238,824	59,255
Noncurrent liabilities:			
Notes payable (Note 15)	20,664	19,375	
Bonds payable (Note 15)	237,955	280,772	
Capital lease obligations (Note 10)	349,559	17,641	19,224
Prize liability			
Compensated absences (Note 16)	7,049		10,800
Other long-term liabilities	141,996	93,783	1,301
Total Noncurrent Liabilities	757,223	411,571	31,325
Total Liabilities	1,084,744	650,395	90,580
Deferred inflows of resources (Note 15)	561	6,011	
Net Position			
Net investment in capital assets	1,295,952	662,122	570,366
Restricted for:			
Debt service	1,830	25,046	
Capital projects	77,165	31,768	43,164
Other purposes (Note 1)	803,706	683,215	71,751
Unrestricted	687,315	117,715	170,785
Total Net Position	\$ 2,865,968	\$ 1,519,866	\$ 856,066

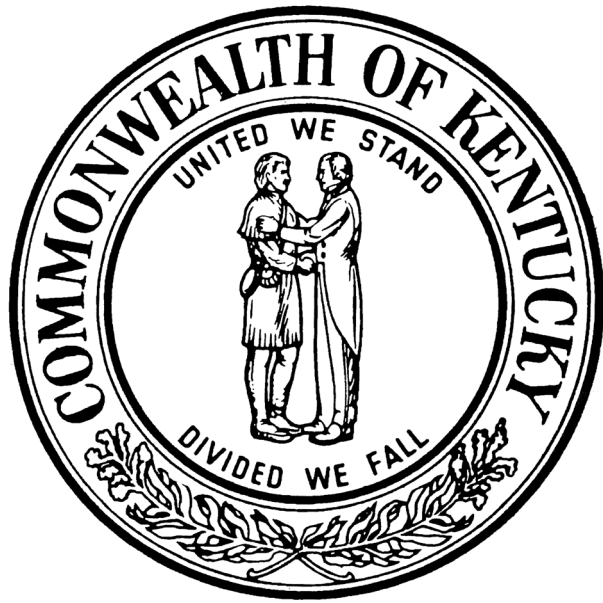
AUTHORITIES				
Kentucky Housing Corporation	Kentucky Higher Education Student Loan Corporation	Kentucky Lottery Corporation	Non-Major Component Units	All Component Units Totals June 30, 2013
\$ 78,464	\$ 23,953	\$ 16,042	\$ 448,965	\$ 1,299,450
204,375		14,661	44,079	44,079
12,316	816	28,716	397,129	648,832
16,112	10,183		147,349	505,304
			6,215	17,299
	524	67	8,457	53,308
34,181	221,424	251	13,734	22,516
345,448	256,900	59,737	70,792	336,816
			1,136,720	2,927,604
	76,613	5,594	111,882	342,373
713,224	8,108	34,280	270,318	1,938,798
			272,481	1,450,784
824,925	1,123,100		904,815	2,957,123
			2,362	2,362
1,089		442	93,792	283,488
		350	163,025	394,763
5,036		7,352	2,472,932	6,605,932
4,968	12,894	20,706	416,562	1,351,649
			183,899	813,855
(7,266)	(12,608)	(22,219)	(1,470,516)	(4,147,859)
			97,523	236,331
3,827	286	6,631	1,957,217	5,538,159
1,448		381	9,868	43,153
1,543,424	1,208,107	46,886	3,528,943	12,272,752
1,888,872	1,465,007	106,623	4,665,663	15,200,356
10,421			2,433	12,854
40,436	14,011	6,154	95,668	447,596
40,030			4,625	94,124
44,710			53,083	131,211
			8,416	53,839
	2,097	108	23,362	27,352
			2,165	2,165
		34,386		34,386
			41,116	128,655
51,585		3,481	3,817	68,369
176,761	16,108	44,129	14,805	121,958
			247,057	1,109,655
			28,765	68,804
1,389,237	1,287,015		813,793	4,008,772
			85,372	471,796
		32,639		32,639
		973		20,169
14,286	95		1,347	346,976
1,403,523	1,287,110	33,612	95,515	4,949,156
1,580,284	1,303,218	77,741	1,024,792	6,058,811
10,942	24,772		1,271,849	52,026
			9,740	
3,827	286	6,631	1,313,836	3,853,020
214,129	87,145			
			2,808	330,958
31,714	6,000		82,818	234,915
58,397	43,586	22,251	1,542,942	3,139,328
308,067	137,017	28,882	444,103	1,544,152
			3,386,507	9,102,373

COMMONWEALTH OF KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2013
(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	\$ 2,331,968	\$ 968,313	\$ 668,763
Total Expenses	2,331,968	968,313	668,763
Program Revenues:			
Charges for services	1,647,453	481,837	95,175
Operating grants and contributions	474,484	163,835	94,608
Capital grants and contributions	31,081		
Total Program Revenues	2,153,018	645,672	189,783
Net Program (Expense) Revenue	(178,950)	(322,641)	(478,980)
General Revenues:			
Unrestricted grants and contributions	108,643	92,474	229,100
Unrestricted investment earnings	(2,703)	47,343	10,232
Gain on sale of capital assets			
Miscellaneous general	262,591	150,183	224,135
Total General Revenues	368,531	290,000	463,467
Change in Net Position	189,581	(32,641)	(15,513)
Net Position at July 1, As Restated (Note 2)	2,676,387	1,552,507	871,579
Net Position at June 30	\$ 2,865,968	\$ 1,519,866	\$ 856,066

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, 2013
\$ 320,362	\$ 47,120	\$ 814,136	\$ 1,703,446	\$ 6,854,108
320,362	47,120	814,136	1,703,446	6,854,108
82,889	58,709	810,837	745,569	3,922,469
226,644			356,286	1,315,857
			61,799	92,880
309,533	58,709	810,837	1,163,654	5,331,206
(10,829)	11,589	(3,299)	(539,792)	(1,522,902)
			190,465	620,682
		141	25,538	80,551
			629	629
			452,314	1,089,223
		141	668,946	1,791,085
(10,829)	11,589	(3,158)	129,154	268,183
318,896	125,428	32,040	3,257,353	8,834,190
\$ 308,067	\$ 137,017	\$ 28,882	\$ 3,386,507	\$ 9,102,373



NOTES TO FINANCIAL STATEMENTS

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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.

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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.

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.

Administrative Entities

The State Property and Buildings Commission, Kentucky Asset/Liabilities Commission, Kentucky Tobacco Settlement Trust Corporation, 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 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.

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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 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.

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 it 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 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.

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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 (KRS 148.561) (The Kentucky Artisan Center)

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 to 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, 2010 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.

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C. Government-Wide Financial Statements

Government-Wide Financial Statements - The Statement of Net Position 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. 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 Position** presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net position. Net position is 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 position** result from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation.
- (3) **Unrestricted net position** are those net position that do not meet the definition of restricted net position 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 Position

(Expressed in Thousands)

Restricted for Other Purposes:	Primary Government	
	Business Type Activities	Major Component Units
Loans	\$	\$ 30,724
Education		217,732
Instruction		188,021
Scholarships and Fellowships		389,995
Research		626,848
Claims	325	
Other		143,066
Totals	\$ 325	\$ 1,596,386

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 2013, the total amount of sales and gross receipts tax reported in the government wide statements was \$5,292,465,000 and comprised of:

Sales and Gross Receipts Tax

(Expressed in Thousands)

Sales and Use Tax	\$	2,876,855
Motor Fuels Tax		838,321
Motor Vehicles Usage Tax		428,042
Healthcare Provider Tax		277,456
Tobacco Products Tax		266,763
Insurance Premiums Tax		144,418
Limited Liability Entity Tax		252,996
Alcoholic Beverage Tax		122,363
Telecommunications Tax		69,397
Transient Room Tax		10,099
Parimutuel and Race Track Admission Tax		5,755
Total Sales and Gross Receipts Tax	\$	5,292,465

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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 purposes.

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 expenditure 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.).

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During the year ended June 30, 2013, the Commonwealth adopted Statement of Governmental Accounting Standards Board (GASB) No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements, which supersedes GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that statement for business-type activities to apply post-November 30, 1989, FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. GASB No. 62 has been applied retrospectively and had no impact on the Commonwealth's net position, changes in net position or financial reporting disclosures.

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, boards of education, and quasi-governmental agencies.

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.

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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 Colleges and Universities 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
- 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 2013, the primary government provided \$283,869,300 to the University of Kentucky, \$191,455,700 to the Kentucky Community and Technical College System, \$160,203,427 to the University of Louisville, and \$186,473,017 to the Kentucky Higher Education Assistance Authority. In addition, the State received \$224,294,698 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, 2013 are \$3,441,322,096.

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

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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 Position, 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 position, 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

The Kentucky Center for the Arts Corporation’s discretely presented component unit financial statements for Fiscal Year 2013, do not contain the Center’s capital assets. The Finance and Administration Cabinet, Division of Statewide Accounting, 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 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.

The classifications of governmental fund balances are shown in the table on page 64.

The functional categories are responsible for various activities and a brief description of each follows:

General Government - is comprised of one Cabinet and several Departments and Offices that support the various agencies throughout state government including providing central fiscal management, serving the administrative needs of state agencies, operating state tax process, providing technology support and providing a state wide audit function. It also includes numerous Boards and Commissions that certifies, licenses and regulates various professional groups (for example the State Board of Accountancy).

Legislative and Judicial - is comprised of both the Legislative and Judicial Branches of government. The Judicial Branch through its different levels handles all legal disputes affecting the people of the Commonwealth from capital offenses and felonies to land dispute cases to termination of parental rights. The Legislative Branch consists of thirty-eight (38) Senators and one-hundred (100) Representatives. The purpose of the Legislative Branch is to make laws, to determine the duties and services of government, to provide for their execution, and to levy taxes and appropriate funds for the support of government operations.

Commerce - includes the Tourism, Arts and Heritage Cabinet and the Cabinet for Economic Development. The focus is on tourism development and supporting our arts and heritage; in addition to, encouraging job development and retention, and new investment in the state.

Education and Humanities - provides life-long educational services through seamless, efficient and accessible learning opportunities for all Kentucky's citizens, from pre-school to senior citizens. And assists employers in finding qualified applicants for their job openings, assists job seekers to find employment, provides benefits to ease the financial burden on individuals who are unemployed through no fault of their own, provides assessment, guidance, counseling and job placement services to assist eligible Kentuckians with disabilities achieve their career goals, offers educational assistance, job training, job placement and assistive technology to Kentuckians with visual disabilities and compiles and disseminates a wide range of workforce statistics, including employment, unemployment and wage information.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

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Human Resources – is responsible for most of Kentucky’s human services and health care programs, including Medicaid, the Department of Community Based Services and the Department of Public Health. The Cabinet’s services include all Medicaid services, protection for vulnerable children and adults, child abuse investigations, foster care applications, child support collections, cash assistance, food stamps, disability determinations, mental health services, health insurance for children, physical health services and non-emergency transportation.

Justice - is responsible for criminal justice services. These encompass law enforcement activities and training; prevention, education and treatment of substance abuse; juvenile treatment and detention; adult incarceration; autopsies; death certifications and toxicology analyses; special investigations; paroling of eligible convicted felons; and long range planning and recommendations on statewide criminal justice reform issues.

Natural Resources and Environmental Protection - Resources is responsible for ensuring that natural resources development activities such as agriculture, oil, and gas drilling, and mining are done in an environmental responsible manner, supporting state wide efforts in developing alternate energy resources and carbon sequestration opportunities, ensuring that the natural resources of Kentucky are protected, managed and enhanced to provide maximum benefits to the people and economy of the Commonwealth and coal mining, logging, firefighting and agriculture activities are performed in a safe manner.

Public Protection and Regulation - Protection is responsible for protecting and enhancing Kentucky’s environment. Their functions are to ensure that Kentucky has clean air and safe water, protect human health by enhancing Kentucky’s land resources, ensure environmental compliance by all entities, assist entities in achieving environmental compliance and facilitating environmental stewardship.

Transportation - is responsible for overseeing the development and maintenance of a safe, efficient multi-modal transportation system throughout the Commonwealth. The Cabinet manages more than 27,000 miles of highways, including roughly 20,500 miles of secondary roads, 3,600 miles of primary roads, and more than 1,400 interstate and parkway miles. The Cabinet also provides direction for 230 licensed airports and heliports and oversees all motor vehicle and driver’s licensure for more than three million drivers in the Commonwealth.

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
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Constraints on Fund Balance

(Expressed in Thousands)

	General Fund	Major Special Revenue Funds		
		Transportation Fund	Federal Fund	Agency Revenue Fund
Fund Balances:				
Nonspendable:				
Inventories	\$ 7,299	\$ 57,062	\$ 152	\$ 2,864
Long-term receivables			148	3,544
Cash with fiscal agents				15,519
Restricted for:				
General government			252,295	123,628
Legislative and judicial			5,559	21,145
Commerce			17,372	90,056
Education and humanities			46,342	18,622
Human resources			174,577	74,191
Justice			2,044	22,237
Natural resources and environmental protection			916	19,311
Public protection and regulation			424	57,578
Transportation		737,820	1,476	
Debt service				
Committed to:				
General government				8,310
Commerce				34
Education and humanities				490
Justice				15
Natural resources and environmental protection				972
Public protection and regulation				4,445
Transportation				14,077
Assigned to:				
General government	8,768			
Legislative and judicial	22,646			
Commerce	87			
Education and humanities	2,225			
Public protection and regulation	675			
Transportation	299			
Unassigned	159,198		(455,954)	(96,318)
Total Fund Balances	\$ 201,197	\$ 794,882	\$ 45,351	\$ 380,720

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2013

Debt Service Fund	Capital Projects Fund	Total
\$	\$	\$
		67,377
		3,692
17,918		33,437
	90,827	466,750
	328	27,032
	76,856	184,284
	4,530	69,494
	21,981	270,749
	15,608	39,889
	19,984	40,211
	1,494	59,496
	17,674	756,970
2,078		2,078
		8,310
		34
		490
		15
		972
		4,445
		14,077
		8,768
		22,646
		87
		2,225
		675
		299
	(1,680)	(394,754)
\$ 19,996	\$ 247,602	\$ 1,689,748

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Notes to Financial Statements

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N. Deferred Outflows/Inflows

Deferred Outflows/Inflows - GASB 63 provides financial reporting guidance relative to deferred outflows of resources, a consumption of net assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, an acquisition of net assets by the entity that is applicable to a future reporting period.

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 Position. 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 including 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 Position 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 \$2,802,974,246 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 following Accounting Pronouncements were adopted and implemented during the fiscal year, some of which resulted in a restatement of beginning fund balance/net position:

GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements;

GASB Statement No. 61 The Financial Reporting Entity: Omnibus;

GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;

GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and,

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Notes to Financial Statements

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GASB Statement No. 65 Items Previously Reported as Assets and Liabilities.

The fund balances/net positions 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 position for the Commonwealth's governmental activities have been restated for prior period errors in the debt service fund and implementation of GASB 61 and GASB 65 which resulted in a net decrease of beginning net position in the amount of \$77,432,000.

Debt Service – The Debt Service Fund was restated for a prior period error. The effect on fund balance is a net decrease of \$7,570,000.

Pension (and Other Post Employment Benefit) Trust Funds:

Kentucky Employees Retirement System Pension Funds – Kentucky Employees Retirement System Pension Funds' net position have been restated to correct accrued contributions at June 30, 2012, resulting in a decrease of \$3,104,000.

County Employees Retirement System Pension Funds – County Employees Retirement System Pension Funds' net position have been restated to correct accrued contributions at June 30, 2012, resulting in a decrease of \$1,543,000.

State Police Retirement System Pension Funds – State Police Retirement System Pension Funds' net position have been restated to correct accrued contributions at June 30, 2012, resulting in a decrease of \$2,000.

Restatement of all Pension (and other Post Employment Benefit) Trust Funds results in an overall decrease in net position of \$4,649,000.

Component Units – Authorities:

Kentucky Higher Education Assistance Authority – Kentucky Higher Education Assistance Authority restated net position due to the implementation of GASB 65. The effect on net position is a decrease of \$67,000.

Kentucky Higher Education Student Loan Corporation – Kentucky Higher Education Student Loan Corporation restated net position due to the implementation of GASB 65. The effect on net position is a decrease of \$14,123,000.

Bluegrass State Skills Corporation – Bluegrass State Skills Corporation was previously reported as a discretely presented component unit and is now reported as a blended component unit due to the implementation of GASB 61. The effect on net position is an increase of \$16,000.

Kentucky State Fair Board – Kentucky State Fair Board restated net position due to the implementation of GASB 65. The effect on net position is an increase of \$146,000.

Component Units – Universities, Colleges, and Related Entities:

University of Louisville – University of Louisville restated net position due to the implementation of GASB 60. The effect on net position is an increase of \$1,869,000.

Western Kentucky University – Western Kentucky University restated net position due to the implementation of GASB 65. The effect on net position is a decrease of \$1,851,000.

Kentucky State University – Kentucky State University restated net position due to prior period errors. The effect on net position is a decrease of \$2,591,000.

Restatement of all Component Units - results in an overall decrease in net position of \$16,601,000.

Note 3

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Enterprise Funds – The Insurance Administration Fund has a net position deficit of \$580,042,000. The deficit is a result of accumulated claims liability estimated by actuarial methods for the risk pools, which will be funded in future periods. The Unemployment Compensation Fund has a net position deficit of \$489,922,000, due to an increase in demand for unemployment insurance payments.

B. Internal Service Funds – The Risk Management Fund has a net position deficit of \$186,873,000. 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 position deficit of \$622,000. 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.

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, 2013. 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, 2013. 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 inflows of resources.

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

	Governmental Activities			Total	Business- Type Activities	Total Primary
	Major Funds	Non-major Funds	Internal Service Funds	Governmental Activities	Major Funds	Government
Current Payables						
Personal services	\$ 120,235	\$ 1,888	\$ 5,675	\$ 127,798	\$ 12,494	\$ 140,292
Utilities, rental and other services	19,546	150	1,481	21,177	2,545	23,722
Commodities and supplies	8,502	78	1,939	10,519	1,334	11,853
Grants and subsidies	744,160	7,337	22	751,519	29,716	781,235
Capital outlay	58,244	2	619	58,865		58,865
Travel	1,449	8	15	1,472	50	1,522
Interest Payable	116,017	4	32	116,053		116,053
Other	123,843	12	736	124,591	14,509	139,100
Total Current Payables	\$ 1,191,996	\$ 9,479	\$ 10,519	\$ 1,211,994	\$ 60,648	\$ 1,272,642
Current Receivables						
Charges for services	\$ 77,967	\$ 77,233	\$ 1,296	\$ 156,496	\$ 20,269	\$ 176,765
Taxes receivable	1,982,469	57,119		2,039,588		2,039,588
Investment receivable	866	490		1,356	(65)	1,291
Intergovernmental revenue	1,028,784	1,378	1	1,030,163	51,134	1,081,297
Other	85,401	73,365	221	158,987	177,921	336,908
Allowances for uncollectables	(1,030,096)	(99,535)		(1,129,631)	(6,750)	(1,136,381)
Total Current Receivables	\$ 2,145,391	\$ 110,050	\$ 1,518	\$ 2,256,959	\$ 242,509	\$ 2,499,468

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Taxes Receivable
(Expressed in Thousands)

Current Taxes Receivable

Sales and gross receipts
Individual income
Corporate
Property
License and privilege
Coal severance
Inheritance and estate
Miscellaneous
Total Current Taxes Receivable

Governmental Activities		Total Primary Government
Major Funds	Non-Major Funds	
\$ 947,911	\$ 3,890	\$ 951,801
751,066		751,066
84,198		84,198
131,027		131,027
3	1,035	1,038
47,409	26,684	74,093
8,263	2,057	10,320
12,592	23,453	36,045
<u>\$ 1,982,469</u>	<u>\$ 57,119</u>	<u>\$ 2,039,588</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, 2013, are as follows (Expressed in Thousands):

	Principal	Interest	Total
2014	\$ 19,925	\$ 16,959	\$ 36,884
2015	22,625	16,100	38,725
2016	25,140	15,053	40,193
2017	26,295	13,906	40,201
2018	27,515	12,683	40,198
2019-2023	135,555	44,660	180,215
2024-2028	105,695	16,075	121,770
2029-2033	9,410	1,491	10,901
Total leases receivable	<u>\$ 372,160</u>	<u>\$ 136,927</u>	<u>\$ 509,087</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 \$538,361,624 and the bank balance was \$538,361,624. 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 \$3,020,115 in securities lending income. On June 30, 2013, the fair value of the securities transferred was \$1,486,324,051 and the fair value of the securities purchased by the Commonwealth was \$1,444,240,847. 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, 2013, 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, 2013****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, 2013, are presented below. All investments are presented by investment type.

Cash And Investments By Type
Primary Government
I. Cash:

	Carrying Amount	Bank Balance
Cash	\$ 458,617,223	\$ 458,617,223
Cash with Fiscal Agents	77,687,727	77,687,727
Cash with Federal Government	2,056,674	2,056,674
Total Cash	<u>\$ 538,361,624</u>	<u>\$ 538,361,624</u>

II. Investments:**Investments Managed Based Upon Duration****Debt Securities**

	Fair Value	Effective
Cash Equivalents	\$ 694,455,574	0.100
Fixed Income Mutual Funds	334,147,676	
U.S. Government & Agency Obligations	1,308,557,753	2.090
Mortgage-Backed Securities	245,156,400	2.960
Corporate Obligations	122,972,822	1.180
Asset Backed Securities	32,491,524	0.510
Municipal Obligations	72,886,571	0.900
Other	930,817	3.240
Total Debt Securities	<u>2,811,599,137</u>	
Portfolio Effective Weighted Duration		<u>1.337</u>

Other Investments

Fixed Income Mutual Funds	3,676,655
Common Stock	1,966,792
Securities Lending Invest	<u>1,444,240,847</u>
Total Other Investments	<u>1,449,884,294</u>
Total Investments	<u>\$ 4,261,483,431</u>

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2013

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, 2013, and the ratings are presented in the following table.

Investments and Credit Ratings

Primary Government

Standard & Poor's/Moody's Credit Ratings

	<u>AAA/Aaa</u>	<u>AA/Aa</u>	<u>A</u>	<u>CCC/Caa</u>	<u>Unrated</u>	<u>NA</u>	<u>Total Fair Value of Investments</u>
Cash Equivalents	\$ 250,331,711	\$ 332,255,200	\$ 16,717,162	\$	\$ 95,151,501	\$	\$ 694,455,574
Fixed Income Mutual Funds	334,147,676					3,676,655	337,824,331
U.S. Government & Agency Obligations		1,308,557,753					1,308,557,753
Mortgage-Backed Securities		243,151,429		2,004,971			245,156,400
Corporate Obligations	2,524,120	24,200,636	91,706,847		4,541,219		122,972,822
Common Stock						1,966,792	1,966,792
Asset Backed Securities	32,491,524						32,491,524
Municipal Obligations	11,972,101	41,060,612	19,853,858				72,886,571
Securities Lending						1,444,240,847	1,444,240,847
Other					930,817		930,817
Total Investments	<u>\$ 631,467,132</u>	<u>\$ 1,949,225,630</u>	<u>\$ 128,277,867</u>	<u>\$ 2,004,971</u>	<u>\$ 100,623,537</u>	<u>\$ 1,449,884,294</u>	<u>\$ 4,261,483,431</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, 2013, the primary government had no investments which would constitute a concentration of credit risk.

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2013

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 \$56,596,856 and the bank balance was \$56,182,591.

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 \$9,732,892 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, 2013

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, 2013, are presented below. All investments are presented by investment type.

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

I. Cash

	Carrying Amount	Bank Balance
Cash	\$ 43,060,298	\$ 42,646,033
Money Market	13,536,558	13,536,558
Total Cash	<u>\$ 56,596,856</u>	<u>\$ 56,182,591</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities

	Fair Value	< 1 year	1-5 Years	6-15 Years
Fixed Income Mutual Funds	\$ 4,250,798	\$ 543,095	\$ 3,707,703	\$
U.S. Government & Agency Obligations	15,571,306	3,546,370	12,024,936	
Corporate Obligations	55,682,303	4,995,631	15,890,535	34,796,137
Municipal Obligations	4,788,697		1,675,808	3,112,889
Total Debt Securities	<u>80,293,104</u>	<u>\$ 9,085,096</u>	<u>\$ 33,298,982</u>	<u>\$ 37,909,026</u>

Investments Managed Based Upon Duration

Debt Securities

	Fair Value	Effective	Modified	Macaulay
Cash Equivalents	855,851,367	0.109		
Cash Equivalents	392,749,006		1.690	
U.S. Government & Agency Obligations	830,370,655	8.272		
U.S. Government & Agency Obligations	2,107,785,554		6.594	
Mortgage-Backed Securities	432,882,555	20.045		
Mortgage-Backed Securities	96,506,231		3.145	
Corporate Obligations	2,077,339,065	7.834		
Corporate Obligations	934,441,041		5.348	
Asset Backed Securities	50,535,178	12.688		
Asset Backed Securities	59,126,089		2.844	
Asset Backed Securities	698,956,788			4.020
Municipal Obligations	460,132,862	13.218		
Municipal Obligations	85,143,944		10.170	
Mortgage Loans	13,184,321		1.987	
Other	475,384,014	12.453		
Total Debt Securities	<u>9,570,388,670</u>			
Portfolio Weighted Effective Duration		<u>8.598</u>		
Portfolio Weighted Modified Duration			<u>5.672</u>	
Portfolio Weighted Macaulay Duration				<u>4.020</u>

Other Investments

U.S. Government & Agency Obligations	30,302,486
Corporate Obligations	770,934,295
Common Stock	17,728,344,022
Asset Backed Securities	265,682,832
Municipal Obligations	421,213
Limited Partnerships	2,048,764,415
Real Estate	870,857,481
Securities Lending	2,401,775,956
Other Investments	2,203,823,814
Total Other Investments	<u>26,320,906,514</u>

Total Investments \$ 35,971,588,288

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2013

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, 2013, 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	\$ 499,623,711
AA+	93,586,907
AA	977,285,515
AA-	47,298,783
A+	50,887,023
A	854,352,166
A-	147,817,090
BBB+	47,142,374
BBB	700,363,960
BBB-	107,360,023
BB+	85,176,870
BB	344,014,135
BB-	81,538,642
B+	108,248,719
B	376,087,069
B-	66,702,946
CCC+	41,914,145
CCC	46,499,998
CCC-	24,586,929
CC	7,496,881
D	5,025,835
Not Rated	2,314,841,134
Total Credit Risk Debt Securities	<u>7,027,850,855</u>
Cash Equivalents	1,121,534,199
U.S. Government & Agencies	2,816,695,106
Corporate Obligations	770,934,295
Common Stock	16,716,081,453
Pooled Investments	4,250,798
Limited Partnerships	2,048,764,415
Real Estate	871,278,694
Securities Lending	2,401,775,956
Other	<u>2,192,422,517</u>
Total Investments	<u>\$ 35,971,588,288</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, 2013.

<u>Asset Description</u>	<u>Amount</u>
Fixed Contract Fund	\$698,956,788
T Rowe Price Mid Cap Growth	237,635,361
Vanguard Wellington	207,751,717
Fidelity Contrafund	201,605,997
Fidelity Growth Co	143,847,896
S&P Depository Receipt ETF	10,560,128

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, 2013

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, 2013, are presented in the following table.

Foreign Currency Risk

Pension and (OPEB) Trust Funds

Foreign Currency	Short Term	Equity	Debt	None Designated	Total
Australian Dollar	\$	\$ 170,573,394	\$ 53,367,518	\$	\$ 223,940,912
Bermudian Dollar		23,153,250	2,686,195		25,839,445
Bolivar Fuerte			4,073,160		4,073,160
Brazilian Real		107,056,993	3,573,859		110,630,852
British Pound Sterling		674,371,137	42,919,525		717,290,662
Canadian Dollar	6,909,080	256,807,198	111,936,393		375,652,671
Cayman Islands Dollar			22,296,589		22,296,589
Chilean Peso		15,751,252			15,751,252
Chinese Yuan		135,057,542			135,057,542
Columbian Peso		11,942,984			11,942,984
Czech Crown		4,456,930	43,069		4,499,999
Danish Krone		55,410,600	2,910,594		58,321,194
Dominican Peso			293,074		293,074
Egyptian Pound		321,298			321,298
Euro		1,074,560,491	90,264,079		1,164,824,570
Hong Kong Dollar		207,299,296			207,299,296
Hungarian Forint		6,109,149			6,109,149
Indian Rupee		36,172,206			36,172,206
Indonesian Rupiah		15,143,678	767,392		15,911,070
Israeli New Shekel		36,419,907	1,931,490		38,351,397
Japanese Yen		734,931,269	12,469,885		747,401,154
Jersey Pound		12,724,477	5,305,250		18,029,727
Kuna			213,724		213,724
Liberian Dollar			738,088		738,088
Malaysian Ringgit		18,617,743	1,598,574		20,216,317
Mexican Peso		64,493,663	3,891,588		68,385,251
Moroccan Dirham		75,398			75,398
New Zealand Dollar		10,371,817	4,306,857		14,678,674
Norwegian Krone		34,463,121	10,552,083		45,015,204
Panamanian Balboa		12,456,400			12,456,400
Peruvian Nuevo Sol		7,147,104	2,448,590		9,595,694
Philippine Peso		4,768,606			4,768,606
Polish Zloty		15,763,894	883,151		16,647,045
Riyal			873,676		873,676
Russian Ruble		80,599,880			80,599,880
Singapore Dollar		72,300,015	927,024		73,227,039
South African Rand		49,158,616			49,158,616
South Korean Won		142,327,777	3,010,792		145,338,569
Swedish Krona		117,108,775	29,618,329		146,727,104
Swiss Franc		365,843,975	9,558,257		375,402,232
Taiwan Dollar		97,489,827			97,489,827
Thai Bhat		17,158,946	365,721		17,524,667
Turkish Lira		18,870,368			18,870,368
Various		7,264,966			7,264,966
American Funds Euro Pacific Growth Fund		70,526,487			70,526,487
Dodge & Cox International Stock Fund		19,926,708			19,926,708
DFA International Small Cap		16,621,103			16,621,103
Vanguard Total International Stock Fund		1,286,315			1,286,315
Total Securities Subject To Foreign Currency Risk	6,909,080	4,822,904,555	423,824,526		5,253,638,161
USD (Securities Held By International Investment Managers)				12,586,414,878	12,586,414,878
Total International Investment Securities	\$ 6,909,080	\$ 4,822,904,555	\$ 423,824,526	\$ 12,586,414,878	\$ 17,840,053,039

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2013

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, 2013, 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, 2013. 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, 2013

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 \$1,075,382,087 and bank balance was \$1,005,980,240.

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, 2013.

Custodial Risk
Discretely Presented Major Component Units

I. Deposits

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

Deposits are uninsured and

a) uncollateralized;	\$ 7,973,893
b) collateralized with securities held by the pledging financial institution; or	29,402,089
c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commonwealth's name.	19,994,591
Total Deposits Subject To Custodial Credit Risk	<u>\$ 57,370,573</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	\$ 848,589,108
(b) the counterparty's trust department or agent but not in the Commonwealth's name.	155,242,923
Total Non-Current Cash And Investments Subject To Custodial Credit Risk	<u>\$ 1,003,832,031</u>

Investment Types:

	Type A (counterparty)	Type B (trust or agent)
Debt Securities		
Cash Equivalents	\$	\$ 48,716,336
Fixed Income Mutual Funds	5,428,712	21,008,728
U.S. Government & Agency Obligations	9,632,046	2,559,000
Corporate Obligations	28,517,000	
Municipal Obligations	29,680,848	
Total Debt Securities	<u>73,258,606</u>	<u>72,284,064</u>
Other Investments		
Cash Equivalents	697,071	476,949
Fixed Income Mutual Funds	62,008,000	
Common Stock	81,748,113	34,231,473
Alternatives	421,197,000	
Real Estate	3,514,872	4,846
Funds Held In Trust By Others		46,749,000
Other Various	206,165,446	1,496,591
Total Other Investments	<u>775,330,502</u>	<u>82,958,859</u>
Total Type A	<u>848,589,108</u>	Total Type B
		<u>155,242,923</u>
Total Non-Current Cash And Investments Subject To Custodial Credit Risk		<u>\$ 1,003,832,031</u>

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2013

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, 2013.

Cash And Investments By Type
Discretely Presented Major Component Units

I. Cash

	Carrying Amount	Bank Balance
Cash	\$ 511,854,623	\$ 443,061,776
Money Market	180,596,568	180,596,568
Other	382,930,896	382,321,896
Total Cash	<u>\$ 1,075,382,087</u>	<u>\$ 1,005,980,240</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	Fair Value	< 1 year	1-5 Years	6-10 Years	> 10 Years
Cash Equivalents	\$ 61,848,299	\$ 51,852,715	\$ 2,977,827	\$ 4,664,754	\$ 2,353,003
U.S. Government & Agency Obligations	140,259,953	22,562,264	99,588,521	18,109,168	
Corporate Obligations	1,008,132		747,512	260,620	
Guaranteed Investment Contract/Annuities	1,644,334		144,560	39,351	1,460,423
Total Debt Securities	<u>204,760,718</u>	<u>\$ 74,414,979</u>	<u>\$ 103,458,420</u>	<u>\$ 23,073,893</u>	<u>\$ 3,813,426</u>

Investments Managed Based Upon Duration

Debt Securities	Fair Value	Effective	Modified
Cash Equivalents	186,456,000	0.004	
Fixed Income Mutual Funds	21,008,728	4.600	
Fixed Income Mutual Funds	159,315,757		1.400
U.S. Government & Agency Obligations	137,621,426	5.134	
U.S. Government & Agency Obligations	18,423,773		5.978
Mortgage Backed Securities	598,026,439	3.218	
Corporate Debt	3,602,645	2.570	
Corporate Debt	24,148,545		3.800
Total Debt Securities	<u>1,148,603,313</u>		
Portfolio Effective Weighted Duration		<u>2.892</u>	
Portfolio Modified Weighted Duration			<u>2.105</u>

Other Investments

Fixed Income Mutual Funds	59,570,949
Common Stock	663,733,873
Corporate Bonds	28,517,000
Mortgage Loans	4,846
Alternatives	720,854,276
Real Estate	74,475,537
Funds Held In Trust By Others	46,749,000
Other	156,809,107
Total Other Investments	<u>1,750,714,588</u>
Total Investments	<u>\$ 3,104,078,619</u>

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2013

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, 2013, and the ratings are presented in the following table.

Investments and Credit Ratings

Discretely Presented Major Component Units

	<u>Standard & Poor's/Moody's Credit Ratings</u>						<u>Total Fair Value</u>	
	<u>AAA/Aaa</u>	<u>AA/Aa</u>	<u>A</u>	<u>BBB/Baa</u>	<u>B/B</u>	<u>Unrated</u>	<u>NA</u>	<u>of Investments</u>
Cash Equivalents	\$	\$	\$	\$	\$	\$ 476,949	\$ 234,162,516	\$ 234,639,465
Fixed Income Mutual Funds			21,008,728				159,315,757	180,324,485
U.S. Government &								
Agency Obligations	186,562,426	52,034,657					11,165,473	249,762,556
Mortgage Backed Securities	598,026,439							598,026,439
Corporate Obligations	1,184,415	1,203,668	22,772,226	3,715,342	5,390,671			34,266,322
Common Stock						34,231,473	547,754,287	581,985,760
Municipal Obligations		277,423	7,140,281					7,417,704
Guaranteed Investment								
Contracts/Annuities		39,351					1,604,983	1,644,334
Alternatives							299,657,276	299,657,276
Real Estate							70,960,665	70,960,665
Other						839,647,440	5,746,173	845,393,613
Total Investments	<u>\$ 785,773,280</u>	<u>\$ 53,555,099</u>	<u>\$ 50,921,235</u>	<u>\$ 3,715,342</u>	<u>\$ 5,390,671</u>	<u>\$ 874,355,862</u>	<u>\$ 1,330,367,130</u>	<u>\$ 3,104,078,619</u>

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2013

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 20%, 45%, 13% and 20%, 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, 2013. The university has \$8,034,000 in a pooled private equity fund and \$43,060,000 in common stock.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2013

Note 6

CAPITAL ASSETS

*Capital asset activity for the year ended June 30, 2013
(Expressed in Thousands):*

	Primary Government		
	Beginning Balance Restated	Additions	Decreases
Primary Government:			
Governmental Activities			Ending Balance
<i>Capital assets, not being depreciated:</i>			
Land	\$ 187,771	\$ 2,655	\$ (56)
Construction in progress	1,826,899	618,071	(618,130)
Infrastructure	19,246,016	590,238	(60,576)
Easements and Other Intangibles	129,073	911	
Total capital assets not being depreciated	<u>21,389,759</u>	<u>1,211,875</u>	<u>(678,762)</u>
<i>Capital assets, being depreciated/amortized:</i>			
Improvements other than buildings	19,707	1,624	
Buildings	1,340,805	37,731	(7,355)
Machinery and Equipment	610,533	65,272	(47,185)
Easements and Other Intangibles	44,576		
Total capital assets, being depreciated/amortized	<u>2,015,621</u>	<u>104,627</u>	<u>(54,540)</u>
<i>Less accumulated depreciation/amortization:</i>			
Improvements other than buildings	(8,224)	(754)	
Buildings	(532,710)	(31,630)	3,238
Machinery and Equipment	(407,921)	(47,632)	41,522
Easements and Other Intangibles	(8,980)	(4,015)	
Total accumulated depreciation	<u>(957,835)</u>	<u>(84,031)</u>	<u>44,760</u>
Total capital assets, being depreciated/amortized, net	<u>1,057,786</u>	<u>20,596</u>	<u>(9,780)</u>
Governmental activities capital assets, net	<u>\$ 22,447,545</u>	<u>\$ 1,232,471</u>	<u>\$ (688,542)</u>
Business-type activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 21,437	\$ 146	\$ 21,583
Construction in progress	104,372	2,912	(83,111)
Total capital assets, not being depreciated	<u>125,809</u>	<u>3,058</u>	<u>(83,111)</u>
<i>Capital assets, being depreciated/amortized:</i>			
Improvements other than buildings	133,133	11,092	(149)
Buildings	264,823	74,731	(403)
Machinery and Equipment	20,742	631	(613)
Easements and Other Intangibles	2,322		
Total capital assets, being depreciated/amortized	<u>421,020</u>	<u>86,454</u>	<u>(1,165)</u>
<i>Less accumulated depreciation for:</i>			
Improvements other than buildings	(63,476)	(3,687)	82
Buildings	(119,899)	(8,838)	89
Machinery and Equipment	(12,329)	(992)	455
Easements and Other Intangibles	(1,223)	(116)	
Total accumulated depreciation	<u>(196,927)</u>	<u>(13,633)</u>	<u>626</u>
Total capital assets, being depreciated/amortized, net	<u>224,093</u>	<u>72,821</u>	<u>(539)</u>
Business-type activities capital assets, net	<u>\$ 349,902</u>	<u>\$ 75,879</u>	<u>\$ (83,650)</u>

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

(Expressed in Thousands)

	Governmental Activities	Business-type Activities
General Government	\$ 11,850	\$
Legislative and Judicial	445	
Commerce	2,560	
Education and Humanities	3,135	
Human Resources	6,908	
Justice	22,509	
Natural Resources and Environmental Protection	1,589	
Public Protection and Regulation	170	
Transportation	21,866	
Capital assets held by government's internal service funds are charged to the various functions based on usage of the assets	12,999	
State Parks		12,268
Horse Park		1,245
Insurance Administration		120
Total depreciation expense by activities	<u>\$ 84,031</u>	<u>\$ 13,633</u>

Discretely presented major component units

Capital asset activity for the year ended June 30, 2013

(Expressed in Thousands):

	Component Units			
	Beginning Balance Restated	Additions	Retirements	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 174,717	\$ 15,415	\$ (436)	\$ 189,696
Construction in progress	175,550	77,885	(114,627)	138,808
Totals, capital assets not being depreciated	<u>350,267</u>	<u>93,300</u>	<u>(115,063)</u>	<u>328,504</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	219,130	13,377	(769)	231,738
Buildings	3,998,335	146,959	(12,294)	4,133,000
Machinery and Equipment	1,538,271	81,936	(55,164)	1,565,043
Total capital assets, being depreciated/amortized	<u>5,755,736</u>	<u>242,272</u>	<u>(68,227)</u>	<u>5,929,781</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(84,449)	(6,791)	1,165	(90,075)
Buildings	(1,393,359)	(115,042)	9,029	(1,499,372)
Machinery and Equipment	(1,033,410)	(104,291)	49,805	(1,087,896)
Total accumulated depreciation	<u>(2,511,218)</u>	<u>(226,124)</u>	<u>59,999</u>	<u>(2,677,343)</u>
Total capital assets, being depreciated/amortized, net	<u>3,244,518</u>	<u>16,148</u>	<u>(8,228)</u>	<u>3,252,438</u>
Component units capital assets, net	<u>\$ 3,594,785</u>	<u>\$ 109,448</u>	<u>\$ (123,291)</u>	<u>\$ 3,580,942</u>

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

(Expressed in Thousands)

Kentucky Housing Corporation	\$ 409
Kentucky Higher Education Student Loan Corporation	1,276
University of Kentucky	133,066
University of Louisville	62,218
Kentucky Community and Technical College System	29,077
Kentucky Lottery Corporation	78
Total depreciation expense by functions/programs	<u>\$ 226,124</u>

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Note 7

INTERFUND TRANSACTIONS

Interfund Transfers In and Out

The table below shows the interfund operating transfers for fiscal year 2013
(Expressed in Thousands):

Transfers In	Transfers Out				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$	\$ 1,759	\$ 63,280	\$ 1,000
Transportation Fund				997	1,780
Federal Fund					5,175
Agency Revenue Fund	35,985		10,438		15,939
Capital Projects Fund	22	11,904	2,482	23,262	
Debt Service	392,735	9,984	48,169	1,739	44,939
Non-Major Governmental Funds	113,770	135,498	1,214	286,346	153
State Parks Fund	28,144	1,900	109		8,164
Kentucky Horse Park Fund	2,374				1,150
Insurance Administration Fund			246	334	3,110
Internal Service Funds	5,141				11,045
Fiduciary Funds				17	
Total	<u>\$ 578,171</u>	<u>\$ 159,286</u>	<u>\$ 64,417</u>	<u>\$ 375,975</u>	<u>\$ 92,455</u>

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.

Interfund Receivables and Payables

The table below shows the interfund receivables and payables for fiscal year 2013
(Expressed in Thousands):

Interfund Receivables	Interfund Payables				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$ 398	\$ 4,404	\$ 9,915	\$ 104
Transportation Fund			939	23	35
Federal Fund	7,677	110		538	4
Agency Revenue Fund	25,601	170	54,850		70
Capital Projects Fund				1,029	
Non-Major Governmental Funds	1,716		256	14,250	
State Parks Fund	161				
Kentucky Public Employees Health Plan	63,575	2,977	2,908	3,191	4
Insurance Administration Fund	1				
Internal Service Funds	3,095	88	59	2,305	10
Total	<u>\$ 101,826</u>	<u>\$ 3,743</u>	<u>\$ 63,416</u>	<u>\$ 31,251</u>	<u>\$ 227</u>

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, 2013

Transfers Out								
Debt Service Fund	Non-Major Governmental Funds	State Parks Fund	Kentucky Public Employees Health Plan	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Fiduciary Funds	Total
\$	\$ 8,938	\$	\$ 760	\$ 13,500	\$	\$ 12,990	\$ 904	\$ 103,131
								2,777
								5,175
368	371,202		103	2,714	1,790	565	231	439,335
	4,912	80		1,050	2,434	2,450		48,596
	27,330	176				330		525,402
	149,051							686,032
	2							38,319
								3,524
								3,690
	989					502		17,677
				833				850
\$ 368	\$ 562,424	\$ 256	\$ 863	\$ 18,097	\$ 4,224	\$ 16,837	\$ 1,135	\$ 1,874,508

Interfund Payables							
Debt Service	Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Kentucky Employee Health Plan	Insurance Administration Fund	Internal Service Funds	Total
\$ 29	\$ 1,136	\$ 4,051	\$	\$	\$	\$ 64	\$ 20,101
						1,091	2,088
	453						8,782
	6,988	41	1	18	41	39	87,819
	65						1,094
	105,852					2,512	124,586
							161
	5,247	263	49		243	538	78,995
	150						151
		142			24	613	6,336
\$ 29	\$ 119,891	\$ 4,497	\$ 50	\$ 18	\$ 308	\$ 4,857	\$ 330,113

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

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

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of earned service without regard to a maximum dollar amount. 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 20 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 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%

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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 40602-0791, or by telephone at (502) 564-5310.

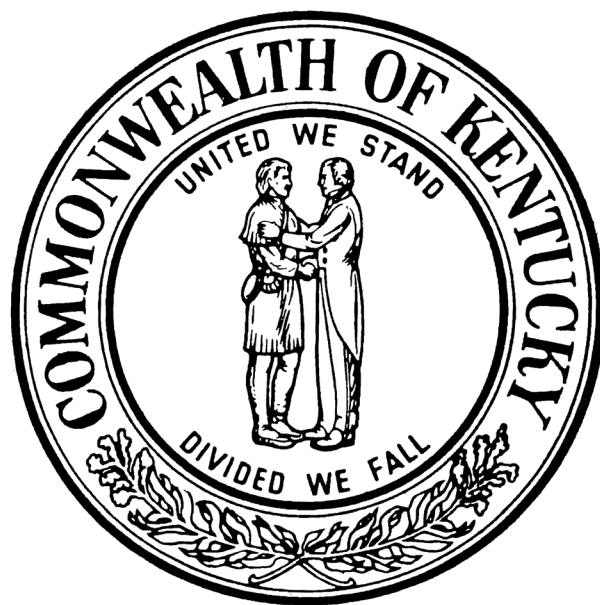
The Kentucky Teachers' Retirement System (KTRS) was established by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Section 990 of the Kentucky Revised Statutes. KTRS is a multiple-employer cost sharing defined benefit plan established to provide pension plan coverage for 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 1.50 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, or by telephone at (502) 848-8500.



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	Kentucky Legislators' Retirement Plan		Kentucky Judicial Retirement Plan		State Police Retirement System	
	Pension	Insurance	Pension	Insurance	Pension	Insurance
Contribution rates:						
State	34.00%		32.00%	2.00%	63.67%	
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)	\$3,215		\$15,220	\$893	\$23,117	\$27,234
Contributions made (Thousands)	\$1,696		\$10,399	\$610	\$18,501	\$16,829
Actuarial valuation date	July 1, 2013		July 1, 2013		June 30, 2013	
Actuarial cost method	Entry age normal funding method		Entry age normal funding method		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		30 years	
Asset valuation method	Market value		Market value		Five-year smoothed Market	
Actuarial assumptions:						
Investment rate of return	7.00%		7.00%		7.75%	
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%-8.5%	
(Dollar amounts in thousands)						
Actuarial Required						
Contribution (ARC)	\$ 3,215	\$	\$ 15,220	\$ 893	\$ 23,117	\$ 27,234
Interest on NPO/NOPEBO	129	(21)	717	41	3,614	11,028
Adjustment to ARC	(149)	24	(825)	(48)	(2,562)	(5,473)
Annual pension cost	3,195	3	15,112	886	24,169	32,789
Contributions made	1,696		10,399	610	18,501	16,829
Increase (Decrease) in NPO/NOPEBO	1,499	3	4,713	276	5,668	15,960
NPO/NOPEBO beginning of year	1,844	\$ (298)	\$ 10,242	\$ 592	\$ 46,629	\$ 142,303
NPO/NOPEBO as of 6/30/13	\$ 3,343	\$ (295)	\$ 14,955	\$ 868	\$ 52,297	\$ 158,263
Percentage APC contributed	53.1%		68.8%	68.9%	76.5%	51.3%
6/30/2012						
Annual Pension Cost	\$ 2,133	3	10,250	693	21,414	29,066
Percentage APC Contributed	48.1%		48.3%	48.2%	71.7%	41.1%
NPO/NOPEBO as of 6/30/12	\$ 1,844	\$ (298)	\$ 10,242	\$ 592	\$ 46,629	\$ 142,303
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

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Kentucky Employees Retirement System				Kentucky Teachers' Retirement System	
Non-Hazardous		Hazardous		Pension	Insurance
Pension	Insurance	Pension	Insurance		
23.61%		29.79%		13.105%-14.105%	0.75%
5.0%-6.0%		8.0%-9.0%		10.855%	1.25%-1.75%
\$485,396	\$286,143	\$21,502	\$26,253	\$802,985	\$188,466
\$280,874	\$165,331	\$27,334	\$25,682	\$568,233	\$168,291
June 30, 2013				June 30, 2013	
Entry age				Entry age	
Level percent closed				Level percent open	
30 years				30 years	
Five-year smoothed Market				Five-year smoothed market	Market value of assets
7.75%		7.75%		7.50%	7.5%-8.0%
3.50%		3.50%		3.50%	
4.75%-17.0%		4.5% - 21.0%		4.00% - 8.20%	
5.0%-8.5%		5.0%-8.5%		5.0%-8.5%	
\$ 485,396	\$ 286,143	\$ 21,502	\$ 26,253	\$ 802,985	\$ 188,466
95,446	119,594	18,968	7,709	34,890	112,499
(67,662)	(59,352)	(13,446)	(5,465)	(23,316)	(76,853)
513,180	346,385	27,024	28,497	814,559	224,112
280,874	165,331	27,334	25,682	568,233	168,291
232,306	181,054	(310)	2,815	246,326	55,821
\$ 1,231,559	\$ 1,543,153	\$ 244,754	\$ 99,475	\$ 436,124	\$ 1,405,798
\$ 1,463,865	\$ 1,724,207	\$ 244,444	\$ 102,290	\$ 682,450	\$ 1,461,619
54.7%	47.7%	101.1%	90.1%	69.8%	75.1%
463,272	307,007	25,677	30,437	763,915	482,096
46.4%	50.8%	81.0%	80.6%	73.0%	37.2%
\$ 1,231,559	\$ 1,543,153	\$ 244,754	\$ 99,475	\$ 436,124	\$ 1,405,798
\$ 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

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2013

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, 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
June 30, 2013	2,636,122,852	11,386,602,159	8,750,479,307	23.2	1,644,408,698	532.1
<u>Hazardous</u>						
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
June 30, 2013	505,656,808	783,980,594	278,323,786	64.5	132,015,368	210.8
<u>State Police Retirement System</u>						
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
June 30, 2013	241,800,328	651,580,654	409,780,326	37.1	45,256,202	905.5
<u>Judicial Retirement Plan</u>						
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
June 30, 2013	185,035,841	332,125,555	147,089,714	55.7	32,930,076	446.7
<u>Legislators' Retirement Plan</u>						
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
June 30, 2013	41,362,031	72,601,154	31,239,123	57.0	4,987,823	626.3
<u>Kentucky Teachers' Retirement System</u>						
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
June 30, 2013	14,962,758,000	28,817,232,000	13,854,474,000	51.9	3,480,066,000	398.1

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, 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
June 30, 2013	497,584,327	2,128,754,134	1,631,169,807	23.4	1,644,408,698	99.2
<u>Hazardous</u>						
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
June 30, 2013	370,774,403	385,517,675	14,743,272	96.2	132,015,368	11.2
<u>State Police Retirement System</u>						
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
June 30, 2013	136,321,060	222,326,743	86,005,683	61.3	45,256,202	190.0
<u>Judicial Retirement Plan</u>						
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
June 30, 2013	46,552,166	53,732,181	7,180,015	86.6	32,930,076	21.8
<u>Legislators' Retirement Plan</u>						
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)
June 30, 2013	25,907,629	23,363,734	(2,543,895)	110.9	4,987,823	(51.0)
<u>Kentucky Teachers' Retirement System</u>						
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
June 30, 2013	507,048,000	3,615,398,000	3,108,350,000	14.0	6,960,132,000	44.7

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Membership of the retirement systems, at June 30, 2013, 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
	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>					
Retirees and beneficiaries receiving benefits	37,240	2,312	44,164	5,840	1,240	308	186	47,406	138,696
Terminated plan members - vested	40,375	2,882	67,013	1,956	236	21	44	7,194	119,721
Active plan members	40,710	4,057	82,631	9,069	901	271	121	74,831	212,591
Total members	<u>118,325</u>	<u>9,251</u>	<u>193,808</u>	<u>16,865</u>	<u>2,377</u>	<u>600</u>	<u>351</u>	<u>129,431</u>	<u>471,008</u>
Number of participating employers	348		1,126		1	1	1	208	1,685

Three year trend for contributions
(Expressed in thousands):

	Pension		Insurance		Total	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
<u>Kentucky Employees Retirement System</u>						
<u>Non-Hazardous</u>						
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%
2013	485,396	57.9%	286,143	57.8%	771,539	57.8%
<u>Hazardous</u>						
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%
2013	21,502	127.1%	26,253	97.8%	47,755	111.0%
<u>State Police Retirement System</u>						
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%
2013	23,117	80.0%	27,234	61.8%	50,351	70.2%
<u>Judicial Retirement Plan</u>						
2011	\$ 10,302	44.0%	\$ 696	44.0%	\$ 10,998	44.0%
2012	10,302	48.0%	696	48.0%	10,998	48.0%
2013	15,220	68.3%	893	68.3%	16,113	68.3%
<u>Legislators' Retirement Plan</u>						
2011	\$ 2,140	44.0%	\$		\$ 2,140	44.0%
2012	2,140	48.0%			2,140	48.0%
2013	3,215	52.8%			3,215	52.8%
<u>Kentucky Teachers' Retirement System</u>						
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%
2013	802,985	71.0%	188,466	92.9%	991,451	75.0%

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 \$809,381,830 in the 457 Plan at June 30, 2013, \$390,463,219 was applicable to the Commonwealth, while the remaining \$418,918,611 represents assets of the other jurisdictions participating in the Plan. The 401(k) Plan had total plan assets of \$1,403,125,860 at June 30, 2013, of which \$527,823,193 was applicable to the state while the remaining \$875,302,667 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, 2013, are summarized in Note 15, Changes in Long-Term Obligations.

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At June 30, 2013, capitalized leases included Buildings and Equipment as follows (Expressed in Thousands):

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units-Major
Buildings	\$ 49,590	\$	\$ 592,062
Equipment	29,867	11,015	112,231
Other			73,003
Total	79,457	11,015	777,296
Less: Accumulated depreciation	(18,994)	(89)	(244,061)
Total Net of Depreciation	<u>\$ 60,463</u>	<u>\$ 10,926</u>	<u>\$ 533,235</u>

Future minimum rental commitments for capitalizable leases as of June 30, 2013, are as follows (Expressed in Thousands):

	Primary Government		Component Units-Major	
	Governmental Activities	Business-Type Activities	Universities, Colleges, and Related Entities	Total
2014	\$ 12,120	\$ 1,465	\$ 63,217	\$ 76,802
2015	10,578	1,445	56,030	68,053
2016	9,222	1,385	50,016	60,623
2017	6,051	1,358	46,367	53,776
2018	7,595	1,358	43,058	52,011
2019-2023	17,356	6,054	178,622	202,032
2024-2028	8,272	3,756	124,400	136,428
2029-2033			1,316	1,316
Total minimum lease payments	71,194	16,821	563,026	651,041
Less: Amount representing interest (1.50-63.60%)	(12,883)	(3,073)	(131,179)	(147,135)
Present value of future minimum lease payments	<u>\$ 58,311</u>	<u>\$ 13,748</u>	<u>\$ 431,847</u>	<u>\$ 503,906</u>

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 \$10,465,735 reported in the Program at June 30, 2013, 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 in-

dicates 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 2013 and 2012 were:

	Fiscal Year 2013	Fiscal Year 2012
Beginning of fiscal year liability	\$ 1,825,000	\$ 2,269,433
Incurred claims	37,666,132	11,751,273
Changes in estimates		
Claims payments	(29,025,397)	(12,195,706)
Balance at Fiscal Year End	<u>\$ 10,465,735</u>	<u>\$ 1,825,000</u>

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.

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The actuarially determined aggregate claims liability of \$173,408,609 reported in the Program at June 30, 2013, 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 2013 and 2012 were:

	Fiscal Year 2013	Fiscal Year 2012
Beginning of fiscal year liability	\$ 159,663,396	\$ 147,195,678
Claims and claims adjustments incurred:		
Current year	21,347,533	21,268,922
Increase (Decrease) in Prior year	10,898,889	10,372,705
Total Claims and Claims Adjustments Incurred:	32,246,422	31,641,627
Claims and claims adjustment payments:		
Current year	(4,201,350)	(5,244,632)
Increase (Decrease) in Prior year	(14,299,859)	(13,929,277)
Total Claims and Claims Adjustment Payments	(18,501,209)	(19,173,909)
Balance at Fiscal Year End	<u>\$ 173,408,609</u>	<u>\$ 159,663,396</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 \$28,088,590 reported in the Program at June 30, 2013, 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 2013 and 2012 were:

	Fiscal Year 2013	Fiscal Year 2012
Beginning of fiscal year liability	\$ 29,074,740	\$ 28,698,647
Claims and claims adjustments incurred	4,006,703	4,103,560
Changes in estimates	(1,434,749)	(995,458)
Claims and claims adjustment payments	(3,558,104)	(2,732,009)
Balance at Fiscal Year End	<u>\$ 28,088,590</u>	<u>\$ 29,074,740</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 \$821,064,174, as reported in the financial statements, is the present value of the aggregate actuarially determined claims liability of \$1,132,878,000, discounted at 3.5 percent, and net of the estimated realizable value of reimbursements. The claims adjusted liability of \$19,493,000, as reported in the financial statements is the present value of the aggregate actuarially determined liability of \$26,143,000 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, 2013. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years were:

	Fiscal Year 2013	Fiscal Year 2012
Beginning of fiscal year liability	\$ 1,233,593,000	\$ 1,305,797,000
Claims and claims adjustments incurred	7,417,000	7,538,000
Changes in estimates	(16,366,000)	(11,872,000)
Claims and claims adjustment payments	(65,623,000)	(67,870,000)
Balance at Fiscal Year End	<u>\$ 1,159,021,000</u>	<u>\$ 1,233,593,000</u>

COMMONWEALTH OF KENTUCKY

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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 \$18,091,096, as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$21,534,000, discounted at 3.5 percent. The claims adjustment liability of \$839,000, as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$999,000, 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 2013	Fiscal Year 2012
Beginning of fiscal year liability	\$ 20,311,000	\$ 18,922,000
Claims and claims adjustments incurred	2,839,000	2,995,000
Changes in estimates	745,000	(511,000)
Claims and claims adjustment payments	(1,362,000)	(1,095,000)
Balance at Fiscal Year End	<u>\$ 22,533,000</u>	<u>\$ 20,311,000</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 \$190,923,296 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 2013	Fiscal Year 2012
Beginning of fiscal year liability	\$ 205,143,056	\$ 249,383,873
Claims and claims adjustments incurred	6,360,968	24,516,193
Changes in estimates	(3,741,519)	(47,197,735)
Claims and claims adjustment payments	(16,839,209)	(21,559,275)
Balance at Fiscal Year End	<u>\$ 190,923,296</u>	<u>\$ 205,143,056</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.

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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 claims adjustment liability did not change during fiscal year 2013. Changes in the Program's aggregate liabilities for claims and claims adjustments for the past two years were:

	Fiscal Year 2013	Fiscal Year 2012
Beginning of fiscal year liability, as Restated	\$ 189,552	\$ 215,838
Claims and claims adjustments incurred		
Changes in estimates		(26,286)
Claims and claims adjustment payments		
Balance at Fiscal Year End	<u>\$ 189,552</u>	<u>\$ 189,552</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 no claims liability at June 30, 2013. Changes in the Program's aggregate liabilities for claims and claims adjustments for the past two years were:

	Fiscal Year 2013	Fiscal Year 2012
Beginning of fiscal year liability	\$ 106,500	\$
Claims and claims adjustments incurred		106,500
Changes in estimates		
Claims and claims adjustment payments	(106,500)	
Balance at Fiscal Year End	<u>\$</u>	<u>\$ 106,500</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 on 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.

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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 \$102,811,050 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 2013	Fiscal Year 2012
Beginning of fiscal year liability	\$ 91,436,823	\$ 88,616,372
Claims and claims adjustments incurred	1,665,418,207	1,659,367,224
Changes in estimates	(7,580,764)	(2,823,749)
Claims and claims adjustment payments	(1,646,463,216)	(1,653,723,024)
Balance at Fiscal Year End	<u>\$ 102,811,050</u>	<u>\$ 91,436,823</u>

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.

There were no cash payments for claims expenses during 2013; and, there was not a claims liability at June 30, 2013. 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 2013	Fiscal Year 2012
Beginning of fiscal year liability	\$	\$
Claims and claims adjustments incurred		15,078
Changes in estimates		
Claims and claims adjustment payments		(15,078)
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, 2013 the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated February 1, 2013, were issued for the Adair County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$4,643,083 maturing August 1, 2013, through August 1, 2025, and carrying interest rates from 1.00% to 2.25%.

Revenue refunding bonds dated January 30, 2013, were issued for the Anderson County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$793,811 maturing June 1, 2013, through December 1, 2025, and carrying interest rates from 1.50% to 2.50%.

Revenue refunding bonds dated April 1, 2013, were issued for the Bath County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$449,507 maturing August 1, 2013, through August 1, 2025, and carrying interest rates from 1.00% to 2.25%.

Revenue refunding bonds dated September 1, 2012, were issued for the Boone County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$1,414,197 maturing February 1, 2013, through February 1, 2024, and carrying interest rates from 2.00% to 2.625%.

Revenue refunding bonds dated February 13, 2013, were issued for the Bourbon County School District Finance Corporation to partially refund a 2006 issue. The Commission's portion of the refunding issue was \$1,129,952 maturing July 1, 2013, through July 1, 2026, and carrying interest rates from 1.15% to 1.90%.

Revenue refunding bonds dated January 3, 2013, were issued for the Boyle County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$523,643 maturing July 1, 2013, through July 1, 2025, and carrying interest rates from 1.50% to 2.00%.

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Revenue refunding bonds dated January 29, 2013, were issued for the Breckinridge County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$127,405 maturing August 1, 2013, through February 1, 2019, and carrying an interest rate of 1.00%.

Revenue refunding bonds dated February 1, 2013, were issued for the Campbell County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$36,290 maturing February 1, 2013, through February 1, 2019, and carrying an interest rate of 0.90%.

Revenue refunding bonds dated August 1, 2012, were issued for the Campbell County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$1,830,762 maturing February 1, 2013, through February 1, 2024, and carrying interest rates from 2.00% to 2.625%.

Revenue refunding bonds dated July 1, 2012, were issued for the Campbellsville Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$197,350 maturing June 1, 2013, through June 1, 2024, and carrying interest rates from 2.00% to 3.00%.

Revenue refunding bonds dated December 20, 2012, were issued for the Christian County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$3,045,107 maturing February 1, 2013, through August 1, 2025, and carrying interest rates from 0.70% to 2.00%.

Revenue refunding bonds dated February 1, 2013, were issued for the Clinton County School District Finance Corporation to refund a 1999 issue and partially refund a 2005 issue. The Commission's portion of the refunding issue was \$566,089 maturing April 1, 2013, through October 1, 2025, and carrying interest rates from 1.00% to 2.00%.

Revenue refunding bonds dated February 1, 2013, were issued for the Cumberland County School District Finance Corporation to refund a 1996 issue. The Commission's portion of the refunding issue was \$39,980 maturing April 1, 2013, through April 1, 2022, and carrying an interest rate of 1.25%.

Revenue refunding bonds dated July 1, 2012, were issued for the Erlanger-Elsmere Independent School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$1,605,312 maturing March 1, 2013, through March 1, 2024, and carrying interest rates from 1.50% to 2.45%.

Revenue refunding bonds dated August 23, 2012, were issued for the Franklin County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$738,152 maturing May 1, 2013, through May 1, 2023, and carrying an interest rate of 2.05%.

Revenue refunding bonds dated October 1, 2012, were issued for the Franklin County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$233,508 maturing April 1, 2013, through April 1, 2024, and carrying interest rates from 2.00% to 4.00%.

Revenue refunding bonds dated February 7, 2013, were issued for the Franklin County School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$6,481,001 maturing April 1, 2013, through April 1, 2025, and carrying interest rates from 2.00% to 3.00%.

Revenue refunding bonds dated July 31, 2012, were issued for the Hardin County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$2,151,509 maturing June 1, 2013, through June 1, 2024, and carrying interest rates from 2.00% to 2.75%.

Revenue refunding bonds dated July 1, 2012, were issued for the Harlan County School District Finance Corporation to refund a 2002 issue. The Commission's portion of the refunding issue was \$229,900 maturing June 1, 2013, through June 1, 2022, and carrying interest rates from 2.00% to 3.00%.

Revenue refunding bonds dated September 1, 2012, were issued for the Harlan County School District Finance Corporation to partially refund two 2004 issues. The Commission's portion of the refunding issue was \$2,990,000 maturing June 1, 2013, through June 1, 2024, and carrying interest rates from 0.90% to 2.00%.

Revenue refunding bonds dated March 19, 2013, were issued for the Hart County School District Finance Corporation to partially refund two 2006 issues. The Commission's portion of the refunding issue was \$5,473,724 maturing February 1, 2014, through February 1, 2027, and carrying interest rates from 0.85% to 2.30%.

Revenue refunding bonds dated December 1, 2012, were issued for the Henderson County School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$1,405,299 maturing February 1, 2013, through February 1, 2024, and carrying interest rates from 0.70% to 2.00%.

Revenue refunding bonds dated February 5, 2013, were issued for the Hopkins County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$1,215,000 maturing August 1, 2013, through August 1, 2025, and carrying interest rates from 1.05% to 2.00%.

Revenue refunding bonds dated January 1, 2013, were issued for the Jackson County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$776,367 maturing June 1, 2013, through December 1, 2025, and carrying interest rates from 1.00% to 2.00%.

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Revenue refunding bonds dated January 30, 2013, were issued for the Jefferson County School District Finance Corporation to partially refund a 2006 issue. The Commission's portion of the refunding issue was \$9,660,715 maturing July 1, 2013, through July 1, 2026, and carrying interest rates from 2.00% to 3.00%.

Revenue refunding bonds dated January 30, 2013, were issued for the Jefferson County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$253,401 maturing June 1, 2013, through June 1, 2025, and carrying interest rates from 2.00% to 2.375%.

Revenue refunding bonds dated May 1, 2013, were issued for the Johnson County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$322,656 maturing November 1, 2013, through November 1, 2025, and carrying interest rates from 0.70% to 2.00%.

Revenue refunding bonds dated February 26, 2013, were issued for the Larue County School District Finance Corporation to partially refund a 2006 issue. The Commission's portion of the refunding issue was \$4,825,978 maturing August 1, 2013, through August 1, 2026, and carrying interest rates from 2.00% to 2.50%.

Revenue refunding bonds dated August 15, 2012, were issued for the Lincoln County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$1,001,143 maturing February 1, 2013, through August 1, 2025, and carrying interest rates from 1.00% to 2.375%.

Revenue refunding bonds dated February 13, 2013, were issued for the Logan County School District Finance Corporation to partially refund a 2006 issue. The Commission's portion of the refunding issue was \$182,105 maturing January 1, 2014, through January 1, 2026, and carrying interest rates from 1.00% to 2.625%.

Revenue refunding bonds dated August 15, 2012, were issued for the Marion County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$784,953 maturing February 1, 2013, through August 1, 2025, and carrying interest rates from 1.00% to 2.375%.

Revenue refunding bonds dated September 1, 2012, were issued for the Monroe County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$252,864 maturing February 1, 2013, through February 1, 2025, and carrying interest rates from 0.40% to 1.90%.

Revenue refunding bonds dated February 5, 2013, were issued for the Morgan County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$5,729,318 maturing April 1, 2013, through October 1, 2025, and carrying interest rates from 1.00% to 2.00%.

Revenue refunding bonds dated February 11, 2013, were issued for the Morgan County School District Finance Corporation to refund a 2002 issue and partially refund a 2004 issue. The Commission's portion of the refunding issue was \$411,913 maturing March 1, 2013, through September 1, 2023, and carrying interest rates from 1.50% to 2.40%.

Revenue refunding bonds dated June 20, 2013, were issued for the Ohio County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$53,229 maturing December 1, 2013, through June 1, 2016, and carrying an interest rate of 1.00%.

Revenue refunding bonds dated July 1, 2012, were issued for the Oldham County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$506,765 maturing May 1, 2013, through May 1, 2024, and carrying an interest rate of 2.00%.

Revenue refunding bonds dated August 1, 2012, were issued for the Oldham County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$1,418,405 maturing October 1, 2012, through October 1, 2023, and carrying interest rates from 2.00% to 2.40%.

Revenue refunding bonds dated May 1, 2013, were issued for the Pike County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$3,880,000 maturing December 1, 2013, through December 1, 2023, and carrying interest rates from 1.00% to 2.00%.

Revenue refunding bonds dated August 1, 2012, were issued for the Pulaski County School District Finance Corporation to partially refund a 2003 issue. The Commission's portion of the refunding issue was \$396,742 maturing August 1, 2013, through August 1, 2023, and carrying interest rates from 0.50% to 2.00%.

Revenue refunding bonds dated February 1, 2013, were issued for the Russell County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$33,661 maturing June 1, 2013, through June 1, 2025, and carrying interest rates from 1.00% to 2.05%.

Revenue refunding bonds dated December 1, 2012, were issued for the Scott County School District Finance Corporation to partially refund a 2004 issue. The Commission's portion of the refunding issue was \$2,295,940 maturing March 1, 2013, through March 1, 2024, and carrying interest rates from 2.00% to 2.125%.

Revenue refunding bonds dated April 1, 2013, were issued for the Todd County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$775,088 maturing August 1, 2013, through August 1, 2025, and carrying interest rates from 0.75% to 2.30%.

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Revenue refunding bonds dated April 1, 2013, were issued for the Union County School District Finance Corporation to partially refund a 2006 issue. The Commission's portion of the refunding issue was \$555,373 maturing April 1, 2014, through April 1, 2026, and carrying interest rates from 1.00% to 2.15%.

Revenue refunding bonds dated January 1, 2013, were issued for the Washington County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$493,395 maturing June 1, 2013, through December 1, 2023, and carrying an interest rate of 1.30%.

Revenue refunding bonds dated November 15, 2012, were issued for the Wayne County School District Finance Corporation to partially refund a 2005 issue. The Commission's portion of the refunding issue was \$5,304,089 maturing January 1, 2013, through July 1, 2025, and carrying interest rates from 1.00% to 2.00%.

Revenue refunding bonds dated July 1, 2012, were issued for the Webster County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$178,900 maturing June 1, 2013, through June 1, 2023, and carrying interest rates from 2.00% to 3.00%.

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

\$5,070,000 of Revenue and Taxable Agency Fund Revenue Refunding Bonds, Project 102 dated December 4, 2012, were issued. 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%; \$1,440,000 Taxable Series B Bonds maturing May 1, 2018 and carrying an interest rate of 1.875%. The net proceeds of the issue were \$5,632,735 with a cost of issuance of \$57,635. The net proceeds of the bond were deposited in Bond Repayment Fund to partially refund State Property and Buildings Commission Project 80, Series A in the amount of \$5,515,000 maturing May 1, 2014 through May 1, 2024 and carrying interest rates of 3.875% to 4.750%. The refunding will result in increase cash flows in future periods of \$679,156 and a present value savings of \$680,088 at 1.742%.

\$4,810,000 of Revenue and Taxable Agency Fund Revenue Refunding Bonds, Project 103 dated December 4, 2012, were issued. 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%; \$1,080,000 Taxable Series B Term Bonds maturing May 1, 2019 and carrying interest rates of 4.000% to 4.375%. The net proceeds of the issue were \$5,081,820 with a cost of issuance of \$54,103. The net proceeds of the bond were deposited in Bond Repayment Fund to completely or partially refund State Property and Buildings Commission prior issues of bonds. The bonds refunded consisted of: a complete refunding of Project 75

in the amount of \$3,980,000 maturing May 1, 2013 through May 1, 2021 and carrying interest rates of 4.600% to 5.000%; a partial refunding of Project 80, Series A in the amount of \$1,045,000 maturing May 1, 2015 through May 1, 2019 and carrying interest rates of 4.000% to 4.375%. The refunding will result in increase cash flows in future periods of 585,704 and a present value savings of \$587,245 at 1.613%.

\$31,860,000 of Agency Fund Revenue Refunding Bonds, Project 104 dated December 4, 2012, were issued. These bonds mature November 1, 2013 through November 1, 2024 carrying interest rates of 2.00% to 5.00%. The net proceeds of the issue were \$42,555,982 with a cost of issuance of \$233,935. The net proceeds of the bond were deposited in Bond Repayment Fund to completely or partially refund State Property and Buildings Commission prior issues of bonds. The bonds refunded consisted of: a complete refunding of Project 81 in the amount of \$35,940,000 maturing November 1, 2014 through November 1, 2023 and carrying interest rates of 3.875% to 5.000%; a complete refunding of Project 86 consisting of: serial bonds in the amount of \$3,320,000 maturing May 1, 2013 through May 1, 2023 carrying interest rates from 3.625% to 4.250% and term bonds in the amount of \$1,195,000 maturing May 1, 2026 and carrying an interest rate of 4.408%. This refunding will result in increase cash flows in future periods of \$4,496,248 and a present value savings of \$4,498,078 at 1.994%.

\$8,490,000 of Agency Fund Revenue Refunding Bonds, Project 106 Series B dated June 17, 2013, were issued. These bonds mature October 1, 2016 through October 1, 2021 carrying interest rates of 3.00% to 4.00%. The net proceeds of the issue of \$8,983,745 were deposited in Bond Repayment Fund to completely or partially refund State Property and Buildings Commission prior issues of bonds. The bonds refunded consisted of: a partial refunding of Project 77 in the amount of \$325,000 maturing August 1, 2018 and carrying an interest rate of 4.625%; a complete refunding of Project 79 in the amount of \$8,800,000 maturing October 1, 2016 through October 1, 2021 carrying interest rates from 4.100% to 4.550%. This refunding will result in increase cash flows in future periods of \$870,327 and a present value savings of \$872,424 at 3.097%.

Component Units

Eastern Kentucky University issued \$27,715,000 General Receipts Refunding Bonds, 2012 Series A dated July 3, 2012. The refunding bonds mature from April 1, 2013 through April 1, 2024 carrying an interest rate 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. The refunding will result in net savings (increase in cash flows) of \$1,592,715 and an economic gain (present value savings) of \$592,010.

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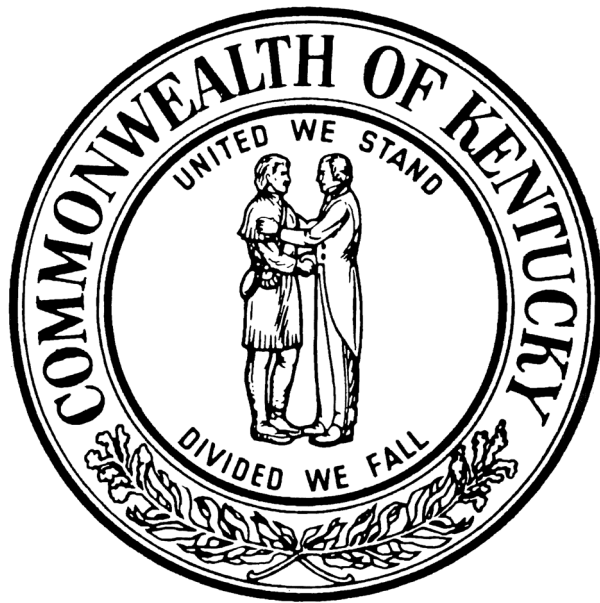
Northern Kentucky University issued \$4,995,000 of General Receipts Refunding Bonds, 2013 Series A dated February 26, 2013. The refunding bonds mature from September 1, 2013 through September 1, 2022 carrying an interest rate of 2.00%. The proceeds will be used to completely refund all the University's Consolidated Educational Building Revenue Bonds Series L. The refunding will result in net savings (increase in cash flows) of \$1,540,793 and an economic gain (present value savings) of \$831,657.

The Kentucky Higher Education Student Loan Corporation issued \$563,800,000 in Student Loan Asset-Backed Bonds, Series 2013-1, Class A-1 (Libor Floating rate Bonds) dated February 15, 2013 maturing June 1, 2026 which carry variable interest rates that change based on specified indices. These bonds will bear interest rates, except for the initial accrual period, at an annual rate equal to 100% of one-month LIBOR as of the second day prior to the applicable interest accrual period plus .50%. The proceeds from the sale of the bonds will be used to make an initial deposit to the Acquisition Fund and the Reserve Fund. Amounts deposited to the Acquisition Fund along with certain other moneys available to the Corporation are expected to be used to retire the outstanding debt of the Corporation under the Straight-A Funding Conduit that is secured by FFELP loans and to refund certain of the remaining outstanding Bonds issued by the Corporation under the Indenture of Trust, dated as of June 1, 2008 (as supplemented and amended). It is unclear whether the bond issue will produce a net present value savings.

The Kentucky Housing Corporation issued \$107,860,000 in Housing Revenue Bonds which consisted of the following:

\$54,920,000 Housing Revenue Bonds, 2013 Series B (Taxable) dated April 13, 2013 maturing November 1, 2041 and carrying an interest rate of 3.00%. This bond issue is subject to early redemption at the option of the Corporation. The proceeds will be used along with the 2013 Series A Bonds to fully refund the Corporation's 2009 Series C Bonds, Subseries C-1 and Subseries C-2 and pay the costs of issuing the 2013 Series B Bonds.

\$52,940,000 Housing Revenue Bonds, 2013 Series A (Taxable) dated April 13, 2013 maturing November 1, 2041 and carrying an interest rate of 3.00%. This bond issue is subject to early redemption at the option of the Corporation. The proceeds will be used along with the 2013 Series B Bonds to fully refund the Corporation's 2009 Series C Bonds, Subseries C-1 and Subseries C-2 and pay the costs of issuing the 2013 Series A Bonds. The Series A and B issues will produce a net present value savings of \$5,301,961.



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, 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

SHORT-TERM AND LONG-TERM OBLIGATIONS

Short-Term Obligations

The Kentucky Asset/Liability Commission drew down \$10,000,000 from a line of credit with Citi Bank in Fiscal Year 2013. Repayment of this short term loan was provided by the State Property and Buildings Commission in Fiscal Year 2013 through the proceeds of a long term bond issue.

The following chart shows changes in short-term debt during the period ending June 30, 2013:

Short-term Debt on July 1, 2012	Additions	Repayments	Short-term Debt on June 30, 2013
\$	\$ 10,000,000	\$ 10,000,000	\$
\$	\$ 10,000,000	\$ 10,000,000	\$

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, 2013.

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

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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 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, 2013 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 \$206,070,000 in revenue and revenue refunding bonds as follows:

\$5,070,000 Project No. 102, Revenue and Taxable Agency Fund Revenue Refunding Bonds, dated December 4, 2012, were issued. 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%; \$1,440,000 Taxable Series B Bonds maturing May 1, 2018 and carrying an interest rate of 1.875%.

\$4,810,000 Project No. 103, Agency Fund Revenue Refunding Bonds, dated December 4, 2012, were issued. These bonds con-

sist 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%; \$1,080,000 Taxable Series B Bonds maturing May 1, 2019 and carrying an interest rate of 2.375%.

\$31,860,000 Project No. 104, Agency Fund Revenue Refunding Bonds, dated December 4, 2012, were issued. These bonds mature November 1, 2013 through November 1, 2024 carrying interest rates of 2.00% to 5.00%.

\$17,210,000 Project No. 105, Agency Fund Revenue Bonds, dated May, 15, 2013, were issued. These bonds mature April 1, 2015 through April 1, 2033 carrying interest rates of 2.00% to 4.75%.

\$147,120,000 Project No. 106, Revenue and Revenue Refunding Bonds, dated June 17, 2013, were issued. These bonds consist of: \$138,630,000 Series A serial bonds maturing October 1, 2014 through October 1, 2033 and carrying interest rates of 3.00% to 5.00%; \$8,490,000 Series B serial Bonds maturing October 1, 2016 through October 1, 2021 and carrying interest rates of 3.00% to 4.00%.

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 no bonds during fiscal year 2013.

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 2013.

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.

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State supported universities issued \$48,345,000 in General Receipts Bonds to finance various new construction projects and renovation of existing facilities as follows.

Northern Kentucky University issued \$4,995,000 General Receipts Refunding Bonds, 2013 Series A, dated February 26, 2013. These bonds mature September 1, 2013 through September 1, 2022 carrying an interest rate of 2.00%. The proceeds of these bonds will be used to completely refund all the University's outstanding Consolidated Educational Buildings Revenue Bonds, Series L and pay the costs of issuing the 2013 Series A 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.

Murray State University issued \$15,635,000 General Receipts Bonds, 2013 Series A dated May 29, 2013. The bonds mature September 1, 2014 through September 1, 2033 and carry interest rates of 2.00% to 4.00%. This bond issue is subject to early redemption at the option of the University. The proceeds of the bond will be used to renovate Hester Hall, various projects under \$600,000 and pay costs of issuing the 2013 Series A Bonds.

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 \$107,860,000 in Housing Revenue Bonds which consisted of the following:

\$54,920,000 Housing Revenue Bonds, 2013 Series B (Taxable) dated April 13, 2013 maturing November 1, 2041 and carrying an interest rate of 3.00%. This bond issue is subject to early redemption at the option of the Corporation. The proceeds will be used along with the 2013 Series A Bonds to fully refund the Corporation's 2009 Series C Bonds, Subseries C-1 and Subseries C-2 and pay the costs of issuing the 2013 Series B Bonds.

\$52,940,000 Housing Revenue Bonds, 2013 Series A (Taxable) dated April 13, 2013 maturing November 1, 2041 and carrying an interest rate of 3.00%. This bond issue is subject to early redemp-

tion at the option of the Corporation. The proceeds will be used along with the 2013 Series B Bonds to fully refund the Corporation's 2009 Series C Bonds, Subseries C-1 and Subseries C-2 and pay the costs of issuing the 2013 Series A 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 no bonds during fiscal year 2013.

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 2013.

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 Corporation issued \$563,800,000 in Student Loan Asset-Backed Bonds, Series 2013-1, Class A-1 (Libor Floating rate Bonds) dated February 15, 2013 maturing June 1, 2026 which carry variable interest rates that change based on specified indices. These bonds will bear interest, except for the initial accrual period, at an annual rate equal to 100% of one-month LIBOR as of the second business day prior to the applicable interest accrual period plus .50%. The proceeds from the sale of the bonds will be used to make an initial deposit to the Acquisition Fund and the Reserve Fund. Amounts deposited to the Acquisition Fund along with certain other moneys available to the Corporation are expected to be

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used to retire the outstanding debt of the Corporation under the Straight-A Funding Conduit that is secured by FFELP loans and to refund certain of the remaining outstanding bonds issued by the Corporation under the Indenture of Trust, dated as of June 1, 2008 (as supplemented and amended).

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 2013.

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 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, 2013, the Commission sold school building revenue and revenue refunding bond issues having aggregate state participation of \$142,883,312 maturing through June 1, 2033, at interest rates of 0.50% to 4.00%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 2013, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013. 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, 2013.

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, 2013.

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*The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 2013, are as follows
(Expressed in Thousands):*

Long-Term Obligations	Principal Outstanding	Interest Rate	Annual Maturity To
Agency:			
State Property and Buildings Commission	\$ 4,093,101	1.00%-8.25%	2033
Kentucky School Facilities Construction Commission	912,610	.090%-5.90%	2035
Turnpike Authority of Kentucky	1,421,880	2.00%-5.75%	2032
Total	<u>\$ 6,427,591</u>		

*Future revenue bond debt service requirements, to be paid with State Funds, at
June 30, 2013, are as follows (Expressed in Thousands):*

Year Ending June 30	Principal	Interest	Totals
2014	\$ 385,709	\$ 275,689	\$ 661,398
2015	396,897	261,011	657,908
2016	410,703	243,719	654,422
2017	419,452	226,339	645,791
2018	423,841	208,243	632,084
2019-2023	2,221,053	829,035	3,050,088
2024-2028	1,547,386	312,895	1,860,281
2029-2033	614,240	46,168	660,408
2034-2038	8,310	191	8,501
Total	<u>\$ 6,427,591</u>	<u>\$ 2,403,290</u>	<u>\$ 8,830,881</u>

Component Unit Revenue Bonds Payable (Expressed in Thousands):	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky Housing Corporation *	\$ 1,430,270	0.07-6.06%	2042
Kentucky Infrastructure Authority*	325,765	2.00-5.70%	2032
Kentucky Higher Education Student Loan Corporation	1,287,015	0.25-1.74%	2038
Kentucky Local Correctional Facilities Construction Authority *	4,895	5.25-5.25%	2015
Kentucky State Fair Board*	31,860	2.00-5.00%	2024
University of Kentucky*	237,255	1.50-4.50%	2040
University of Louisville*	299,237	4.50-6.46%	2035
Eastern Kentucky University	68,117	3.00-5.00%	2032
Western Kentucky University*	201,360	1.50-5.00%	2032
Murray State University *	59,280	2.0-4.5%	2034
Morehead State University	52,925	1.27-6.0%	2032
Kentucky State University	3,790	2.0-3.625%	2027
Northern Kentucky University*	88,905	2.00-4.375%	2031
Total Component Unit Revenue Bonds Payable	<u>\$ 4,090,674</u>		

* Amounts reflect original issue

*Future revenue bond debt service requirements for bonds issued by
the Commonwealth's Component Units at June 30, 2013, are as
follows (Expressed in Thousands):*

Year Ending June 30	Principal	Interest	Totals
2014	\$ 128,949	\$ 125,605	\$ 254,554
2015	140,804	119,473	260,277
2016	133,779	114,824	248,603
2017	136,038	110,277	246,315
2018	142,718	105,476	248,194
2019-2023	734,935	446,703	1,181,638
2024-2028	1,365,346	299,388	1,664,734
2029-2033	691,445	139,841	831,286
2034-2038	476,020	47,002	523,022
2039-2043	140,640	13,210	153,850
Total	<u>\$ 4,090,674</u>	<u>\$ 1,521,799</u>	<u>\$ 5,612,473</u>

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NOTES PAYABLE At June 30, 2013, 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 issued \$153,290,000 in Project Notes 2013 General Fund First Series (Taxable) dated February 21, 2013. These notes mature April 1, 2014 through April 1, 2023, carrying rates of .654% to 2.998%. The project is to fund state medical insurance fund obligations of the Teachers Retirement System of the Commonwealth of Kentucky and pay the costs of issuing the Notes.

The Component Units of the Commonwealth reported notes payable of \$163,312,000 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, 2013, are as follows (Expressed in Thousands)***

Year Ending June 30	Principal	Interest	Totals
2014	\$ 4,175	\$ 7,085	\$ 11,260
2015	4,380	6,877	11,257
2016	4,600	6,658	11,258
2017	4,830	6,428	11,258
2018	5,075	6,186	11,261
2019-2023	29,425	26,863	56,288
2024-2028	37,625	18,674	56,299
2029-2033	48,525	7,769	56,294
Total	<u>\$ 138,635</u>	<u>\$ 86,540</u>	<u>\$ 225,175</u>

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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 based upon actual cost estimates. 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 net of estimated recoveries in the amount of \$500,000.

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, 2013 the amount borrowed was \$624.9 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.

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 2013 General Assembly in House Bill 495. The debt service requirement for the loan is shown in the chart below.

*Future debt service requirements, under
Unemployment Insurance Administration Fund Loan
June 30, 2013, are as follows (Expressed in Thousands)*

Year Ending June 30	Principal	Interest	Totals
2014	\$	\$ 944	\$ 944
2015	5,982	855	6,837
2016	6,076	738	6,814
2017	11,323	538	11,861
2018	15,348	254	15,602
2019-2023	8,988	45	9,033
Total	<u>\$ 47,717</u>	<u>\$ 3,374</u>	<u>\$ 51,091</u>

Deferred Outflows and Inflows - GABS 65 provides financial reporting guidance relative to deferred outflows of resources, a consumption of assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, an acquisition of assets by the entity that is applicable to a future reporting period. The following table provides information about amounts reported as deferred outflows/inflows on the Entitywide Statement of Net Position.

*Deferred Outflows/Inflows in the
Governmentwide Statement of Net Position are as follows
(Expressed in Thousands):*

	Governmental Activities	Major Component Units
Deferred Outflow of Resources:		
Deferred Loss on Refunding	\$ 1,594	\$
Interest Rate Swap-Derivative	13,018	10,421
Total	<u>\$ 14,612</u>	<u>\$ 10,421</u>
Deferred Inflow of Resources:		
Deferred Gain on Refunding	\$ 12,022	\$ 24,772
Interest Rate Swap-Derivative	13,018	11,394
Service Concession Arrangement		5,559
Forward Delivery Purchase Agreement		561
Total	<u>\$ 25,040</u>	<u>\$ 42,286</u>

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Future debt service requirements for aggregated Notes Payable for the Primary Government at June 30, 2013, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2014	\$ 158,165	\$ 64,738	\$ 222,903
2015	159,570	58,995	218,565
2016	160,995	53,244	214,239
2017	157,375	47,208	204,583
2018	164,700	40,857	205,557
2019-2023	611,910	110,588	722,498
2024-2028	188,210	18,967	207,177
Total	<u>\$ 1,600,925</u>	<u>\$ 394,597</u>	<u>\$ 1,995,522</u>

Future debt service requirements for aggregated Notes Payable for the Component Units at June 30, 2013, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2014	\$ 94,157	\$ 3,774	\$ 97,931
2015	8,187	2,145	10,332
2016	6,543	1,949	8,492
2017	24,382	1,558	25,940
2018	13,913	806	14,719
2019-2023	8,991	1,618	10,609
2024-2028	3,495	890	4,385
2029-2033	3,644	358	4,002
Total	<u>\$ 163,312</u>	<u>\$ 13,098</u>	<u>\$ 176,410</u>

Changes in long-term liabilities for the fiscal year ended June 30, 2013, are summarized as follows (Expressed in Thousands):

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due In One Year	Due Thereafter
Governmental Activities						
Compensated absences	\$ 226,367	\$ 3,700	\$ (4,507)	\$ 225,560	\$ 163,970	\$ 61,590
Capital leases	46,069	21,062	(8,820)	58,311	10,342	47,969
Claims liability	190,563	73,919	(52,519)	211,963	27,987	183,976
Notes payable	1,669,372	163,290	(184,020)	1,648,642	158,165	1,490,477
Bonds payable	6,555,730	348,954	(477,093)	6,427,591	385,709	6,041,882
Unamortized premiums	311,222	27,295	(28,809)	309,708	18,585	291,123
Unamortized discounts	(13,830)	(408)	1,446	(12,792)	(768)	(12,024)
Judgments and contingent liabilities	41,321	41,382	(15,108)	67,595	27,280	40,315
LFUCGPFC MOU obligations	138,635			138,635	4,175	134,460
Pollution remediation liabilities	31,103	7,723	(13,931)	24,895	6,663	18,232
Unfunded employer pension contributions	5,162,472	746,129		5,908,601		5,908,601
Total Governmental Activities	<u>14,359,024</u>	<u>1,433,046</u>	<u>(783,361)</u>	<u>15,008,709</u>	<u>802,108</u>	<u>14,206,601</u>
Business-Type Activities						
Compensated absences	8,112	6,424	(6,913)	7,623	4,010	3,613
Capital leases	14,119		(371)	13,748	976	12,772
Claims and claims adjustment liability	1,165,022	1,682,780	(1,694,392)	1,153,410	195,382	958,028
Judgments and contingent liabilities	262	40	(300)	2	2	
Notes payable	1,172		(1,172)			
Loans payable to the Federal government	954,213	155,771	(485,113)	624,871		624,871
Total Business-Type Activities	<u>2,142,900</u>	<u>1,845,015</u>	<u>(2,188,261)</u>	<u>1,799,654</u>	<u>200,370</u>	<u>1,599,284</u>
Total Primary Government	<u>\$ 16,501,924</u>	<u>\$ 3,278,061</u>	<u>\$ (2,971,622)</u>	<u>\$ 16,808,363</u>	<u>\$ 1,002,478</u>	<u>\$ 15,805,885</u>
Major Component Units						
Compensated absences	\$ 23,566	\$ 14,665	\$ (15,419)	\$ 22,812	\$ 3,990	\$ 18,822
Capital leases	454,705	36,699	(59,557)	431,847	45,423	386,424
Prize liability	81,605	3,217	(17,797)	67,025	34,386	32,639
Notes payable	616,906	147,296	(634,664)	129,538	89,499	40,039
Bonds payable	3,431,256	671,660	(840,889)	3,262,027	78,128	3,183,899
Total Major Component Units	<u>\$ 4,608,038</u>	<u>\$ 873,537</u>	<u>\$ (1,568,326)</u>	<u>\$ 3,913,249</u>	<u>\$ 251,426</u>	<u>\$ 3,661,823</u>

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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 being met as of June 30, 2013. 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, 2013 (Expressed in Thousands)
Governmental Activities**

Project Notes	Effective Date	Notional Amounts		Maturity Date	Pay-Fixed		Fair Value 6/30/2012	Fair Value 6/30/2013	Change in Fair Value
		Original	Outstanding		Rate	Variable Rate			
2007 ALCo	5/31/2007	\$ 25,210	\$ 12,745	11/1/2017	3.839%	67% 3M LIBOR +.4%	\$ (1,283)	\$ (866)	\$ 417
2007 ALCo	5/31/2007	71,310	67,040	11/1/2021	4.042%	67% 3M LIBOR +.52%	(12,042)	(8,872)	3,170
2007 ALCo	5/31/2007	70,935	70,935	11/1/2025	4.125%	67% 3M LIBOR +.55%	(18,764)	(12,621)	6,143
2007 ALCo	5/31/2007	75,625	59,945	11/1/2025	4.066%	67% 3M LIBOR +.53%	(11,730)	(8,442)	3,288
Total		<u>\$ 243,080</u>	<u>\$ 210,665 **</u>				<u>\$ (43,819)</u>	<u>\$ (30,801)</u>	<u>\$ 13,018 *</u>

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

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

**Governmental Activities
Future debt service requirements for aggregated ALCo Notes Associated with Interest Rate Swaps at
June 30, 2013, are as follows
(Expressed in Thousands)**

Year Ending June 30	Principal	Interest	Net Swap Payments	Totals
2014	\$ 6,045	\$ 808	\$ 7,635	\$ 14,488
2015	6,295	784	7,413	14,492
2016	6,545	759	7,183	14,487
2017	6,810	685	6,992	14,487
2018	18,005	620	6,560	25,185
2019-2023	88,550	1,815	23,814	114,179
2024-2028	78,415	517	5,035	83,967
Total	<u>\$ 210,665</u>	<u>\$ 5,988</u>	<u>\$ 64,632</u>	<u>\$ 281,285</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 component 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, 2013 and 2012 amounted to \$146.3 and \$147.3 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, 2013, the estimated liability for annual and compensatory leave was \$225,560,000 for the governmental activities, and \$7,624,000 in the business-type activities.

Compensated absence liabilities for the major component units totaled \$22,812,000 at June 30, 2013.

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, 2013. The estimated accumulated amount of unused sick leave at that date for the governmental and business-type activities was \$371,560,578 and \$12,838,953, respectively.

Construction Projects - The Transportation Cabinet, at June 30, 2013, had contractual commitments of approximately \$1,483,436,571 for the construction, maintenance and operation of the highway system. It is anticipated that these projects will be funded with approximately 28 percent State funds, 58 percent Federal funds, and the remaining 14 percent with proceeds from the sale of revenue bonds.

The Commonwealth of Kentucky and the State of Indiana have entered into a legal agreement known as the "Bi-State Development Agreement" which governs "The Louisville-Southern Indiana Ohio River Bridges Project (LSIORBP)." The project consists of the construction of the East End Bridge and highway connections that will complete an outer loop around the greater Louisville area; a Downtown Crossing including a new I-65 bridge for northbound

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traffic; a revamped John F. Kennedy Memorial Bridge for south-bound traffic, and rebuilding of the downtown interchanges on both sides of the Ohio River. Kentucky is responsible for the financing, reconstruction and operational improvements of the Downtown Crossing Bridges; and, Indiana is responsible for financing and constructing the East End Crossing.

The Ohio River Bridge Project structures will be ultimately owned 50% by Indiana and 50% by Kentucky and is expected to cost \$2.6 billion. Kentucky's portion of the total project cost is estimated to be \$1.3 billion and Indiana's portion is estimated to be \$1.3 billion. Kentucky plans to finance its portion of the LSIORBP through the Kentucky Public Transportation Infrastructure Authority (KPTIA), an entity created in 2009 by legislation codified in KRS175B. The project will be funded in part with a combination of governmental purpose tax-exempt debt in the form of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, GARVEE bonds backed by future federal funds, and governmental purpose tax-exempt and taxable debt in the form of toll revenue bonds. The toll revenue bonds and the TIFIA loan will be issued by KPTIA and paid solely by Kentucky's share of project revenues (primarily tolls). These financing instruments will not be debt of or the responsibility of the Commonwealth.

Under the six year highway plan adopted by Kentucky, the Kentucky parties will provide up to \$536 million in future federal funds to be used for the Downtown Crossing. This includes \$300 million in traditional federal funds (\$50 million per State Fiscal Year for six years beginning with State Fiscal Year 2013) and the proceeds of an estimated \$236 million of previously authorized GARVEE bonds, for a total of \$536 million. In addition, Kentucky will utilize approximately \$750 million in tax exempt and taxable bonds and notes, a portion of which will be retired in 2017 with a \$452 million low interest, long-term TIFIA loan from the U.S. Department of Transportation.

The Commonwealth of Kentucky has spent approximately \$300 million to date and the State of Indiana has spent approximately \$189 million to date. Kentucky's expenditures are included in the construction in progress and Infrastructure amounts reflected in the governmental activities column of the Government-Wide Statement of Net Position.

Deferred Inflows of Resources – Deferred inflows of resources in the governmental funds represents unavailable revenues. "Unavailable" means that the assets are not available to finance expenditures of the current fiscal period.

Unearned Revenue – Unearned revenue may result from the recognition of assets before the earnings process is complete and is reported as a contingent liability.

Note 17

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, 2013, and prior to December 14, 2013, and reported other subsequent events for the same period, as described below.

The Kentucky Asset/Liability Commission issued \$212,545,000 of Project Notes, 2013 Federal Highway Trust Fund First Series A (Non Taxable), dated August 8, 2013. These project notes mature September 1, 2017 through September 1, 2025 and carry interest rates of 2.00% to 5.25%. The proceeds will fund project development activities related to the Kentucky portion of the Louisville-Southern Indiana Ohio Bridges Project (LSIORBP).

The Turnpike Authority of Kentucky issued \$187,625,000 of Economic Development Road Revenue Bonds, 2013 Series A dated October 2, 2013. These bonds mature July 1, 2015 through July 1, 2033 and carry interest rates of 2.00% to 5.00%. The net proceeds will be used to pay the costs of certain additions and improvements to the Kentucky Economic Development Road System approved within the six-year highway plan.

Morehead State University issued \$9,475,000 General Receipts Bonds, 2013 Series A dated September 24, 2013. These Bonds consist of: \$7,105,000 Series A serial bonds maturing April 1, 2014 through April 1, 2033 carrying interest rates of 1.00% to 4.375% and \$2,370,000 Series A term bonds maturing on April 1, 2023 with an interest rate of 3.05% and April 1, 2027 with an interest rate of 3.60%. The proceeds of the bonds will be used by the University to renovate both the interior and exterior of the Mignon Residence Hall.

The Kentucky Higher Education Student Loan Corporation issued \$384,000,000 Student Loan Asset-backed Bonds, Series 2013-2 dated November 19, 2013 with a final maturity date of September 1, 2028 which carry variable interest rates that change based on specified indices. These bonds will bear interest, except for the initial accrual period, at an annual rate equal to 100% of one-month LIBOR as of the second business day prior to the applicable interest accrual period plus .60%. The proceeds from the sale of the bonds will be used to make an initial deposit to the Acquisition Fund and the Reserve Fund. Amounts deposited to the Acquisition Fund along with certain other moneys available to the Corporation are expected to be used to purchase for cancellation certain of the outstanding bond issued by the Corporation under the 1997 General Bond Resolution and to pay certain costs of issuing the 2013-1 Bonds.

The Kentucky Housing Corporation issued \$99,970,000 of Housing Revenue Bonds dated July 10, 2013, consisting of: \$36,470,000 Series C (Taxable) Serial Bonds maturing semi annually January 1 and July 1, 2014 through July 1, 2023 carrying interest rates of .4400% to 3.522%; \$885,000 3.200% Series D Serial Bonds (Non-AMT) due July 1, 2023; \$11,000,000 3.750% Series D Term Bonds (Non-AMT) due July 1, 2028; \$12,370,000 4.000% Series D Term Bonds (Non-AMT) due July 1, 2028; \$25,155,000 3.500% Series D Term Bonds (Non-AMT) due January 1, 2033; \$7,590,000 Series E (Non-AMT) Serial Bonds maturing semi annually January 1 and July 1, 2016 through July 1, 2023 carrying interest rates of 1.000% to 3.200%; \$2,200,000 Series F (AMT) Serial Bonds maturing semi annually January 1 and July 1, 2014 through January 1, 2016 carrying interest rates of .500% to 1.200%; \$2,295,000 4.000% Series G Term Bonds (Non-AMT) due July 1, 2033; \$895,000 4.300% Series G Term Bonds (Non-AMT) due July 1, 2038; \$1,110,000 4.375% Series G Term Bonds (Non-AMT) due July 1, 2043. This bond issue is subject to early redemption at the option of the Corporation. The proceeds of the Series C Bonds will be applied to the refunding, in their entirety, of the Corporation's 2003 Series D Bonds, 2003 Series G Bonds, and 2003 Series F Bonds. The proceeds of the 2013 Series E Bonds and the 2013 Series F Bonds will be applied to the refunding, in their entirety, of the Corporation's 2004 Series A Bonds and 2004 Series B Bonds. The proceeds of the 2013 Series G Bonds will be used, in their entirety, by the Corporation to finance single family mortgage loans for persons and families of lower and moderate income in the Commonwealth.

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, 2013, and maturing as to principal through 2034 as displayed in the table on page 117.

COMMONWEALTH OF KENTUCKY
Notes to Financial Statements
June 30, 2013

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

School District	Delivery Date	Principal at Issue	State Share	Interest Rates (%)
Allen County	11/07/13	\$ 9,505,000	\$ 2,096,522	2.000%-4.000%
Ashland Independent	09/18/13	11,300,000	1,554,587	3.000%-4.500%
Bath County	11/26/13	1,495,000	1,260,411	1.300%-4.100%
Bourbon County	09/03/13	468,000	243,817	2.750%-4.050%
Bullitt County	10/24/13	26,815,000	6,259,961	2.000%-4.125%
Crittenden County	07/08/13	2,165,000	807,504	1.250%-3.600%
Fayette County	07/10/13	49,270,000	2,462,082	2.000%-5.000%
Gallatin County	11/27/13	385,000	375,718	2.300%
Graves County	07/17/13	8,395,000	5,341,758	1.200%-4.000%
Grayson County	10/22/13	5,870,000	1,671,522	2.000%-4.000%
Greenup County	09/10/13	785,000	445,576	1.850%-4.250%
Knox County	07/02/13	3,195,000	3,195,000	2.000%-3.850%
Mason County	08/08/13	2,315,000	2,315,000	1.950%-4.000%
Lawrence County	09/19/13	2,320,000	793,434	1.200%-4.350%
Lyon County	07/02/13	685,000	152,909	1.700%-4.000%
Meade County	11/20/13	9,015,000	547,417	1.000%-3.650%
Mercer County	11/14/03	2,400,000	865,250	2.000%-4.000%
Oldham County	08/01/13	10,360,000	2,349,766	3.875%
Simpson County	07/23/13	1,735,000	478,402	1.600%-4.000%
Webster County	08/29/13	4,650,000	537,779	1.500%-4.000%
		<u>\$ 153,128,000</u>	<u>\$ 33,754,415</u>	

COMMONWEALTH OF KENTUCKY

Notes to Financial Statements

June 30, 2013

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
100 Airport Rd.
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, 2013

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

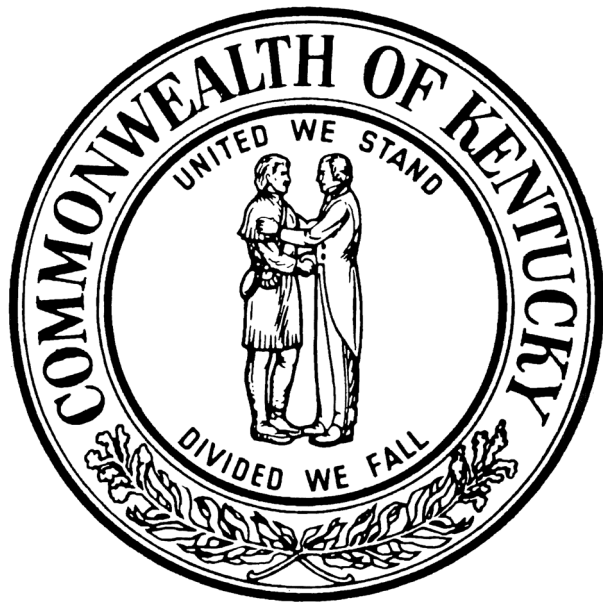
Office of the Petroleum Storage Tank
Environmental Assurance Fund
81 C. Michael Davenport Boulevard
Frankfort, KY 40601

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, 2013
(Expressed in Thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Budgeted:				
Taxes	\$ 8,952,449	\$ 8,952,449	\$ 8,957,340	\$ 4,891
Licenses, fees, and permits	36,389	36,389	31,606	(4,783)
Intergovernmental	38,026	38,026	16,673	(21,353)
Charges for services	7,022	7,022	8,083	1,061
Fines and forfeits	31,521	31,521	46,416	14,895
Interest and other investment income	1,500	1,500	711	(789)
Lottery proceeds	214,000	214,000	215,267	1,267
Other revenues	26,918	26,918	72,230	45,312
Tobacco Settlement	92,100	92,100	101,728	9,628
Subtotal of Budgeted Revenues	9,399,925	9,399,925	9,450,054	50,129
Other Budgeted Financial Resources:				
Transfers in (intrafund)				
Transfers in (interfund)	108,194	108,194	109,178	984
Total Budgeted Revenues	9,508,119	9,508,119	9,559,232	51,113
Expenditures				
General Government:				
Executive Office of the Governor	5,219	5,227	5,227	
Office of Homeland Security	203	203	203	
Kentucky Infrastructure Authority	1,386	1,386	1,386	
Department of Veterans Affairs	17,978	18,018	18,018	
Office of State Budget Director	2,963	3,126	3,126	
State Planning Fund	159			
Unified Prosecutorial System:				
Commonwealth Attorneys	38,868	38,935	38,935	
County Attorneys	33,596	33,669	33,669	
Department of Agriculture	16,019	16,052	15,802	250
Office of the Attorney General	10,084	10,187	10,187	
Auditor of Public Accounts	4,401	4,468	4,468	
Registry of Election Finance	1,147	1,149	1,149	
Military Affairs	8,514	21,033	14,342	6,691
Governor's Office for Local Development	7,743	7,815	7,752	63
Local Government:				
Economic Assistance Fund	73,793	55,134	55,134	
Economic Development Fund	75,276	42,999	42,999	
Area Development Fund	499	499	499	
Secretary of State	1,646	1,650	1,650	
Secretary of Treasury	1,725	1,729	1,729	
Board of Elections	3,908	3,939	3,938	1
School Facilities Construction Commission	99,378	99,379	95,907	3,472
Executive Branch Ethics Commission	439	439	439	
Commission on Human Rights	1,616	1,619	1,619	
Commission on Women	206	207	205	2
Council on Postsecondary Education	46,165	46,175	44,499	1,676
Budget Reserve Trust Fund	121,723	121,723		121,723
Personnel:				
State Salary Compensation Fund	2,200			
State Group Health Insurance	1,258	1,258	1,258	

	Original	Final	Actual	Variance
Universities:				
Eastern Kentucky University	\$ 67,674	\$ 67,674	\$ 67,674	\$
Kentucky State University	23,537	23,537	23,537	
Morehead State University	41,564	41,564	41,564	
Murray State University	48,006	48,006	48,006	
Northern Kentucky University	46,835	46,835	46,835	
University of Kentucky	283,869	283,869	283,869	
University of Louisville	163,049	163,049	160,203	2,846
Western Kentucky University	72,425	72,425	72,425	
Kentucky Community and Technical College System	191,456	191,456	191,456	
Finance and Administration:				
General Administration & Support	6,645	6,657	6,657	
Debt Service	419,293	419,293	395,162	24,131
Office of the Controller	6,078	6,083	6,083	
Department for Facilities Management	5,352	5,363	5,363	
Kentucky Higher Education Assistance Authority	194,927	194,927	186,473	8,454
Special Accounts - Tobacco Settlement	94,394	104,022	101,728	2,294
Finance - County Costs	16,734	21,336	21,335	1
Department of Revenue:				
General Operations	85,319	85,404	85,403	1
Office of Property Valuation Administrators	36,539	36,625	36,625	
Appropriations Not Otherwise Classified:				
Judgements		575	564	11
Board of Claims Awards	340	418	418	
Guardian Ad Litem	2,375	11,558	11,108	450
Prior Year Claims	450	382	70	312
Unredeemed Checks Refunded	970	2,470	2,302	168
Involuntary Commitments	60	60	48	12
Blanket Employee Bonds	75	74	56	18
Frankfort In Lieu of Taxes	195	195	195	
Frankfort Cemetery	2	3	3	
Police and Firemen Life Insurance	309	298	9	289
Attorney General Expense	350	350	306	44
Medical Malpractice Liability Insurance Reimbursements	165	165	115	50
Total General Government	2,387,099	2,372,691	2,199,732	172,959
Legislative and Judicial:				
General Assembly	25,842	25,842	15,548	10,294
Legislative Research Commission	39,039	39,039	32,981	6,058
Judicial Retirement System	11,500	11,500	11,500	
Court of Justice - Court Facility Use	237	237	117	120
Court of Justice - Operation and Administration	183,137	183,136	183,136	
Court of Justice - Local Facility Support	121,578	121,578	112,726	8,852
Total Legislative and Judicial	381,333	381,332	356,008	25,324

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, 2013
(Expressed in Thousands)

	Original	Final	Actual	Variance
Commerce:				
Economic Development:				
Office of the Secretary	\$ 12,891	\$ 31,559	\$ 21,961	\$ 9,598
Financial Incentives	13,775			
Business Development	3,084			
Commerce Cabinet: Office of the Secretary	2,528	2,533	2,533	
Kentucky State Fair Board	88	88	88	
Kentucky Horse Park	2,372	2,374	2,374	
Department of Parks	28,079	28,144	28,144	
Department of Travel	2,998	3,004	3,004	
Berea Artisans Center	327	328	328	
Total Commerce	<u>66,142</u>	<u>68,030</u>	<u>58,432</u>	<u>9,598</u>
Education:				
General Administration and Program Support	4,792	4,800	4,799	1
Commission on the Deaf and Hard of Hearing	764	765	765	
Kentucky Heritage Council	717	718	718	
Kentucky Arts Council	2,772	2,775	2,775	
Department of Education:				
Support Education Excellence In KY (SEEK)	2,899,841	2,886,841	2,882,091	4,750
Bureau of Support Services	46,510	46,615	46,615	
Learning Results Services	882,324	859,363	856,617	2,746
Kentucky Educational Television	11,861	11,880	11,880	
Kentucky Historical Society	5,624	5,631	5,631	
Kentucky Center for the Arts	802	802	802	
Education Professional Standards Board	7,142	7,146	7,146	
Libraries and Archives -				
Direct Local Aid	5,326	2,996	2,996	
Public Library Facilities Construction Debt Assistance		2,330	2,330	
General Operations	5,690	5,701	5,701	
Teachers' Retirement System	244,670	244,670	244,670	
Workforce Investment:				
Office of the Blind	1,203	1,206	1,206	
Technical Education	23,972	7,916	7,893	23
Vocational Rehabilitation	11,075	11,086	11,086	
Total Education and Humanities	<u>4,155,085</u>	<u>4,103,241</u>	<u>4,095,721</u>	<u>7,520</u>
Human Resources:				
Health and Family Services:				
Administrative Services	31,279	27,358	27,358	
Department for Community Based Services	329,384	329,575	329,575	
Office of the Inspector General		3,961	3,961	
Office of Health Policy	433	434	434	
Department for Aging and Independent Living	43,658	43,668	43,668	
Department of Income Support	11,941	11,941	11,941	
Department for Public Health	56,085	56,111	56,111	
Department for Mental Health and Mental Retardation	182,586	182,626	182,626	
Department for Human Support Services	428	52,577	52,577	
Department for Medicaid Services	35,122	35,130	35,130	
Medicaid Services Benefits	1,301,697	1,301,697	1,301,697	
Commission for Children With Special Health Care Needs	4,674	4,682	4,682	
Total Human Resources	<u>1,997,287</u>	<u>2,049,760</u>	<u>2,049,760</u>	

	Original	Final	Actual	Variance
Justice:				
Office of the Secretary	\$ 10,129	\$ 10,138	\$ 10,138	\$
Department of State Police	65,296	65,401	65,401	
Department of Juvenile Justice	79,405	79,583	79,583	
Department for Public Advocacy	39,974	40,044	40,044	
Department of Corrections:				
Management	9,494	9,514	9,514	
Adult Institutions	270,451	270,889	270,213	676
Local Jail Allotment	16,964	16,964	16,964	
Community Services and Local Facilities	158,052	183,145	181,234	1,911
Total Justice	<u>649,765</u>	<u>675,678</u>	<u>673,091</u>	<u>2,587</u>
Natural Resources and Environmental Protection:				
General Administration & Support	3,254	3,259	3,259	
Energy Development & Independence	1,324	1,326	1,326	
Kentucky River Authority	242	243	243	
Kentucky Nature Preserves Commission	980	982	982	
Environmental Protection	20,566	20,607	20,607	
Department for Natural Resources	34,880	18,991	18,991	
Mine Safety and Licensing		13,260	13,260	
Surface Mining Reclamation and Enforcement		7,182	7,182	
Total Natural Resources and Environmental Protection	<u>61,246</u>	<u>65,850</u>	<u>65,850</u>	
Public Protection and Regulation:				
General Administration & Support	262	262	262	
Board of Claims and Crime Victims Compensation	594	594	594	
Board of Tax Appeals	401	413	413	
Kentucky Racing Commission	2,610	2,610	2,610	
Public Service Commission	15,462	15,476	9,258	6,218
Mine Safety Review Commission		189	189	
Department of: Alcoholic Beverage Control	685	685	685	
Housing, Buildings, and Construction	2,137	2,137	2,137	
Labor:				
Workplace Standards	1,718	1,721	1,721	
General Administration & Support	2,932	2,937	2,937	
Total Public Protection and Regulation	<u>26,801</u>	<u>27,024</u>	<u>20,806</u>	<u>6,218</u>
Transportation:				
General Administration and Support	500	500	459	41
Public Transportation	5,318	5,318	5,018	300
Total Transportation	<u>5,818</u>	<u>5,818</u>	<u>5,477</u>	<u>341</u>
Total Expenditures	<u>9,730,576</u>	<u>9,749,424</u>	<u>9,524,877</u>	<u>224,547</u>
Excess of Revenues Over (Under) Expenditures	(222,457)	(241,305)	34,355	275,660
Fund Balance at July 1		(2,577,318)	247,367	
Non-Budgeted Items			(2,560)	
Fund Balance at June 30	<u>\$ (222,457)</u>	<u>\$ (2,818,623)</u>	<u>\$ 279,162</u>	<u>\$</u>

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, 2013
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Revenues				
Budgeted:				
Taxes	\$ 1,348,987	\$ 1,348,987	\$ 1,341,152	\$ (7,835)
Licenses, fees, and permits	133,985	133,985	137,315	3,330
Intergovernmental			14	14
Charges for services	9,420	9,420	8,989	(431)
Fines and forfeits	32	32	141	109
Interest and other investment income	2,300	2,300	(394)	(2,694)
Other revenues	4,915	4,915	4,219	(696)
Total Budgeted Revenues	1,499,639	1,499,639	1,491,436	(8,203)
Non-Budgeted:				
Taxes				
Licenses, fees, and permits				
Intergovernmental				
Charges for services				
Fines and forfeits				
Interest and other investment income				
Other revenues				
Transfers in (interfund)			2,777	2,777
Transfers in (intrafund)				
Total Non-Budgeted Revenue			2,777	2,777
Total Revenues	1,499,639	1,499,639	1,494,213	(5,426)
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				
Registry of Election Finance				
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				

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$
						290,381	
						170,399	
		7,102,690				43,274	
		2,457				3,818,366	
		(8)				7,957	
		24				5,664	
		103,547				377,855	
		5,175				693,607	
		2,459				2,978,146	
		7,216,344				8,385,649	
		7,216,344				8,385,649	
646	1,351	875	476	209	209	84	125
8,931	14,696	11,994	2,702	1,338	1,638	985	653
29,345	67,145	55,185	11,960	34,117	34,117	737	33,380
				266	266	187	79
				87	87	87	
				34,410	34,410	34,001	409
54	57	56	1	1,495	1,495	1,146	349
583	583	476	107	317	392	262	130
5,249	5,789	5,006	783	8,383	9,133	7,674	1,459
2,378	3,833	3,150	683	6,187	7,388	5,638	1,750
				6,456	7,481	7,071	410
					15	4	11
42,842	112,843	82,926	29,917	41,235	41,235	31,442	9,793
				451	451	391	60
38,393	46,000	42,557	3,443	200	500	67	433
				1,848	1,849	1,248	601
				1,169	1,169	799	370
				519	525	453	72
				82	82	74	8
				367	367	339	28
				303	313	295	18
				283	300	295	5
				84	84	81	3
				1	1		1
				6	13	11	2
				155	185	183	2
				4	4	3	1
				46	46	40	6
				9	21	17	4
				753	906	904	2
				74	74	62	12
5,305	5,306	303	5,003	120	223	22	201
				362	412	381	31
				405	405	386	19
				63	63	58	5
				236	236	200	36

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, 2013
(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				
Commission on Women				
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	400	
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	2,720	2,307	2,307	
Office of Property Valuation Administrators		414	414	
Department for Facilities Management				
Total General Government	3,620	3,621	3,621	

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$
				244	244	220	24
				1,287	1,287	1,170	117
				81	81	61	20
				188			
				61	61	56	5
				2,765	2,765	2,532	233
				5,903	5,903	4,627	1,276
				55	55	48	7
				191	192	165	27
				11	11	11	
				135	135	127	8
				193	193	189	4
				116	116	90	26
				107	107	99	8
				791	791	773	18
				1,473	1,506	1,446	60
				408	408	394	14
				24	44	37	7
				1,215	1,215	1,189	26
				170	170	165	5
				278	278	264	14
				102	101	72	29
				161	161	150	11
				2,009	2,009	1,782	227
				659	659	626	33
233	454	445	9				
17,997	20,997	17,386	3,611	6,353	7,273	5,284	1,989
				1	1	1	
				28,870	28,870	26,309	2,561
				8,362	8,362	6,503	1,859
				276,356	276,356	239,213	37,143
				58,884	58,884	33,866	25,018
				187,171	187,172	87,508	99,664
				123,890	123,890	114,483	9,407
				194,149	194,149	166,985	27,164
				2,466,869	2,466,869	1,803,791	663,078
				1,042,862	1,042,862	364,078	678,784
				319,135	319,135	229,879	89,256
				749,211	749,211	285,714	463,497
3,500	10,213	9,036	1,177	3,214	3,215	2,615	600
				9,296	9,046	6,084	2,962
522	3,855	1,991	1,864	305	14,266	13,209	1,057
2,015	2,015	1,950	65	28,448	31,348	28,909	2,439
					250	83	167
				1,703	1,702	1,281	421
				38,245	38,245	38,209	36
				7,063	7,063	5,220	1,843
				3,569	7,019	7,000	19
				1,097	2,797	2,747	50
157,993	295,137	233,336	61,801	5,715,720	5,742,572	3,580,891	2,161,681

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, 2013
(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 Parks				
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				
Commission on Proprietary Education				
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	923	923	328	595
				1,786	1,786		1,786
					353	183	170
5,200	5,200	4,245	955	58,989	58,987	46,038	12,949
5,201	5,201	4,245	956	61,698	62,049	46,549	15,500
	7,955	457	7,498	596	2,722	1,924	798
7,848				1,568			
107				152			
				10,313	11,313	11,313	
					18	18	
				94	94	38	56
				1,583	1,583	1,555	28
16,487	16,487	13,903	2,584	29,126	32,162	31,962	200
24,442	24,442	14,360	10,082	43,432	47,892	46,810	1,082
				866	866	863	3
				246	246	201	45
736	885	675	210	276	344	262	82
760	1,065	1,065		152	152	10	142
153	439	146	293	5,427	5,712	5,190	522
511,485	605,803	548,352	57,451	2,942	16,578	14,542	2,036
270,144	330,144	296,406	33,738	8,784	11,784	3,803	7,981
	230	230		1,451	3,575	2,242	1,333
41	854	754	100	493	493	488	5
					188	87	101
121	211	173	38	922	922	297	625
678	678	597	81	896	896	666	230
2,072	2,187	1,873	314	1,430	1,927	1,517	410
				12,030	12,030	9,148	2,882
8,950	8,950	7,579	1,371	719	998	752	246
170,080	170,080	109,400	60,680	33,150	33,150	29,357	3,793
12,122	804	697	107	19,980	6,343	6,337	6
43,413	43,413	41,593	1,820	2,349	4,259	3,898	361
1,020,755	1,165,743	1,009,540	156,203	92,113	100,463	79,660	20,803

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, 2013
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Human Resources:				
Health and Family Services:				
Administrative Support	\$	\$	\$	\$
Health Benefit Exchange				
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	89,476	89,476	89,476	
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	89,476	89,476	89,476	
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	300	
Department for Natural Resources				
Mining Safety and Licensing				
Surface Mining Reclamation and Enforcement				
Abandoned Mine Lands Reclamation Projects				
Total Natural Resources and Environmental Protection	300	300	300	
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				
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
\$ 26,139	\$ 29,139	\$ 28,660	\$ 479	\$ 9,535	\$ 11,735	\$ 11,661	\$ 74
	8,000	8,000			75	26	49
52,220	52,220	42,425	9,795	121	121	121	
452,446	503,397	479,808	23,589	139,231	183,907	182,792	1,115
13,741	13,741	13,303	438	3,303	3,303	3,057	246
400	2,550	2,507	43	776	776	353	423
18,457	24,834	22,375	2,459	1,827	3,327	3,034	293
33,071	33,071	29,215	3,856	12,504	12,504	11,093	1,411
211,263	211,263	191,619	19,644	116,064	116,064	81,510	34,554
35,115	36,890	35,003	1,887	226,732	226,732	214,560	12,172
56,654	66,154	66,153	1	14,943	14,943	13,702	1,241
4,055,015	4,060,016	4,058,508	1,508	436,863	436,863	436,401	462
4,664	4,664	4,652	12	6,971	6,971	6,426	545
3,080	4,280	4,020	260	94	94	11	83
4,962,265	5,050,219	4,986,248	63,971	968,964	1,017,415	964,747	52,668
10,001	10,001	9,992	9	5,769	5,769	5,044	725
12,502	18,002	16,557	1,445	22,038	28,738	28,682	56
2,418	2,418	1,931	487	4,044	5,144	4,743	401
12,261	12,261	10,584	1,677	11,000	12,200	12,200	
188	188	164	24	48,764	48,764	48,635	129
183	183	91	92	300	300	9	291
1,930	1,930	1,081	849	5,234	5,234	4,082	1,152
540	2,040	1,040	1,000	3,030	3,030	175	2,855
40,023	47,023	41,440	5,583	100,179	109,179	103,570	5,609
1,133	1,133	1,080	53	1,384	1,384	983	401
8,687	8,687	2,219	6,468	5,226	5,226	2,321	2,905
				6,120	6,120	3,338	2,782
50	1,191	926	265	222	222	194	28
23,219	24,703	24,270	433	328	538	322	216
5,552	8,884	3,457	5,427	36,103	37,624	31,349	6,275
582	642	342	300	4,288	5,188	4,203	985
10,865	10,884	10,199	685	565	1,335	1,099	236
37,383	39,072	37,398	1,674	2,744	3,259	2,854	405
				8,989	6,804	5,100	1,704
87,471	95,196	79,891	15,305	65,969	67,700	51,763	15,937
564	874	843	31	5,236	3,961	3,495	466
				1,104	1,104	1,050	54
407	457	456	1	25,387	25,387	21,089	4,298
				148	148	116	32
				358	359	217	142
					1,275	1,067	208
				4,956	4,956	4,368	588
				3,276	3,276	3,062	214
				10,528	10,528	8,948	1,580
	103	102	1	16,562	16,563	15,211	1,352
3,537	3,537	1,896	1,641	19,899	19,829	16,435	3,394
3,555	4,159	3,548	611	200			
237	297	258	39	2,818	2,818	2,493	325
8,300	9,427	7,103	2,324	90,472	90,204	77,551	12,653

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, 2013
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Transportation:				
Administration & Support	\$ 64,931	\$ 65,673	\$ 62,686	\$ 2,987
Revenue Sharing	517,751	513,741	392,918	120,823
Air Transportation	3,233	3,232	2,190	1,042
Highways	1,269,329	1,319,641	746,056	573,585
Public Transportation				
Vehicle Regulation	24,555	24,555	22,539	2,016
Debt Service	150,965	150,965	135,497	15,468
Transfers to Capital Projects	13,280	13,280	7,324	5,956
BRAC Economic Development Road Bonds				
GARVEE Louisville Bridges Project Bonds				
GARVEE Western KY Bridges Project				
2005 GARVEE Bond Series				
2005 Ed Bond Series				
LSIORB Toll Revenue Bonds				
Total Transportation	<u>2,044,044</u>	<u>2,091,087</u>	<u>1,369,210</u>	<u>721,877</u>
Total Expenditures	<u>2,137,790</u>	<u>2,184,834</u>	<u>1,462,957</u>	<u>721,877</u>
Excess of Revenues over (under)				
Expenditures	<u>(638,151)</u>	<u>(685,195)</u>	<u>31,256</u>	<u>716,451</u>
Other Financing Sources (Uses)				
Proceeds from Trustees				
Total Other Financing Sources (Uses)				
Excess of Revenues and Other Financing				
Sources over (under) Expenditures and				
Other Financing Uses	(638,151)	(685,195)	31,256	716,451
Fund Balances at July 1		(2,351,767)	684,564	
Non-Budgeted Items			(277)	
Fund Balances at June 30	<u>\$ (638,151)</u>	<u>\$ (3,036,962)</u>	<u>\$ 715,543</u>	<u>\$</u>

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$ 20	\$ 20	\$	\$ 20
					2,327	754	1,573
1,254	1,253	31	1,222	10,889	10,888	4,613	6,275
1,456,456	1,456,456	688,216	768,240	95,643	88,941	70,156	18,785
68,771	68,771	28,041	40,730	440	440	440	
2,730	2,730	2,510	220	14,407	14,479	12,011	2,468
				89,471	89,471	31,939	57,532
				279,935	164,934	25,920	139,014
				330,000	330,000		330,000
				33,627	40,327	24,170	16,157
				576,857	576,857	133,448	443,409
					115,000	96,337	18,663
1,529,211	1,529,210	718,798	810,412	1,431,289	1,433,684	399,788	1,033,896
7,835,661	8,221,598	7,094,961	1,126,637	8,569,836	8,671,158	5,351,329	3,319,829
		121,383				3,034,320	
						739	
						739	
		121,383				3,035,059	
		173,722				1,539,100	
		(7,182)				(3,332,761)	
\$	\$	\$ 287,923	\$	\$	\$	\$ 1,241,398	\$

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 budgetary 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

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2013

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, 2013, 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, 2013: Budgetary basis	\$ 279,162	\$ 715,543	\$ 287,923	\$ 1,241,398
Adjustments:				
Accrued revenues	341,867	140,366	363,041	55,543
Accrued expenditures	(344,604)	(118,230)	(419,924)	(78,985)
Accrued transfers (net)			(39,874)	39,874
Total Accruals (1)	(2,737)	22,136	(96,757)	16,432
Reclassifications and other adjustments:				
Inventory balances (1)	7,298	57,062	153	2,865
To reclassify financial and other resources into financial statement fund types (2)	9,028	141	(145,968)	(895,495)
To record financial resources available as non-budgeted funds (3)	(91,554)			15,520
Fund Balance Fund balance June 30, 2013: GAAP Basis	\$ 201,197	\$ 794,882	\$ 45,351	\$ 380,720
(1) Basis differences				
(2) Perspective differences				
(3) Entity differences				

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2013

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Good	56.6%	59.3%	62.4%	62.8%	60.7%
Fair	24.7%	21.6%	22.6%	19.5%	24.8%
Poor	18.7%	19.1%	15.0%	17.7%	14.5%

Bridges

Measurement Scale

KYTC maintains information on its 8,976 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, 2013

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>
2012	6.5%	6.4%
2011	6.6%	6.9%
2010	7.0%	6.5%
2009	7.4%	7.3%
2008	7.6%	8.7%

Fiscal Year 2009:

Estimated	\$ 929.0	\$ 150.0	\$ 1,079.0
Actual *	\$ 867.5	\$ 57.8	\$ 925.3

Fiscal Year 2008:

Estimated	\$ 707.8	\$ 181.5	\$ 889.3
Actual *	\$ 850.6	\$ 141.2	\$ 991.8

* Prior year actual expenditures have been restated.

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 2014:</u>	\$1,030.6	\$ 84.9	\$1,115.5
Estimated			
<u>Fiscal Year 2013:</u>			
Estimated	\$ 951.1	\$ 112.7	\$1,063.8
Actual *	\$1,009.4	\$ 73.5	\$1,082.9
<u>Fiscal Year 2012:</u>			
Estimated	\$ 839.2	\$ 103.1	\$ 942.3
Actual *	\$1,009.5	\$ 81.1	\$1,090.6
<u>Fiscal Year 2011:</u>			
Estimated	\$ 872.3	\$ 108.9	\$ 981.2
Actual *	\$ 855.2	\$ 79.2	\$ 923.3
<u>Fiscal Year 2010:</u>			
Estimated	\$ 809.4	\$ 103.1	\$ 912.5
Actual *	\$ 838.4	\$ 94.9	\$ 933.3

COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
ENTITY RISK POOLS
CLAIMS DEVELOPMENT INFORMATION
FOR THE LAST TEN YEARS
(Expressed in Thousands)

State Workers' Compensation Program

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Earned Premiums	\$ 18,146	\$ 22,950	\$ 24,812	\$ 23,395	\$ 24,293	\$ 21,764	\$ 23,666	\$ 22,094	\$ 22,993	\$ 24,500
Administrative Expense	480	385	1,149	1,127	1,070	1,094	936	1,031	1,013	955
Incurred Claims as Originally Estimated	20,320	20,899	19,493	18,161	16,765	21,006	19,084	20,372	21,269	21,348
Claims Paid (Cumulative) as of:										
End of Fiscal Year	3,656	4,520	4,131	4,898	4,078	4,907	4,613	5,497	5,245	4,201
One Year Later	7,225	7,233	7,862	8,716	7,585	8,252	8,675	9,233	9,568	
Two Years Later	8,596	9,347	9,632	10,947	9,316	9,328	10,433	11,153		
Three Years Later	10,008	10,424	10,873	12,259	10,364	10,065	11,489			
Four Years Later	10,921	11,209	11,609	12,981	11,115	10,319				
Five Years Later	11,842	11,798	12,126	13,899	11,592					
Six Years Later	12,644	12,334	12,663	14,407						
Seven Years Later	13,403	12,769	13,110							
Eight Years Later	13,827	13,140								
Nine Years Later	14,149									
Re-estimation of Incurred Claims:										
End of Fiscal Year	20,320	20,899	19,493	18,161	16,765	21,006	19,084	20,372	21,269	21,348
One Year Later	19,209	18,824	17,769	19,152	17,770	19,270	20,373	21,613	22,466	
Two Years Later	18,694	17,659	17,758	20,192	17,851	18,313	20,170	21,966		
Three Years Later	18,682	17,753	18,338	20,618	18,483	18,183	21,106			
Four Years Later	18,446	18,502	18,755	21,460	19,849	17,847				
Five Years Later	18,946	18,717	19,417	22,379	20,188					
Six Years Later	19,282	18,937	19,931	22,906						
Seven Years Later	19,970	19,617	20,288							
Eight Years Later	20,731	20,190								
Nine Years Later	21,305									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	985	(710)	795	4,745	3,423	(3,159)	2,022	1,595	1,197	

SOURCE: Compilation Report

COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
ENTITY RISK POOLS
CLAIMS DEVELOPMENT INFORMATION
FOR THE LAST EIGHT YEARS
(Expressed in Thousands)

Kentucky Public Employees Health Plan

	2006**	2007	2008	2009	2010	2011 as restated	2012	2013
Earned Premiums	\$ 578,263	\$ 1,091,702	\$ 1,191,248	\$ 1,310,553	\$ 1,466,303	\$ 1,571,312	\$ 1,600,787	\$ 1,597,599
Administrative Expense	28,998	57,782	68,883	72,836	77,104	81,048	82,088	81,459
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	1,530,199
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	1,434,661
One Year Later	473,766	1,035,700	1,173,449	1,290,727	1,399,923	1,477,129	1,533,569	
Two Years Later	473,046	1,043,837	1,173,366	1,289,633	1,396,976	1,466,785		
Three Years Later	475,709	1,043,442	1,169,819	1,289,628	1,396,631			
Four Years Later	475,656	1,043,442	1,169,814	1,289,628				
Five Years Later	475,656	1,043,442	1,169,814					
Six Years Later	475,656	1,043,442						
Seven 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	1,530,199
One Year Later	473,872	1,035,976	1,173,890	1,289,389	1,398,877	1,474,723	1,532,352	
Two Years Later	473,046	1,043,923	1,173,323	1,289,628	1,396,631	1,466,629		
Three Years Later	475,715	1,043,442	1,169,814	1,289,628	1,396,631			
Four Years Later	475,656	1,043,442	1,169,814	1,289,628				
Five Years Later	475,656	1,043,442	1,169,814					
Six Years Later	475,656	1,043,442						
Seven 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	(8,673)	513,904	

** 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 that 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 that 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.

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.

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Assets			
Cash and cash equivalents	\$ 3,697	\$	\$ 9,564
Investments, net of amortization			135,556
Invested security collateral			66,791
Receivables, net			57,306
Notes receivable			1,925
Interfund receivables	102,904		6,157
Interfund loan receivable			12,227
Inventories			50
Total Assets	<u>\$ 106,601</u>	<u>\$</u>	<u>\$ 289,576</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$	\$	\$ 606
Interfund payables			12,139
Obligations under securities lending			66,791
Unearned revenue	1,646		
Total Liabilities	<u>1,646</u>	<u></u>	<u>79,536</u>
Deferred inflows of resources			
Unavailable			39,045
Fund Balances:			
Nonspendable			
Inventories			50
Long-term receivables			1,925
Restricted for:			
General government			15,344
Legislative and judicial			
Commerce			1,619
Education and humanities			10,316
Human resources			96,728
Natural resources and environmental protection			33
Public protection and regulation			
Transportation	104,955		1,199
Committed to:			
General government			46,546
Legislative and judicial			26
Education and humanities			7,140
Human resources			694
Justice			
Natural resources and environmental protection			
Assigned to:			
General government			2,305
Education and humanities			
Justice			
Transportation			
Unassigned			(12,930)
Total Fund Balances	<u>104,955</u>	<u></u>	<u>170,995</u>
Total Liabilities and Fund Balances	<u>\$ 106,601</u>	<u>\$</u>	<u>\$ 289,576</u>

Special Revenue Funds				
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Special Benefits	Bluegrass State Skills Corporation	Total Non-Major Governmental Funds
\$ 108,666	\$ 13,020	\$ 105,002	\$	\$ 239,949
95,541	8,210	70,223		309,530
		50,896		117,687
		51,373	1,371	110,050
		3,298		1,925
				112,359
				12,227
				50
<u>\$ 204,207</u>	<u>\$ 21,230</u>	<u>\$ 280,792</u>	<u>\$ 1,371</u>	<u>\$ 903,777</u>
\$ 130	\$ 24	\$ 7,356	\$ 1,363	\$ 9,479
102,904	2,948	1,900		119,891
		50,896		117,687
				1,646
<u>103,034</u>	<u>2,972</u>	<u>60,152</u>	<u>1,363</u>	<u>248,703</u>
		46,110		85,155
				50
				1,925
		36,994		52,338
		1,011		1,011
	18,258	4,208	8	1,627
		9,070		32,782
				105,798
		41,928		41,961
		13,552		13,552
101,173				207,327
		68,064		114,610
		3,544		26
		3,698		10,684
		47		4,392
				47
		17,574		17,574
		4		2,309
		5		5
		30		30
		4,675		4,675
		(29,874)		(42,804)
<u>101,173</u>	<u>18,258</u>	<u>174,530</u>	<u>8</u>	<u>569,919</u>
<u>\$ 204,207</u>	<u>\$ 21,230</u>	<u>\$ 280,792</u>	<u>\$ 1,371</u>	<u>\$ 903,777</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Revenues			
Taxes	\$	\$	\$ 80,941
Licenses, fees, and permits			858
Intergovernmental			
Charges for services			75,994
Fines and forfeits			21,929
Interest and other investment income	18		(9)
Increase (decrease) in fair value of investments			129
Securities lending income			319
Other revenues	3,606		35,367
Total Revenues	3,624		215,528
Expenditures			
Current:			
General government		65,470	135,680
Legislative and judicial			1
Commerce			226
Education and humanities			56,969
Human resources			1,631
Justice			
Natural resources and environmental protection			182
Public protection and regulation			
Transportation			
Debt service:			
Principal retirement	52,455	67,403	
Interest and fiscal charges	67,929	28,441	
Other expenditures		9,843	
Securities lending expense			180
Total Expenditures	120,384	171,157	194,869
Excess (Deficiency) of Revenues over (under) Expenditures	(116,760)	(171,157)	20,659
Other Financing Sources (Uses)			
Transfers in	135,402	95,596	287,708
Transfers out			(342,512)
Issuance of bonds:			
New issues		65,470	
Refunding issues		77,414	
Premiums			
Discounts		(408)	
Payments to refunded bond escrow agent		(66,915)	
Total Other Financing Sources (Uses)	135,402	171,157	(54,804)
Net Change in Fund Balances	18,642		(34,145)
Fund Balances at July 1, As Restated	86,313		205,133
Increase (Decrease) in Inventory			7
Fund Balances at June 30	\$ 104,955	\$	\$ 170,995

Special Revenue Funds				
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Special Benefits	Bluegrass State Skills Corporation	Total Non-Major Governmental Funds
\$	\$	\$	\$	\$
		2,552		80,941
		55	4,184	3,410
		112,150		4,239
		3,793		188,144
649	57	132		25,722
	(18)	494		847
		243		605
9,774	10,357	143,538		562
10,423	10,396	262,957	4,184	202,642
				507,112
175,250	15,626	70,409		462,435
		95	4,185	1
		13,312		4,506
		18,958		70,281
		1,719		20,589
		3,798		1,719
		61,863		3,980
		63,516		61,863
				63,516
				119,858
				96,370
				9,843
		137		317
175,250	15,626	233,807	4,185	915,278
(164,827)	(5,230)	29,150	(1)	(408,166)
135,498	16,710	15,118		686,032
(135,402)	(12,138)	(72,372)		(562,424)
				65,470
				77,414
				(408)
				(66,915)
96	4,572	(57,254)		199,169
(164,731)	(658)	(28,104)	(1)	(208,997)
265,904	18,916	202,634	9	778,909
				7
\$ 101,173	\$ 18,258	\$ 174,530	\$ 8	\$ 569,919

SCHEDULE OF FUND ACTIVITIES

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed In Thousands)

Revenues by Source	June 30, 2013
Taxes:	
Sales and gross receipts	\$ 3,898,238
Income:	
Individual	3,761,245
Corporations	421,651
Property	656,075
Coal severance	236,888
Licenses and privileges	(103)
Inheritance and estate	41,378
Miscellaneous	2,716
Total Taxes	9,018,088
Licenses, fees, and permits	27,639
Intergovernmental	15,543
Charges for services	231,349
Fines and forfeits	46,431
Interest and other investment income	1,637
Increase (decrease) in fair value of investments	(218)
Securities lending income	722
Other revenues	67,560
Total Revenues by Source	\$ 9,408,751

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed In Thousands)

	June 30, 2013
General Government:	
Personal services	\$ 256,512
Utilities, rentals, and other services	40,964
Commodities and supplies	24,075
Grants and subsidies	1,213,692
Capital outlay	75
Travel	1,154
Judgments and contingent liabilities	1,092
Other	2,392
Total General Government	1,539,956
Legislative and Judicial:	
Personal services	195,580
Utilities, rentals, and other services	121,079
Commodities and supplies	22,155
Grants and subsidies	13,358
Capital outlay	134
Claims	10
Travel	3,620
Judgments and contingent liabilities	45
Total Legislative and Judicial	355,981
Commerce:	
Personal services	11,306
Utilities, rentals, and other services	1,272
Commodities and supplies	825
Grants and subsidies	14,294
Travel	177
Total Commerce	27,874
Education and Humanities:	
Personal services	89,677
Utilities, rentals, and other services	22,960
Commodities and supplies	6,403
Grants and subsidies	3,990,187
Capital outlay	57
Claims	1
Travel	1,374
Total Education and Humanities	4,110,659
Human Resources:	
Personal services	211,879
Utilities, rentals, and other services	38,845
Commodities and supplies	6,480
Grants and subsidies	1,764,768
Capital Outlay	96
Claims	2
Travel	5,866
Total Human Resources	2,027,936
Justice:	
Personal services	394,436
Utilities, rentals, and other services	44,802
Commodities and supplies	20,299
Grants and subsidies	210,040
Capital outlay	31
Claims	70
Travel	2,464
Judgments and contingent liabilities	2,388
Total Justice	674,530

	June 30, 2013
Natural Resources and Environmental Protection:	
Personal services	\$ 58,227
Utilities, rentals, and other services	5,880
Commodities and supplies	2,857
Grants and subsidies	2,054
Travel	283
Judgments and contingent liabilities	179
Total Natural Resources and Environmental Protection	69,480
Public Protection and Regulation:	
Personal services	14,591
Utilities, rentals, and other services	1,433
Commodities and supplies	355
Grants and subsidies	200
Travel	265
Judgments and contingent liabilities	230
Total Public Protection and Regulation	17,074
Transportation:	
Personal services	361
Commodities and supplies	27
Grants and subsidies	5,113
Travel	12
Total Transportation	5,513
Securities Lending Expense	406
Total Expenditures	\$ 8,829,409

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES BY TYPE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed In Thousands)

	June 30, 2013
Revenues:	
Taxes	\$ 1,340,825
Licenses, fees and permits	137,427
Intergovernmental	14
Charges for services	8,989
Fines and forfeits	141
Interest and other investment income	(5,581)
Increase (decrease) in fair value of investments	4,565
Securities lending income	1,587
Other revenues	4,219
Total Revenues	<u>1,492,186</u>
Expenditures:	
Transportation:	
General administration and support	490
Motor vehicle regulation	77,650
Justice - state police	87,141
Highways	1,128,948
Aviation	1,220
Securities lending expense	893
Other	663
Total Expenditures	<u>\$ 1,297,005</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 POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,825	\$ 17,762	\$ 1,041
Cash with fiscal agents	224		
Receivables, net	8	109	438
Interfund receivables	234	5,165	140
Inventories	17	280	2,592
Prepaid expenses		418	
Total Current Assets	<u>7,308</u>	<u>23,734</u>	<u>4,211</u>
Noncurrent assets:			
Investments, net	63	4,235	9
Receivables, net			
Land			657
Improvements other than buildings			
Buildings		9,498	5,846
Machinery and equipment	79,377	36,671	4,962
Easements and other intangibles		1,675	
Less: Accumulated depreciation	(56,856)	(35,339)	(5,380)
Construction in progress			
Total Capital Assets	<u>22,521</u>	<u>12,505</u>	<u>6,085</u>
Total Noncurrent Assets, Net	<u>22,584</u>	<u>16,740</u>	<u>6,094</u>
Total Assets	<u>29,892</u>	<u>40,474</u>	<u>10,305</u>
Liabilities			
Current liabilities:			
Accounts payable	1,542	5,235	1,056
Interfund payables	17	1,017	36
Claims liability			
Claims adjustment liability			
Capital lease obligations	3,959	1,137	
Compensated absences	61	2,880	244
Unearned revenue		600	
Total Current Liabilities	<u>5,579</u>	<u>10,869</u>	<u>1,336</u>
Noncurrent liabilities:			
Claims liability			
Claims adjustment liability			
Capital lease obligations	8,945	1,858	
Compensated absences	72	1,804	204
Total Noncurrent Liabilities	<u>9,017</u>	<u>3,662</u>	<u>204</u>
Total Liabilities	<u>14,596</u>	<u>14,531</u>	<u>1,540</u>
Net Position			
Net investment in capital assets	9,618	9,510	6,085
Unrestricted	5,678	16,433	2,680
Total Net Position	<u>\$ 15,296</u>	<u>\$ 25,943</u>	<u>\$ 8,765</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2013
\$	\$ 15,334	\$ 21,228	\$ 62,190
	55	908	224
591	206		1,518
33			6,336
		9	2,922
624	15,595	22,145	427
			73,617
	19,610	3,661	27,578
		119	119
	17,562		18,219
	3,133		3,133
	260,539		275,883
623	1,932		123,565
			1,675
(598)	(161,109)		(259,282)
	78,365		78,365
25	200,422		241,558
25	220,032	3,780	269,255
649	235,627	25,925	342,872
143	1,892	651	10,519
1,046	2,709	32	4,857
		27,089	27,089
		898	898
	668		5,764
63	1,318	107	4,673
	133	1	734
1,252	6,720	28,778	54,534
		178,715	178,715
		5,261	5,261
	9,318		20,121
19	446	44	2,589
19	9,764	184,020	206,686
1,271	16,484	212,798	261,220
25	190,436		215,674
(647)	28,707	(186,873)	(134,022)
\$ (622)	\$ 219,143	\$ (186,873)	\$ 81,652

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Operating Revenues:			
Charges for services	\$ 24,504	\$ 88,734	\$ 10,767
Other revenues	238	21	1
Total Operating Revenues	<u>24,742</u>	<u>88,755</u>	<u>10,768</u>
Operating Expenses:			
Personal services	1,626	67,366	3,494
Utilities, rentals, and other services	2,806	7,567	2,163
Commodities and supplies	16,101	16,088	4,158
Grants and subsidies		24	205
Depreciation and amortization	4,283	2,975	407
Travel		71	22
Reinsurance expense			
Claims expense			
Claims adjustment expense			
Total Operating Expenses	<u>24,816</u>	<u>94,091</u>	<u>10,449</u>
Operating Income (Loss)	<u>(74)</u>	<u>(5,336)</u>	<u>319</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of fixed assets	881	(867)	(42)
Interest and other investment income			
Interest expense	(152)	(172)	
Other revenues (expenses)			
Total Nonoperating Revenues and Expenses	<u>729</u>	<u>(1,039)</u>	<u>(42)</u>
Income (Loss) before Transfers	655	(6,375)	277
Capital contributions	434	363	
Transfers in			
Transfers out	<u>(3,000)</u>	<u>(4,053)</u>	
Change in Net Position	(1,911)	(10,065)	277
Net Position at July 1	17,207	36,008	8,488
Net Position at June 30	<u>\$ 15,296</u>	<u>\$ 25,943</u>	<u>\$ 8,765</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2013
\$ 1,412	\$ 36,706	\$ 43,555	\$ 205,678
	1	13,109	13,370
1,412	36,707	56,664	219,048
896	21,821	2,900	98,103
491	14,017	6,557	33,601
267	6,185	12	42,811
			229
60	5,274		12,999
	205	9	307
		906	906
	8	63,981	63,989
		171	171
1,714	47,510	74,536	253,116
(302)	(10,803)	(17,872)	(34,068)
(362)	(9)		(399)
		16	16
(39)	(261)		(624)
		65	65
(401)	(270)	81	(942)
(703)	(11,073)	(17,791)	(35,010)
			797
502	17,175		17,677
	(2,729)	(7,055)	(16,837)
(201)	3,373	(24,846)	(33,373)
(421)	215,770	(162,027)	115,025
\$ (622)	\$ 219,143	\$ (186,873)	\$ 81,652

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Cash Flows from Operating Activities			
Cash received from customers - public	\$	\$ 83,312	\$ 3,307
Cash received from customers - state	24,677	2,851	7,969
Cash payments to suppliers for goods and services	(18,564)	(23,515)	(6,883)
Cash payments for employee salaries and benefits	(1,633)	(65,633)	(3,565)
Cash payments for claims expense			
Cash payments from other sources	237	21	1
Cash payments to other sources		(24)	(205)
Net Cash Provided (Used) by Operating Activities	<u>4,717</u>	<u>(2,988)</u>	<u>624</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds			
Transfers to other funds	(3,000)	(4,053)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(3,000)</u>	<u>(4,053)</u>	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(5,744)	(162)	(938)
Principal paid on revenue bond maturities and equipment contracts	(2,769)	(1,085)	
Interest paid on revenue bonds and equipment contracts	(152)	(172)	
Proceeds from the sale of capital assets	6,173		5
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(2,492)</u>	<u>(1,419)</u>	<u>(933)</u>
Cash Flows from Investing Activities			
Purchase of investment securities			
Proceeds from the sale of investment securities	1,814	12,322	316
Interest and dividends on investments			
Net Cash Provided (Used) in Investing Activities	<u>1,814</u>	<u>12,322</u>	<u>316</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,039	3,862	7
Cash and Cash Equivalents at July 1	5,786	13,900	1,034
Cash and Cash Equivalents at June 30	<u>\$ 6,825</u>	<u>\$ 17,762</u>	<u>\$ 1,041</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (74)	\$ (5,336)	\$ 319
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	4,283	2,975	407
Miscellaneous nonoperating income (expense)			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	401	706	(102)
Interfund receivables	(229)	(3,877)	611
Inventories	(6)	55	(174)
Prepaid expenses	172	(173)	
Increase (decrease) in liabilities:			
Accounts payable	176	(96)	(383)
Interfund payables	1	354	(4)
Claims liability			
Claims adjustment liability			
Compensated absences	(7)	1,804	(50)
Unearned revenue		600	
Net Cash Provided by Operating Activities	<u>\$ 4,717</u>	<u>\$ (2,988)</u>	<u>\$ 624</u>
Noncash Investing, Capital, and Financing Activities			
Contributions of capital assets	433	363	
Capital assets acquired through leases	8,006	3,049	
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 8,439</u>	<u>\$ 3,412</u>	<u>\$</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2013
\$	\$	\$	\$
863	87	18,786	105,492
(259)	36,217	37,657	110,234
(877)	(21,412)	(194)	(70,827)
	(21,322)	(4,031)	(97,061)
	(8)	(40,597)	(40,605)
	1	65	325
		(1,012)	(1,241)
(273)	(6,437)	10,674	6,317
502	17,175		17,677
	(2,729)	(7,055)	(16,837)
502	14,446	(7,055)	840
	(235)		(7,079)
(190)	(390)		(4,434)
(39)	(261)		(624)
			6,178
(229)	(886)		(5,959)
	(3,581)	(2,305)	(5,886)
		4,384	18,836
		16	16
	(3,581)	2,095	12,966
	3,542	5,714	14,164
	11,792	15,514	48,026
\$	\$	\$	\$
	15,334	21,228	62,190
\$	\$	\$	\$
(302)	(10,803)	(17,872)	(34,068)
60	5,274		12,999
		65	65
		16	1,021
(550)	(79)	55	(4,069)
(5)			(130)
		6,777	6,776
63	(302)	8,875	8,333
442	(908)		(115)
		12,588	12,588
		171	171
19	705	(1)	2,470
	(324)		276
\$	\$	\$	\$
(273)	(6,437)	10,674	6,317
			796
			11,055
\$	\$	\$	\$
			11,851

CAPITAL ASSETS

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY SOURCE
JUNE 30, 2013
(Expressed In Thousands)

	June 30, 2013
Governmental Funds Capital Assets	
Land	\$ 172,151
Improvements other than buildings	18,198
Buildings	1,095,298
Machinery and equipment	505,055
Other intangibles	41,832
Easements	131,053
Construction in progress	1,748,475
Infrastructure	19,775,678
Total Governmental Funds Capital Assets	\$ 23,487,740
 Investments in Governmental Funds Capital Assets by Source	
General Fund	\$ 110,869
Special Revenue Funds	636,580
Donations	136,801
Other	1,570,040
Capital Projects Fund:	
State appropriations	50,813
Revenue bonds	511,013
Federal grants	290,801
Other	187,637
Infrastructure (A)	19,775,679
Capital assets acquired prior to July 1, 1984 (A)	150,548
Capital assets acquired after July 1, 1984 (A)	66,959
Total Governmental Funds Capital Assets by Source	\$ 23,487,740

(1) Internal Service Funds are not included in this schedule. Internal Service Fund assets are included as governmental activities in the Statement of Net Position.

(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, 2013
(Expressed in Thousands)

	Land	Improvements Other Than Buildings	Buildings
General Government	\$ 30,412	\$ 7,852	\$ 263,650
Legislative & Judicial	42		
Commerce	81,527	3,051	22,692
Education & Humanities	1,298	664	43,176
Human Resources	1,766	1,257	80,592
Justice	4,650	5,273	493,295
Natural Resources and Environmental Protection	35,438	101	1,233
Public Protection and Regulation			
Transportation	17,018		190,660
Total Governmental Funds Capital Assets by Function	<u>\$ 172,151</u>	<u>\$ 18,198</u>	<u>\$ 1,095,298</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 Position.

<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, 2013</u>
\$ 33,129	\$ 36,605	\$ 55,803	\$ 58,709	\$	\$ 486,160
10,336					10,378
26,936			4,110		138,316
38,108		12,174	2,378		97,798
31,662			233,590		348,867
87,352	5,227		25,014		620,811
35,728		14,069	202		86,771
4,960					4,960
236,844		49,007	1,424,472	19,775,678	21,693,679
<u>\$ 505,055</u>	<u>\$ 41,832</u>	<u>\$ 131,053</u>	<u>\$ 1,748,475</u>	<u>\$ 19,775,678</u>	<u>\$ 23,487,740</u>

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
General Government	\$ 459,713	\$ 55,022	\$ 28,575	\$ 486,160
Legislative & Judicial	12,708	16	2,346	10,378
Commerce	138,494	4,631	4,809	138,316
Education & Humanities	98,525	1,078	1,805	97,798
Human Resources	239,040	110,963	1,136	348,867
Justice	614,747	17,674	11,610	620,811
Natural Resources and Environmental Protection	85,211	3,579	2,019	86,771
Public Protection and Regulation	4,929	1,125	1,094	4,960
Transportation	21,256,783	1,103,101	666,205	21,693,679
Total Governmental Funds Capital Assets by Function	<u>\$ 22,910,150</u>	<u>\$ 1,297,189</u>	<u>\$ 719,599</u>	<u>\$ 23,487,740</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 Position.

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 POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS
JUNE 30, 2013
(Expressed in Thousands)

	Pension Funds	Insurance Funds	Totals June 30, 2013
Assets			
Cash and Short-Term Investments:			
Cash	\$ 47,946	\$ 8,651	\$ 56,597
Medicare drug deposit		102	102
Short-term investments	2,563,122	163,336	2,726,458
Total Cash and Short-Term Investments	<u>2,611,068</u>	<u>172,089</u>	<u>2,783,157</u>
Receivables:			
Investments - accounts receivable	52,515	2,383	54,898
Interest receivable	82,651	12,744	95,395
Accounts receivable	228,042	52,209	280,251
Total Receivables	<u>363,208</u>	<u>67,336</u>	<u>430,544</u>
Investments at Fair Value:			
Corporate and government bonds	5,263,954	1,365,425	6,629,379
Common stocks	16,816,898	2,263,744	19,080,642
Mortgages	3,465,450	254,931	3,720,381
Mutual funds	540,739	1,256	541,995
Real estate	817,555	53,303	870,858
Total Investments at Fair Value	<u>26,904,596</u>	<u>3,938,659</u>	<u>30,843,255</u>
Invested security collateral	1,890,668	511,108	2,401,776
Capital assets, net	25,339		25,339
Prepaid expenses	125	147	272
Total Assets	<u>31,795,004</u>	<u>4,689,339</u>	<u>36,484,343</u>
Liabilities			
Investments - accounts payable	157,366	4,772	162,138
Accounts payable	6,713	63,026	69,739
Obligations under securities lending	1,890,668	511,108	2,401,776
Total Liabilities	<u>2,054,747</u>	<u>578,906</u>	<u>2,633,653</u>
Net position held in trust for pension and other post employment benefits	<u>\$ 29,740,257</u>	<u>\$ 4,110,433</u>	<u>\$ 33,850,690</u>

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Pension Funds	Insurance Funds	Totals June 30, 2013
Additions			
Contributions:			
Employer	\$ 1,336,875	\$ 616,204	\$ 1,953,079
Member	719,286	146,299	865,585
Total Contributions	2,056,161	762,503	2,818,664
Other Contributions:			
Recovery Income	492	6,013	6,505
Medicare D Receipts		11,189	11,189
Participant fees	7,623		7,623
Total Other Contributions	8,115	17,202	25,317
Investment Income:			
Net increase (decrease) in fair value of investments	2,738,480	267,563	3,006,043
Interest	557,442	98,658	656,100
Dividends	188,143	1,323	189,466
Real estate operating income, net	30,060		30,060
Securities lending income, net	8,999	2,008	11,007
Total Investment Income	3,523,124	369,552	3,892,676
Less: Investment expense	79,011	10,206	89,217
Less: Securities lending expense	1,564	297	1,861
Net Investment Income	3,442,549	359,049	3,801,598
Total Additions	5,506,825	1,138,754	6,645,579
Deductions			
Benefit payments	3,432,674	4,615	3,437,289
Refunds	54,293	19	54,312
Administrative expenses	46,008	11,176	57,184
Self funding insurance cost		78,852	78,852
Healthcare premium subsidies		285,752	285,752
Other deductions, net		240,932	240,932
Total Deductions	3,532,975	621,346	4,154,321
Change in Net Position	1,973,850	517,408	2,491,258
Net Position Held in Trust			
Net Position at July 1, As Restated	27,766,407	3,593,025	31,359,432
Net Position at June 30	\$ 29,740,257	\$ 4,110,433	\$ 33,850,690

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
JUNE 30, 2013
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 2,308	\$ 211	\$ 2,631	\$ 399
Short-term investments	93,239	26,067	210,316	79,031
Total Cash and Short-Term Investments	95,547	26,278	212,947	79,430
Receivables:				
Investments - accounts receivable				
Interest receivable	8,401	1,499	17,608	5,553
Accounts receivable	36,852	3,793	47,972	11,293
Total Receivables	45,253	5,292	65,580	16,846
Investments at Fair Value:				
Corporate and government bonds	862,989	156,139	1,846,615	578,076
Common stocks	1,627,599	299,332	3,376,033	1,063,672
Mortgages	97,139	16,119	189,099	61,915
Mutual funds				
Real estate	28,248	11,081	98,537	33,052
Total Investments at Fair Value	2,615,975	482,671	5,510,284	1,736,715
Invested security collateral	258,692	67,714	813,671	251,414
Capital assets, net	5,472	462	9,281	782
Prepaid expenses				
Total Assets	3,020,939	582,417	6,611,763	2,085,187
Liabilities				
Investments - accounts payable				
Accounts payable	1,494	111	2,524	202
Obligations under securities lending	258,692	67,714	813,671	251,414
Total Liabilities	260,186	67,825	816,195	251,616
Net position held in trust for pension benefits	\$ 2,760,753	\$ 514,592	\$ 5,795,568	\$ 1,833,571

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2013
\$ 163	\$ 26,720	\$ 161	\$ 131	\$ 15,222	\$ 47,946
10,528				2,143,941	2,563,122
10,691	26,720	161	131	2,159,163	2,611,068
	52,392	112	11		52,515
698	48,249	525	118		82,651
2,393	72,394			53,345	228,042
3,091	173,035	637	129	53,345	363,208
76,709	1,679,998	52,626	10,802		5,263,954
146,452	10,102,673	163,933	37,204		16,816,898
7,668	3,093,510				3,465,450
	540,739				540,739
4,026	642,611				817,555
234,855	16,059,531	216,559	48,006		26,904,596
34,947	464,230				1,890,668
93	9,249				25,339
	125				125
283,677	16,732,890	217,357	48,266	2,212,508	31,795,004
	157,366				157,366
32	1,515			835	6,713
34,947	464,230				1,890,668
34,979	623,111			835	2,054,747
\$ 248,698	\$ 16,109,779	\$ 217,357	\$ 48,266	\$ 2,211,673	\$ 29,740,257

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 284,218	\$ 27,736	\$ 299,573	\$ 120,874
Member	96,744	11,467	120,777	42,863
Total Contributions	380,962	39,203	420,350	163,737
Other Contributions:				
Recovery Income				
Participant fees				
Total Other Contributions				
Investment Income:				
Net increase (decrease) in fair value of investments	236,845	40,302	452,088	141,113
Interest	76,966	12,657	144,667	45,198
Dividends				
Real estate operating income, net				
Securities lending income, net	1,726	367	2,615	1,055
Total Investment Income	315,537	53,326	599,370	187,366
Less: Investment expense	12,325	1,816	19,876	6,111
Less: Securities lending expense	201	13	333	84
Net Investment Income	303,011	51,497	579,161	181,171
Total Additions	683,973	90,700	999,511	344,908
Deductions				
Benefit payments	873,906	48,855	553,204	179,696
Refunds	12,907	2,762	13,306	3,158
Administrative expenses	10,719	733	17,743	1,202
Total Deductions	897,532	52,350	584,253	184,056
Change in Net Position	(213,559)	38,350	415,258	160,852
Net Position Held in Trust				
Net Position at July 1, As Restated	2,974,312	476,242	5,380,310	1,672,719
Net Position at June 30	\$ 2,760,753	\$ 514,592	\$ 5,795,568	\$ 1,833,571

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2013
\$ 18,549	\$ 568,373	\$ 10,517	\$ 1,696	\$ 5,339	\$ 1,336,875
4,495	304,739	2,181	263	135,757	719,286
23,044	873,112	12,698	1,959	141,096	2,056,161
		392	100		492
				7,623	7,623
		392	100	7,623	8,115
20,293	1,601,762	31,007	6,822	208,248	2,738,480
6,511	254,928	1,852	360	14,303	557,442
	184,106	3,278	759		188,143
	30,060				30,060
159	3,077				8,999
26,963	2,073,933	36,137	7,941	222,551	3,523,124
999	33,143	202		4,539	79,011
10	923				1,564
25,954	2,039,867	35,935	7,941	218,012	3,442,549
48,998	2,912,979	49,025	10,000	366,731	5,506,825
50,559	1,570,838	21,749	3,424	130,443	3,432,674
31	22,059	67	3		54,293
184	8,378	190	113	6,746	46,008
50,774	1,601,275	22,006	3,540	137,189	3,532,975
(1,776)	1,311,704	27,019	6,460	229,542	1,973,850
250,474	14,798,075	190,338	41,806	1,982,131	27,766,407
\$ 248,698	\$ 16,109,779	\$ 217,357	\$ 48,266	\$ 2,211,673	\$ 29,740,257

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
JUNE 30, 2013
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 695	\$ 84	\$ 516	\$ 74
Medicare drug deposit	20	11	43	23
Short-term investments	34,002	14,954	68,156	39,709
Total Cash and Short-Term Investments	34,717	15,049	68,715	39,806
Receivables:				
Investments - accounts receivable				
Interest receivable	1,382	1,071	4,684	2,577
Accounts receivable	12,555	2,096	16,877	6,196
Total Receivables	13,937	3,167	21,561	8,773
Investments at Fair Value:				
Corporate and government bonds	159,403	128,023	557,748	309,623
Common stocks	269,726	210,135	902,453	493,964
Mortgages	14,003	11,068	47,826	26,376
Mutual funds				
Real estate	7,741	5,638	24,439	13,324
Total Investments at Fair Value	450,873	354,864	1,532,466	843,287
Invested security collateral	62,666	54,464	240,037	134,020
Prepaid expenses				
Total Assets	562,193	427,544	1,862,779	1,025,886
Liabilities				
Investments - accounts payable				
Accounts payable	3,487	197	3,782	546
Obligations under securities lending	62,666	54,464	240,037	134,020
Total Liabilities	66,153	54,661	243,819	134,566
Net position held in trust for other post employment benefits	\$ 496,040	\$ 372,883	\$ 1,618,960	\$ 891,320

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2013
\$ 54	\$ 7,106	\$ 40	\$ 82	\$ 8,651
5				102
6,515				163,336
6,574	7,106	40	82	172,089
	2,348	28	7	2,383
409	2,415	132	74	12,744
1,271	13,214			52,209
1,680	17,977	160	81	67,336
48,310	142,311	13,241	6,766	1,365,425
79,897	243,023	41,243	23,303	2,263,744
4,215	151,443			254,931
	1,256			1,256
2,161				53,303
134,583	538,033	54,484	30,069	3,938,659
19,921				511,108
	147			147
162,758	563,263	54,684	30,232	4,689,339
	4,772			4,772
146	54,868			63,026
19,921				511,108
20,067	59,640			578,906
\$ 142,691	\$ 503,623	\$ 54,684	\$ 30,232	\$ 4,110,433

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 162,191	\$ 25,144	\$ 158,212	\$ 84,962
Member	11,154	357	14,512	300
Total Contributions	173,345	25,501	172,724	85,262
Other Contributions:				
Recovery Income	3,140	538	1,781	357
Medicare D Receipts	4,846	243	5,360	562
Total Other Contributions	7,986	781	7,141	919
Investment Income:				
Net increase (decrease) in fair value of investments	30,061	24,273	109,582	59,305
Interest	11,734	9,406	41,307	22,496
Dividends				
Securities lending income, net	471	260	723	471
Total Investment Income	42,266	33,939	151,612	82,272
Less: Investment expense	1,571	1,018	4,280	2,306
Less: Securities lending expense	34	34	138	81
Net Investment Income	40,661	32,887	147,194	79,885
Total Additions	221,992	59,169	327,059	166,066
Deductions				
Benefit payments				
Refunds				
Administrative expenses	4,285	179	4,431	679
Self funding insurance cost	30,225	2,044	41,217	4,099
Healthcare Premiums Subsidies	109,932	14,793	91,272	55,842
Other deductions, net				
Total Deductions	144,442	17,016	136,920	60,620
Change in Net Position	77,550	42,153	190,139	105,446
Net Position Held in Trust				
Net Position at July 1	418,490	330,730	1,428,821	785,874
Net Position at June 30	\$ 496,040	\$ 372,883	\$ 1,618,960	\$ 891,320

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2013
\$ 16,829	\$ 168,256	\$ 610	\$	\$ 616,204
23	119,796	157		146,299
16,852	288,052	767		762,503
	35	99	63	6,013
178				11,189
178	35	99	63	17,202
9,642	22,609	7,815	4,276	267,563
3,702	9,320	467	226	98,658
	21	826	476	1,323
83				2,008
13,427	31,950	9,108	4,978	369,552
424	556	51		10,206
10				297
12,993	31,394	9,057	4,978	359,049
30,023	319,481	9,923	5,041	1,138,754
	4,615			4,615
		17	2	19
184	1,299	48	71	11,176
1,267				78,852
11,279		1,978	656	285,752
	240,932			240,932
12,730	246,846	2,043	729	621,346
17,293	72,635	7,880	4,312	517,408
125,398	430,988	46,804	25,920	3,593,025
\$ 142,691	\$ 503,623	\$ 54,684	\$ 30,232	\$ 4,110,433

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 that are marked for specific purposes such as employee withholdings.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2013
(Expressed in Thousands)

	Commonwealth Choice Program	County Fees Trust Fund	Special Deposit Trust Fund	Totals June 30, 2013
Assets				
Cash and cash equivalents	\$ 1,166	\$ 219	\$ 230,136	\$ 231,521
Investments, net of amortization			28,168	28,168
Invested security collateral			566,368	566,368
Receivables, net		13,039	2,120	15,159
Total Assets	<u>\$ 1,166</u>	<u>\$ 13,258</u>	<u>\$ 826,792</u>	<u>\$ 841,216</u>
Liabilities				
Accounts payable	\$	\$	\$ 180,986	\$ 180,986
Amounts held in custody for others	1,166	13,258	79,438	93,862
Obligations under securities lending			566,368	566,368
Total Liabilities	<u>\$ 1,166</u>	<u>\$ 13,258</u>	<u>\$ 826,792</u>	<u>\$ 841,216</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Balances June 30, 2012	Additions	Deductions	Balances June 30, 2013
<u>COMMONWEALTH CHOICE PROGRAM</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 1,702	\$ 16,093	\$ 16,629	\$ 1,166
Total Assets	<u>\$ 1,702</u>	<u>\$ 16,093</u>	<u>\$ 16,629</u>	<u>\$ 1,166</u>
<u>Liabilities</u>				
Amounts held in custody for others	\$ 1,702	\$ 16,093	\$ 16,629	\$ 1,166
Total Liabilities	<u>\$ 1,702</u>	<u>\$ 16,093</u>	<u>\$ 16,629</u>	<u>\$ 1,166</u>
<u>COUNTY FEES TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 209	\$ 10	\$	\$ 219
Accounts receivable	12,676	135,057	134,694	13,039
Total Assets	<u>\$ 12,885</u>	<u>\$ 135,067</u>	<u>\$ 134,694</u>	<u>\$ 13,258</u>
<u>Liabilities</u>				
Amounts held in custody for others	\$ 12,885	\$ 135,067	\$ 134,694	\$ 13,258
Total Liabilities	<u>\$ 12,885</u>	<u>\$ 135,067</u>	<u>\$ 134,694</u>	<u>\$ 13,258</u>
<u>SPECIAL DEPOSIT TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 196,448	\$ 644,464	\$ 610,776	\$ 230,136
Investments	63,776	1,826	37,434	28,168
Invested security collateral	670,781		104,413	566,368
Accounts receivable	24	2,120	24	2,120
Total Assets	<u>\$ 931,029</u>	<u>\$ 648,410</u>	<u>\$ 752,647</u>	<u>\$ 826,792</u>
<u>Liabilities</u>				
Accounts payable	\$ 216,682	\$ 5,050	\$ 40,746	\$ 180,986
Amounts held in custody for others	43,566	646,290	610,418	79,438
Obligations under securities lending	670,781		104,413	566,368
Total Liabilities	<u>\$ 931,029</u>	<u>\$ 651,340</u>	<u>\$ 755,577</u>	<u>\$ 826,792</u>
<u>ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 198,359	\$ 660,567	\$ 627,405	\$ 231,521
Investments	63,776	1,826	37,434	28,168
Invested security collateral	670,781		104,413	566,368
Accounts receivable	12,700	137,177	134,718	15,159
Total Assets	<u>\$ 945,616</u>	<u>\$ 799,570</u>	<u>\$ 903,970</u>	<u>\$ 841,216</u>
<u>Liabilities</u>				
Accounts payable	\$ 216,682	\$ 5,050	\$ 40,746	\$ 180,986
Amounts held in custody for others	58,153	797,450	761,741	93,862
Obligations under securities lending	670,781		104,413	566,368
Total Liabilities	<u>\$ 945,616</u>	<u>\$ 802,500</u>	<u>\$ 906,900</u>	<u>\$ 841,216</u>

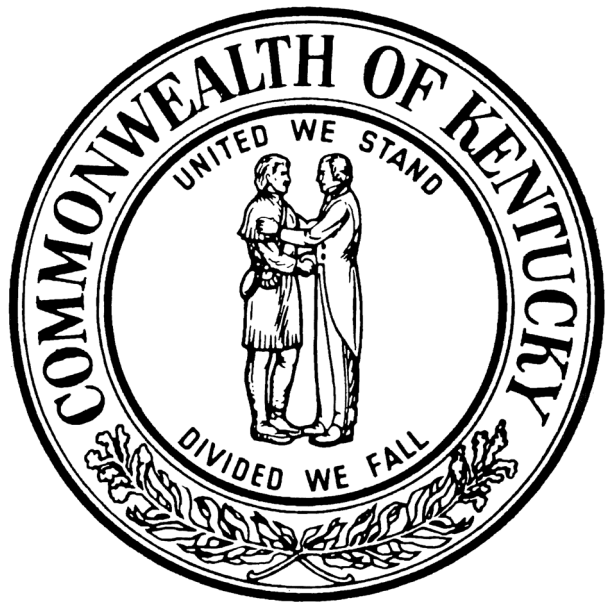
NON-MAJOR COMPONENT UNITS - COMBINING

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2013
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2013
Assets			
Current assets:			
Cash and cash equivalents	\$ 110,434	\$ 338,531	\$ 448,965
Restricted cash	19,813	24,266	44,079
Investments, net of amortization	397,129		397,129
Accounts receivable, net	53,594	93,755	147,349
Interest receivable	6,138	77	6,215
Inventories	1,353	7,104	8,457
Prepaid expenses	1,534	12,200	13,734
Other current assets	66,508	4,284	70,792
Total Current Assets	656,503	480,217	1,136,720
Noncurrent assets:			
Restricted cash	5,275	106,607	111,882
Long-term investments	94,794	175,524	270,318
Restricted long-term investments	14,945	257,536	272,481
Long-term receivables, net	872,239	32,576	904,815
Unamortized cost of issuance	2,362		2,362
Land	28,263	65,529	93,792
Improvements other than buildings	1,592	161,433	163,025
Buildings	442,513	2,030,419	2,472,932
Machinery and equipment	74,082	342,480	416,562
Other capital assets	57,900	125,999	183,899
Less: Accumulated depreciation and amortization	(279,305)	(1,191,211)	(1,470,516)
Construction in progress	5,960	91,563	97,523
Total Capital Assets	331,005	1,626,212	1,957,217
Other assets	4,191	5,677	9,868
Total Noncurrent Assets	1,324,811	2,204,132	3,528,943
Total Assets	1,981,314	2,684,349	4,665,663
Deferred outflows of resources		2,433	2,433
Liabilities			
Current liabilities:			
Accounts payable and accruals	24,294	71,374	95,668
Current portion of long-term debt:			
Notes payable	201	4,424	4,625
Bonds payable	28,305	24,778	53,083
Capital lease obligations	2,408	6,008	8,416
Compensated absences	1,591	21,771	23,362
Claims liability		2,165	2,165
Unearned revenues	6,801	34,315	41,116
Payable from restricted assets		3,817	3,817
Other current liabilities	4,821	9,984	14,805
Total Current Liabilities	68,421	178,636	247,057
Noncurrent liabilities:			
Notes payable	3,991	24,774	28,765
Bonds payable	367,597	446,196	813,793
Capital lease obligations	38,571	46,801	85,372
Compensated absences	1,044	303	1,347
Other long-term liabilities	1,759	93,756	95,515
Total Noncurrent Liabilities	412,962	611,830	1,024,792
Total Liabilities	481,383	790,466	1,271,849
Deferred inflows of resources	7,955	1,785	9,740
Net Position			
Net investment in capital assets	246,902	1,066,934	1,313,836
Restricted for:			
Debt service		2,808	2,808
Capital projects	24,465	58,353	82,818
Other purposes	1,114,514	428,428	1,542,942
Unrestricted	106,095	338,008	444,103
Total Net Position	\$ 1,491,976	\$ 1,894,531	\$ 3,386,507

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2013
Expenses:			
Operating and other expenses	\$ 403,027	\$ 1,300,419	\$ 1,703,446
Total expenses	403,027	1,300,419	1,703,446
Program Revenues:			
Charges for services	106,758	638,811	745,569
Operating grants and contributions	225,668	130,618	356,286
Capital grants and contributions	61,048	751	61,799
Total Program Revenues	393,474	770,180	1,163,654
Net Program (Expense) Revenue	(9,553)	(530,239)	(539,792)
General Revenues:			
Unrestricted grants and contributions	3,270	187,195	190,465
Unrestricted investment earnings	2,593	22,945	25,538
Gain on sale of capital assets	1	628	629
Miscellaneous general	86,198	366,116	452,314
Total General Revenues	92,062	576,884	668,946
Change in Net Position	82,509	46,645	129,154
Net Position at July 1, As Restated	1,409,467	1,847,886	3,257,353
Net Position at June 30	\$ 1,491,976	\$ 1,894,531	\$ 3,386,507



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.

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.

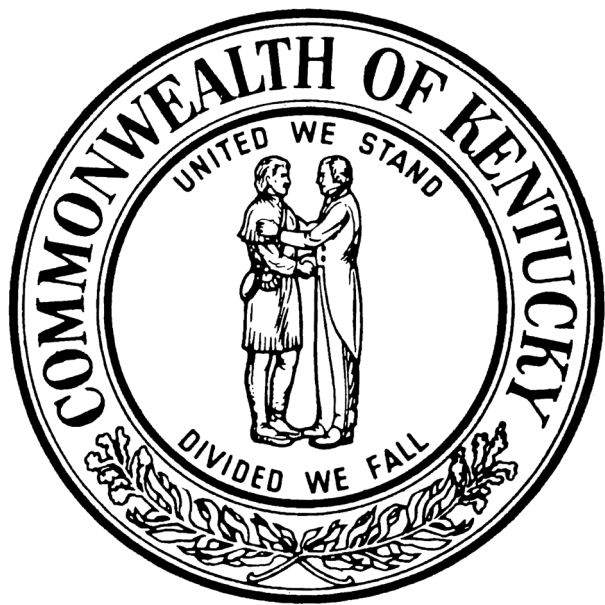
COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - AUTHORITIES
JUNE 30, 2013
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Kentucky State Fair Board	Kentucky Center for the Arts Corporation
Assets				
Current assets:				
Cash and cash equivalents	\$ 883	\$ 18,543	\$ 6,273	\$ 1,490
Restricted cash	19,813			
Investments, net of amortization		6,423		554
Accounts receivable, net	637	17,541	1,739	233
Interest receivable		185		5
Inventories				40
Prepaid expenses	1,088			292
Other current assets		450	1,364	
Total Current Assets	22,421	43,142	9,376	2,614
Noncurrent assets:				
Restricted cash		501	4,345	
Long-term investments		43,782		15,313
Restricted long-term investments				
Long-term receivables, net		12,683		
Unamortized cost of issuance				
Land	546		26,345	129
Improvements other than buildings			1,170	
Buildings	432	12,072	371,554	34,161
Machinery and equipment	262	1,966	6,225	29,936
Other capital assets	51,937			4,334
Less: Accumulated depreciation and amortization	(7,830)	(5,538)	(174,984)	(46,289)
Construction in progress	1,302		4,650	
Total Capital Assets	46,649	8,500	234,960	22,271
Other assets		4,148		
Total Noncurrent Assets	46,649	69,614	239,305	37,584
Total Assets	69,070	112,756	248,681	40,198
Liabilities				
Current liabilities:				
Accounts payable and accruals	310	1,603	13,766	760
Current portion of long-term debt:				
Notes payable				90
Bonds payable			255	
Capital lease obligations	672	525	1,186	25
Compensated absences	82	664		
Unearned revenues			4,756	470
Other current liabilities				58
Total Current Liabilities	1,064	2,792	19,963	1,403
Noncurrent liabilities:				
Notes payable				2,500
Bonds payable			31,605	
Capital lease obligations	28,424	3,760	6,284	103
Compensated absences	21			170
Other long-term liabilities				
Total Noncurrent Liabilities	28,445	3,760	37,889	2,773
Total Liabilities	29,509	6,552	57,852	4,176
Deferred inflows of resources			4,755	
Net Position				
Net investment in capital assets	17,296	4,215	190,906	17,935
Restricted for:				
Capital projects	19,814		4,313	
Other purposes		101,989		3,179
Unrestricted	2,451		(9,145)	14,908
Total Net Position	\$ 39,561	\$ 106,204	\$ 186,074	\$ 36,022

Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Artisan Center	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation
\$ 4,207	\$ 21,059	\$ 42	\$ 43,678	\$ 3,173
10,096		59	379,997	
1,079	20	32		31,141
41	34		5,849	
1,004		309		
145				
147	9,459		54,744	
16,719	30,572	442	484,268	34,314
429				
	339		27,896	2,000
5,266			6,096	
140	17,943		841,137	
9			2,353	
76		1,167		
16,393		6,706		
34,679		963		
1,629				
(42,056)		(1,413)		
8				
10,729		7,423		
16,573	18,282	7,423	877,482	2,000
33,292	48,854	7,865	1,361,750	36,314
1,317	177	122	6,100	14
111			25,520	
669	78	70		28
1,533			4,763	
3,630	255	192	36,383	42
1,491			333,557	
647	122	80		4
2,138	122	80	333,557	4
5,768	377	272	369,940	46
3,200				
9,127		7,423		
338				
6,135	8,644		991,810	
8,724	39,833	170		36,268
\$ 24,324	\$ 48,477	\$ 7,593	\$ 991,810	\$ 36,268

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - AUTHORITIES
JUNE 30, 2013
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2013
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,939	\$ 7,363	\$ 784	\$ 110,434
Restricted cash				19,813
Investments, net of amortization				397,129
Accounts receivable, net		247	925	53,594
Interest receivable		24		6,138
Inventories				1,353
Prepaid expenses			9	1,534
Other current assets		344		66,508
Total Current Assets	2,939	7,978	1,718	656,503
Noncurrent assets:				
Restricted cash				5,275
Long-term investments	1,853		3,611	94,794
Restricted long-term investments		2,335	1,248	14,945
Long-term receivables, net		336		872,239
Unamortized cost of issuance				2,362
Land				28,263
Improvements other than buildings			422	1,592
Buildings			1,195	442,513
Machinery and equipment			51	74,082
Other capital assets				57,900
Less: Accumulated depreciation and amortization			(1,195)	(279,305)
Construction in progress				5,960
Total Capital Assets			473	331,005
Other assets		43		4,191
Total Noncurrent Assets	1,853	2,714	5,332	1,324,811
Total Assets	4,792	10,692	7,050	1,981,314
Liabilities				
Current liabilities:				
Accounts payable and accruals		43	82	24,294
Current portion of long-term debt:				
Notes payable				201
Bonds payable		2,530		28,305
Capital lease obligations				2,408
Compensated absences				1,591
Unearned revenues			42	6,801
Other current liabilities				4,821
Total Current Liabilities		2,573	124	68,421
Noncurrent liabilities:				
Notes payable				3,991
Bonds payable		2,435		367,597
Capital lease obligations				38,571
Compensated absences				1,044
Other long-term liabilities			1,759	1,759
Total Noncurrent Liabilities		2,435	1,759	412,962
Total Liabilities		5,008	1,883	481,383
Deferred inflow of resources				7,955
Net Position				
Net investment in capital assets				246,902
Restricted for:				
Capital projects				24,465
Other purposes			2,757	1,114,514
Unrestricted	4,792	5,684	2,410	106,095
Total Net Position	\$ 4,792	\$ 5,684	\$ 5,167	\$ 1,491,976



COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Kentucky State Fair Board
Expenses:			
Operating and other expenses	\$ 3,511	\$ 225,609	\$ 54,389
Total expenses	<u>3,511</u>	<u>225,609</u>	<u>54,389</u>
Program Revenues:			
Charges for services	2,562	28,605	41,914
Operating grants and contributions		212,017	
Capital grants and contributions	1,387		
Total Program Revenues	<u>3,949</u>	<u>240,622</u>	<u>41,914</u>
Net Program (Expense) Revenue	<u>438</u>	<u>15,013</u>	<u>(12,475)</u>
General Revenues:			
Unrestricted grants and contributions			2,940
Unrestricted investment earnings	2		(2,229)
Gain on sale of capital assets			
Miscellaneous general	243		3,411
Total General Revenues	<u>245</u>		<u>4,122</u>
Change in Net Position	<u>683</u>	<u>15,013</u>	<u>(8,353)</u>
Net Position at July 1, As Restated	38,878	91,191	194,427
Net Position at June 30	<u>\$ 39,561</u>	<u>\$ 106,204</u>	<u>\$ 186,074</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
\$ 13,277	\$ 26,094	\$ 2,922	\$ 2,410	\$ 71,807	\$ 1,134
13,277	26,094	2,922	2,410	71,807	1,134
6,498	2,274	1,139	1,584	18,034	
1,605	8,602		679		1,262
130	116			59,415	
8,233	10,992	1,139	2,263	77,449	1,262
(5,044)	(15,102)	(1,783)	(147)	5,642	128
330					
1,875	1,375	1		854	
1					
3,556	12,180	48		66,760	
5,762	13,555	49		67,614	
718	(1,547)	(1,734)	(147)	73,256	128
35,304	25,871	50,211	7,740	918,554	36,140
\$ 36,022	\$ 24,324	\$ 48,477	\$ 7,593	\$ 991,810	\$ 36,268

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2013
Expenses:				
Operating and other expenses	\$ 4	\$ 324	\$ 1,546	\$ 403,027
Total expenses	4	324	1,546	403,027
Program Revenues:				
Charges for services		3,441	707	106,758
Operating grants and contributions			1,503	225,668
Capital grants and contributions				61,048
Total Program Revenues		3,441	2,210	393,474
Net Program (Expense) Revenue	(4)	3,117	664	(9,553)
General Revenues:				
Unrestricted grants and contributions				3,270
Unrestricted investment earnings	10	77	628	2,593
Gain on sale of capital assets				1
Miscellaneous general				86,198
Total General Revenues	10	77	628	92,062
Change in Net Position	6	3,194	1,292	82,509
Net Position at July 1, As Restated	4,786	2,490	3,875	1,409,467
Net Position at June 30	\$ 4,792	\$ 5,684	\$ 5,167	\$ 1,491,976

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS-AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Totals June 30, 2013
Cash Flows from Operating Activities			
Cash payments to suppliers for goods and services	\$ (1)	\$ (4)	\$ (5)
Cash payments for employee salaries and benefits	(178)		(178)
Cash payments from other sources	(3,938)		(3,938)
Net Cash Provided (Used) by Operating Activities	(4,117)	(4)	(4,121)
Cash Flows from Investing Activities			
Proceeds from the sale of investment securities	2,571	501	3,072
Interest and dividends on investments		10	10
Net Cash Provided (Used) in Investing Activities	2,571	511	3,082
Net Increase (Decrease) in Cash and Cash Equivalents	(1,546)	507	(1,039)
Cash and Cash Equivalents at July 1	4,719	2,432	7,151
Cash and Cash Equivalents at June 30	<u>\$ 3,173</u>	<u>\$ 2,939</u>	<u>\$ 6,112</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 128	\$ (4)	\$ 124
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	(4,252)		(4,252)
Increase (decrease) in liabilities:			
Accounts payable	6		6
Compensated absences	1		1
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,117)</u>	<u>\$ (4)</u>	<u>\$ (4,121)</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 POSITION
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
JUNE 30, 2013
(Expressed in Thousands)

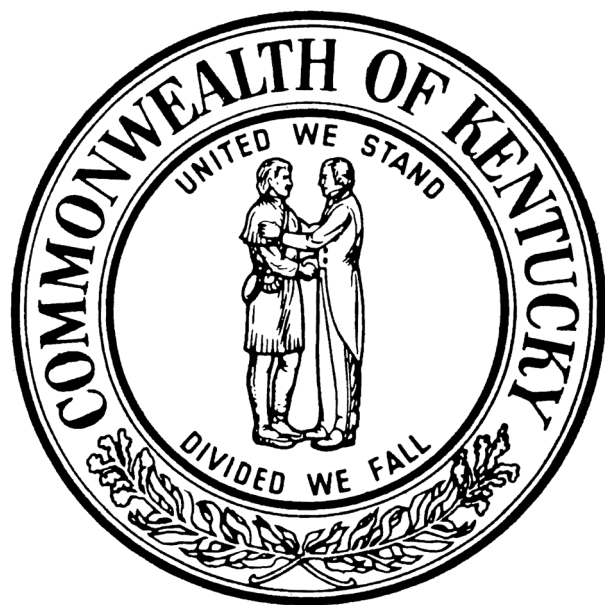
	Eastern Kentucky University	Western Kentucky University	Morehead State University
Assets			
Current assets:			
Cash and cash equivalents	\$ 53,345	\$ 97,991	\$ 17,397
Restricted cash			14,818
Accounts receivable, net	21,019	13,905	13,216
Interest receivable		52	3
Inventories	378	2,526	1,624
Prepaid expenses	2,226	4,607	
Other current assets		501	973
Total Current Assets	<u>76,968</u>	<u>119,582</u>	<u>48,031</u>
Noncurrent assets:			
Restricted cash	16,127	9,094	
Long-term investments	71,121	48,670	40,002
Restricted long-term investments		74,745	
Long-term receivables, net	5,127	18,203	3,658
Land	8,088	13,036	20,106
Improvements other than buildings	56,548	56,638	
Buildings	384,465	575,881	259,462
Machinery and equipment	31,313	122,270	25,076
Other capital assets	43,571		33,187
Less: Accumulated depreciation and amortization	(219,432)	(289,022)	(151,200)
Construction in progress	17,877	47,063	14,153
Total Capital Assets	<u>322,430</u>	<u>525,866</u>	<u>200,784</u>
Other assets		2,808	1,509
Total Noncurrent Assets, Net	<u>414,805</u>	<u>679,386</u>	<u>245,953</u>
Total Assets	<u>491,773</u>	<u>798,968</u>	<u>293,984</u>
Deferred outflows of resources		2,433	
Liabilities			
Current liabilities:			
Accounts payable and accruals	17,935	14,052	4,316
Current portion of long-term debt:			
Notes payable		2,460	
Bonds payable	5,109	9,404	3,440
Capital lease obligations	2,678	166	967
Compensated absences	5,061	3,121	2,236
Claims liability		1,414	
Unearned revenues	7,908	11,364	4,060
Payable from restricted assets		587	457
Other current liabilities	920	4,811	1,151
Total Current Liabilities	<u>39,611</u>	<u>47,379</u>	<u>16,627</u>
Noncurrent liabilities:			
Notes payable		12,070	
Bonds payable	63,008	192,535	49,485
Capital lease obligations	12,250	15,454	10,523
Compensated absences			
Other long-term liabilities	17,647	44,161	4,748
Total Noncurrent Liabilities	<u>92,905</u>	<u>264,220</u>	<u>64,756</u>
Total Liabilities	<u>132,516</u>	<u>311,599</u>	<u>81,383</u>
Deferred inflows of resources			
Net Position			
Net investment in capital assets	234,575	273,998	135,758
Restricted for:			
Debt service			
Capital projects	16,059	22,973	
Other purposes	60,743	115,864	50,339
Unrestricted	47,880	76,967	26,504
Total Net Position	<u>\$ 359,257</u>	<u>\$ 489,802</u>	<u>\$ 212,601</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2013
\$ 64,297	\$ 82,106	\$ 23,075	\$ 320	\$ 338,531
	8,009		1,439	24,266
7,014	14,932	10,875	12,794	93,755
	22			77
2,269	307			7,104
2,255	2,093	539	480	12,200
2,810				4,284
<u>78,645</u>	<u>107,469</u>	<u>34,489</u>	<u>15,033</u>	<u>480,217</u>
53,165	28,221			106,607
	1,939	9,540	4,252	175,524
85,846	84,066	11,886	993	257,536
3,484	1,660	444		32,576
12,305	9,617	2,377		65,529
14,620	29,729	3,898		161,433
263,325	392,480	154,806		2,030,419
28,412	104,734	30,056	619	342,480
33,142	4,622	11,826	(349)	125,999
(186,860)	(224,979)	(119,718)		(1,191,211)
9,213	3,252	5		91,563
<u>174,157</u>	<u>319,455</u>	<u>83,250</u>	<u>270</u>	<u>1,626,212</u>
1,001	329	30		5,677
<u>317,653</u>	<u>435,670</u>	<u>105,150</u>	<u>5,515</u>	<u>2,204,132</u>
<u>396,298</u>	<u>543,139</u>	<u>139,639</u>	<u>20,548</u>	<u>2,684,349</u>
				<u>2,433</u>
6,954	11,419	3,300	13,398	71,374
1,085	829	50		4,424
2,302	4,138	385		24,778
204	1,553	440		6,008
5,978	3,188	1,634	553	21,771
590		161		2,165
2,700	6,768	1,280	235	34,315
	2,773			3,817
2,849	190	63		9,984
<u>22,662</u>	<u>30,858</u>	<u>7,313</u>	<u>14,186</u>	<u>178,636</u>
11,411	1,043	250		24,774
54,703	83,060	3,405		446,196
526	4,402	3,646		46,801
			303	303
4,977	21,231	992		93,756
<u>71,617</u>	<u>109,736</u>	<u>8,293</u>	<u>303</u>	<u>611,830</u>
<u>94,279</u>	<u>140,594</u>	<u>15,606</u>	<u>14,489</u>	<u>790,466</u>
	1,785			1,785
122,884	224,439	75,010	270	1,066,934
1,671	1,137			2,808
17,556	1,765			58,353
84,832	90,175	24,224	2,251	428,428
75,076	83,244	24,799	3,538	338,008
<u>\$ 302,019</u>	<u>\$ 400,760</u>	<u>\$ 124,033</u>	<u>\$ 6,059</u>	<u>\$ 1,894,531</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Expenses:			
Operating and other expenses	\$ 275,833	\$ 339,228	\$ 144,702
Total Expenses	275,833	339,228	144,702
Program Revenues:			
Charges for services	119,724	189,089	65,210
Operating grants and contributions	49,846	8,445	16,618
Capital grants and contributions			
Total Program Revenues	169,570	197,534	81,828
Net Program (Expense) Revenue	(106,263)	(141,694)	(62,874)
General Revenues:			
Unrestricted grants and contributions	41,508	63,891	23,441
Unrestricted investment earnings	(85)	10,014	(26)
Gain on sale of capital assets			628
Miscellaneous general	69,174	75,884	46,950
Total General Revenues	110,597	149,789	70,993
Change in Net Position	4,334	8,095	8,119
Net Position at July 1, As Restated	354,923	481,707	204,482
Net Position at June 30	\$ 359,257	\$ 489,802	\$ 212,601

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2013
\$ 175,216	\$ 227,775	\$ 72,416	\$ 65,249	\$ 1,300,419
175,216	227,775	72,416	65,249	1,300,419
103,691	134,901	23,793	2,403	638,811
6,330	13,009	16,046	20,324	130,618
	179		572	751
110,021	148,089	39,839	23,299	770,180
(65,195)	(79,686)	(32,577)	(41,950)	(530,239)
23,745	27,162	7,448		187,195
10,514	395	2,133		22,945
50,006	57,079	24,280	42,743	628
84,265	84,636	33,861	42,743	366,116
				576,884
19,070	4,950	1,284	793	46,645
282,949	395,810	122,749	5,266	1,847,886
\$ 302,019	\$ 400,760	\$ 124,033	\$ 6,059	\$ 1,894,531



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)

	2013	2012	2011	2010
General Fund				
Nonspendable:				
Inventories	\$ 7,299	\$ 5,515	\$ 6,099	\$ 5,079
Assigned	34,700	35,563	57,456	71,975
Unassigned	159,198	54,035	249,482	9,150
Total General Fund	<u>201,197</u>	<u>95,113</u>	<u>313,037</u>	<u>86,204</u>
All Other Governmental Funds				
Nonspendable:				
Inventories	81,264	86,240	49,078	54,290
Cash with Fiscal Agents	17,918	29,045	67,469	80,576
Restricted	2,373,341	2,452,952	2,165,308	1,833,356
Committed	175,676	183,414	148,636	161,548
Assigned	7,019	13,157	27,034	15,641
Unassigned	(596,748)	(420,183)	(120,235)	(65,628)
Total All Other Governmental Funds	<u>2,058,470</u>	<u>2,344,625</u>	<u>2,337,290</u>	<u>2,079,783</u>
Total Fund Balances - Governmental Funds	<u>\$ 2,259,667</u>	<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.

General Fund:
Reserved
Unreserved
Total General Fund

All Other Governmental Funds:
Reserved
Unreserved, reported in:
 Debt Service Fund
 Special Revenue Funds
 Capital Projects Funds
Total All Other Governmental Funds

Note: Information is presented on the modified accrual basis of accounting.

2009	2008	2007	2006	2005	2004
\$ 80,135	\$ 290,108	\$ 295,917	\$ 183,555	\$ 76,505	\$ 85,834
(49,698)	(1,937)	517,277	713,339	593,472	303,623
<u>\$ 30,437</u>	<u>\$ 288,171</u>	<u>\$ 813,194</u>	<u>\$ 896,894</u>	<u>\$ 669,977</u>	<u>\$ 389,457</u>
\$ 882,654	\$ 919,085	\$ 704,496	\$ 597,827	\$ 664,265	\$ 941,891
309,234	369,603	381,313	377,202	292,406	293,654
719,767	786,125	1,031,387	1,394,633	1,112,499	603,323
45,585	72,094	(66,785)	(129,103)	(120,098)	(201,248)
<u>\$ 1,957,240</u>	<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>

COMMONWEALTH OF KENTUCKY
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2013	2012	2011	2010
Revenues				
Taxes	\$ 10,813,909	\$ 10,403,782	\$ 10,113,502	\$ 9,366,175
Licenses, fees, and permits	337,431	339,642	330,263	330,387
Intergovernmental	7,143,403	7,098,675	8,016,458	8,381,546
Charges for services	1,175,388	1,117,177	911,202	803,961
Fines and forfeits	80,227	80,132	82,856	86,980
Interest and other investment income	13,403	30,822	29,092	45,214
Increase (decrease) in fair value of investments	(7,661)	(18,705)	795	(150)
Securities lending income	4,198	3,121	1,966	1,711
Other revenues	678,358	562,394	822,936	492,508
Total Revenues	20,238,656	19,617,040	20,309,070	19,508,332
Expenditures				
Current:				
General government	2,282,198	2,390,204	2,302,228	2,592,283
Legislative and judicial	406,800	409,685	392,791	378,475
Commerce	92,312	112,139	86,506	92,437
Education and humanities	5,384,681	5,322,439	6,125,603	5,104,048
Human resources	7,963,372	7,984,895	8,088,667	8,124,836
Justice	825,194	802,108	789,602	782,443
Natural resources and environmental protection	201,048	213,283	200,899	193,111
Public protection and regulation	158,617	157,846	163,438	115,857
Transportation	2,263,175	2,109,125	1,959,030	2,014,490
Debt Service:				
Principal retirement	534,078	306,504	308,484	386,212
Interest and fiscal charges	354,688	367,966	351,539	306,139
Other expenditures	12,763	55,983	8,002	27,335
Securities lending expense	2,362	1,593	1,163	933
Capital outlay:				
Buildings	330,795	253,894	466,335	609,309
Total Expenditures	20,812,083	20,487,664	21,244,287	20,727,908
Excess (Deficiency) of Revenues over (under) Expenditures	(573,427)	(870,624)	(935,217)	(1,219,576)
Other Financing Sources (Uses)				
Transfers in	1,810,448	1,539,696	1,852,945	1,955,274
Transfers from component units				
Transfers out	(1,833,096)	(1,530,423)	(1,675,200)	(1,776,171)
Transfers to component units				
Capitalized leases	10,007	9,546	6,864	10,182
Insurance proceeds				9,876
Issuance of bonds:				
New issues	221,310	419,700	472,123	873,326
Refunding issues	127,644	527,118	240,590	347,835
Premiums	27,295	74,049	34,035	37,442
Discounts	(408)	(927)	(2,022)	(2,619)
Proceeds from notes	163,290	82,717	737,370	89,710
Other financing sources				
Payments to refunded bond escrow agent	(127,035)	(455,473)	(233,642)	(186,602)
Total Other Financing Sources (Uses)	399,455	666,003	1,433,063	1,358,253
Net Change in Fund Balances	\$ (173,972)	\$ (204,621)	\$ 497,846	\$ 138,677
Debt service as a percentage of noncapital expenditures	4.29%	3.31%	3.11%	3.34%

Note: Information is presented on the modified accrual basis of accounting.

2009	2008	2007	2006	2005	2004
\$ 9,560,283	\$ 9,871,590	\$ 9,668,573	\$ 9,465,785	\$ 8,745,358	\$ 7,933,198
323,012	309,413	303,849	294,575	287,045	265,699
7,055,624	6,169,116	5,810,270	5,662,112	5,351,830	5,150,705
774,553	758,805	752,532	781,105	728,998	616,638
90,812	97,898	80,741	90,118	86,771	95,745
67,076	149,833	163,833	111,894	84,006	75,980
(4)	6,529	11,241	(5,799)	9,408	(40,558)
11,060	31,576	36,673	39,918	16,831	15,549
461,824	474,555	517,266	597,088	611,966	625,008
18,344,240	17,869,315	17,344,978	17,036,796	15,922,213	14,737,964
2,472,452	2,702,730	2,591,176	2,444,023	2,131,008	1,933,909
359,666	338,839	303,799	302,303	277,792	265,847
94,989	100,535	96,572	81,037	66,609	65,518
4,860,442	4,800,460	4,554,565	4,395,948	4,091,135	3,823,798
7,919,632	7,301,114	6,764,174	6,602,797	6,188,350	5,984,514
737,997	767,270	727,178	710,142	633,662	563,890
188,039	192,957	195,980	171,407	161,899	149,401
120,406	97,482	98,517	67,329	73,868	112,587
1,977,924	2,090,584	1,825,318	1,661,585	1,520,371	1,724,342
299,940	341,733	285,809	246,404	247,290	286,166
252,466	210,331	200,297	174,972	190,225	181,424
25,036	21,025	15,960	26,649	26,574	78,052
6,080	26,774	35,318	38,144	15,619	13,123
442,315	582,550	583,302	446,855	279,953	293,761
19,757,384	19,574,384	18,277,965	17,369,595	15,904,355	15,476,332
(1,413,144)	(1,705,069)	(932,987)	(332,799)	17,858	(738,368)
2,157,662	2,357,766	2,216,889	2,124,893	1,791,143	1,781,871
(1,880,360)	(2,258,283)	(2,041,824)	(1,969,206)	(1,645,143)	(1,563,679)
4,456	3,280	7,364	6,079	18,905	5,359
655,350	372,135	159,140	445,350	213,750	508,991
508,520	100,000	105,085		257,685	601,879
35,905	46,322	16,610	21,416	53,484	103,316
(4,193)	750,085	520,354	(58)	232,760	171,260
(508,320)	(100,000)	(330,193)		(258,550)	(944,495)
969,020	1,271,305	653,425	628,474	664,034	664,502
\$ (444,124)	\$ (433,764)	\$ (279,562)	\$ 295,675	\$ 681,892	\$ (73,866)
2.89%	2.94%	2.57%	2.49%	2.82%	3.18%

COMMONWEALTH OF KENTUCKY
NET POSITION BY COMPONENT
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2013	2012	2011	2010
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 20,195,976	\$ 19,616,044	\$ 19,153,511	\$ 18,418,874
Restricted	1,167,435	1,480,299	1,286,431	1,206,293
Unrestricted	(10,315,863)	(9,731,379)	(8,071,118)	(6,803,987)
Total Governmental Activities Net Position	11,047,548	11,364,964	12,368,824	12,821,180
Business-type Activities:				
Invested in Capital Assets, net of related debt	328,382	334,611	350,505	341,172
Restricted	913	729	326	9,646
Unrestricted	(876,277)	(1,014,186)	(1,199,294)	(1,151,091)
Total Business-Type Activities Net Position	(546,982)	(678,846)	(848,463)	(800,273)
Primary Government:				
Invested in capital assets, net of related debt	20,524,358	19,950,655	19,504,016	18,760,046
Restricted	1,168,348	1,481,028	1,286,757	1,215,939
Unrestricted	(11,192,140)	(10,745,565)	(9,270,412)	(7,955,078)
Total Primary Government Net Position	\$ 10,500,566	\$ 10,686,118	\$ 11,520,361	\$ 12,020,907

NOTE: This schedule is presented on the accrual basis of accounting.

2009	2008	2007	2006	2005	2004
\$ 19,547,435	\$ 19,911,942	\$ 17,947,656	\$ 17,633,886	\$ 17,188,142	\$ 17,156,329
1,094,433	1,139,727	1,237,151	1,376,301	1,081,388	994,827
(5,861,735)	(4,816,142)	(1,807,615)	(1,191,204)	(819,692)	(1,480,592)
14,780,133	16,235,527	17,377,192	17,818,983	17,449,838	16,670,564
330,078	290,365	267,144	254,623	249,728	257,794
5,615	310,216	359,605	392,318	375,488	382,173
(859,772)	(553,995)	(634,297)	(612,782)	(633,046)	(721,878)
(524,079)	46,586	(7,548)	34,159	(7,830)	(81,911)
19,877,513	20,202,307	18,214,800	17,888,509	17,437,870	17,414,123
1,100,048	1,449,943	1,596,756	1,768,619	1,456,876	1,377,000
(6,721,507)	(5,370,137)	(2,441,912)	(1,803,986)	(1,452,738)	(2,202,470)
\$ 14,256,054	\$ 16,282,113	\$ 17,369,644	\$ 17,853,142	\$ 17,442,008	\$ 16,588,653

COMMONWEALTH OF KENTUCKY
GOVERNMENT-WIDE EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2013	2012	2011	2010
Function/Program Revenues				
Primary Government:				
Governmental Activities:				
Charges for Services:				
General government	\$ 681,819	\$ 668,709	\$ 438,993	\$ 384,050
Legislative and judicial	25,676	21,750	21,177	20,226
Commerce	41,337	53,375	36,774	40,657
Education and humanities	67,290	66,246	78,996	55,926
Human Resources		16,593	484,958	103,025
Justice	27,369	21,500	22,121	21,641
Natural resources and environmental protection	308,890	12,451	43,338	41,123
Public protection and regulation	93,172	92,806	83,816	73,066
Transportation	238,296	249,231	218,846	230,918
Operating Grants and Contributions	6,294,292	6,381,991	7,071,327	7,621,275
Capital Grants and Contributions	806,675	836,370	697,927	773,661
Total Governmental Activities	<u>8,584,816</u>	<u>8,421,022</u>	<u>9,198,273</u>	<u>9,365,568</u>
Business-Type Activities:				
Charges for Services:				
State Parks	48,774	50,064	49,437	50,802
Kentucky Lottery Corporation			772,349	772,497
Kentucky Horse Park	9,981	9,161	7,798	6,880
Insurance Administration	112,177	122,962	110,829	121,445
Kentucky Public Employees' Health Plan	1,680,011	1,681,642	1,752,908	1,548,458
Unemployment Compensation	532,298	521,893	471,876	1,556,290
Operating Grants and Contributions	408,125	705,465	953,112	3,849
Capital Grants and Contributions	155	1,032	2,326	
Total Business-Type Activities	<u>2,791,521</u>	<u>3,092,219</u>	<u>4,120,635</u>	<u>4,060,221</u>
Total Primary Government	<u>\$ 11,376,337</u>	<u>\$ 11,513,241</u>	<u>\$ 13,318,908</u>	<u>\$ 13,425,789</u>
Expenses				
Primary Government:				
Governmental Activities:				
General government	\$ 3,333,535	\$ 3,002,882	\$ 3,212,093	\$ 4,377,373
Legislative and judicial	406,949	411,579	400,786	376,743
Commerce	112,296	132,078	113,156	124,263
Education and humanities	5,214,551	5,818,383	6,036,864	5,148,482
Human Resources	7,618,717	7,623,348	7,652,130	7,725,161
Justice	936,118	923,628	887,611	876,065
Natural resources and environmental protection	229,245	221,822	198,067	192,518
Public protection and regulation	160,071	156,755	164,052	113,558
Transportation	1,720,513	1,496,753	1,340,012	1,175,210
Interest expense	369,773	403,534	377,725	332,639
Total Governmental Activities	<u>20,101,768</u>	<u>20,190,762</u>	<u>20,382,496</u>	<u>20,442,012</u>
Business-Type Activities:				
State Parks	92,724	93,925	92,777	101,861
Kentucky Lottery Corporation			566,117	568,183
Kentucky Horse Park	15,856	13,970	14,804	13,521
Insurance Administration	93,876	38,081	232,100	107,286
Kentucky Public Employees' Health Plan	1,677,143	1,687,322	1,624,444	1,497,656
Unemployment Compensation	1,287,408	1,193,572	1,521,994	1,958,414
Total Business-Type Activities	<u>3,167,007</u>	<u>3,026,870</u>	<u>4,052,236</u>	<u>4,246,921</u>
Total Primary Government	<u>\$ 23,268,775</u>	<u>\$ 23,217,632</u>	<u>\$ 24,434,732</u>	<u>\$ 24,688,933</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (11,516,952)	\$ (11,769,740)	\$ (11,184,223)	\$ (11,076,444)
Business-Type Activities	(375,486)	65,349	68,399	(186,700)
Total Primary Government Net Expense	<u>\$ (11,892,438)</u>	<u>\$ (11,704,391)</u>	<u>\$ (11,115,824)</u>	<u>\$ (11,263,144)</u>

2009	2008	2007	2006	2005	2004
\$ 366,634	\$ 494,587	\$ 375,662	\$ 374,655	\$ 355,890	\$ 312,007
28,561	15,225	14,558	13,667	11,314	11,111
47,770	41,821	42,267	34,390	35,002	34,689
50,988	68,609	85,538	102,783	106,059	14,185
121,752	200,913	197,556	106,238	181,921	138,487
20,611	24,096	22,189	33,185	22,790	23,011
35,959	42,511	39,412	33,205	31,094	39,311
71,078	66,495	64,260	63,341	53,629	69,194
238,110	16,849	215,869	202,569	227,700	207,151
6,575,144	5,554,089	5,261,989	5,139,428	4,915,115	4,528,038
550,416	750,184	658,132	597,282	520,194	524,936
8,107,023	7,275,379	6,977,432	6,700,743	6,460,708	5,902,120
52,439	57,605	56,208	52,751	50,655	50,925
810,544	778,211	744,222	742,312	707,260	725,252
6,423	6,763	6,632	6,010	5,791	5,896
93,438	129,870	130,994	178,305	133,380	129,084
1,392,971	1,270,899	1,158,078	595,435		
412,430	381,410	357,396	377,265	371,099	332,047
363,028	53,838	46,798	45,573	49,509	130,212
4,633	1,735	476	112	33	586
3,135,906	2,680,331	2,500,804	1,997,763	1,317,727	1,374,002
\$ 11,242,929	\$ 9,955,710	\$ 9,478,236	\$ 8,698,506	\$ 7,778,435	\$ 7,276,122
\$ 3,837,639	\$ 4,370,883	\$ 3,708,700	\$ 2,714,165	\$ 2,234,111	\$ 2,322,043
360,872	335,635	313,010	305,466	282,389	268,001
112,825	107,774	96,486	103,996	81,639	128,548
4,887,919	4,852,742	4,608,914	4,421,812	4,092,896	3,824,742
7,611,725	6,904,568	6,468,225	6,259,383	5,897,619	5,630,683
822,301	845,153	803,120	794,698	702,796	564,202
197,086	197,265	191,052	207,369	164,498	150,380
121,952	97,360	116,770	68,108	68,956	111,928
1,331,764	1,170,102	1,123,493	1,263,891	1,191,512	1,020,786
265,984	254,488	266,388	250,622	201,564	200,315
19,550,067	19,135,970	17,696,158	16,389,510	14,917,980	14,221,628
98,795	104,672	111,973	90,283	92,193	92,287
619,902	599,490	563,549	558,435	552,410	554,880
11,411	12,799	10,624	9,690	9,387	11,732
(18,953)	117,817	176,338	70,683	101,312	77,241
1,434,951	1,288,981	1,152,794	507,282		
1,317,067	493,397	450,629	396,052	429,007	556,870
3,463,173	2,617,156	2,465,907	1,632,425	1,184,309	1,293,010
\$ 23,013,240	\$ 21,753,126	\$ 20,162,065	\$ 18,021,935	\$ 16,102,289	\$ 15,514,638
\$ (11,443,044)	\$ (11,860,591)	\$ (10,718,726)	\$ (9,688,767)	\$ (8,457,272)	\$ (8,319,508)
(327,267)	63,175	34,897	365,338	133,418	80,992
\$ (11,770,311)	\$ (11,797,416)	\$ (10,683,829)	\$ (9,323,429)	\$ (8,323,854)	\$ (8,238,516)

COMMONWEALTH OF KENTUCKY
GOVERNMENT-WIDE EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2013	2012	2011	2010
General Revenues and				
Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Sales and gross receipt	\$ 5,292,465	\$ 5,505,336	\$ 5,152,345	\$ 4,880,831
Individual income	3,748,008	3,474,027	3,451,268	3,125,824
Corporate income	423,093	370,485	317,578	235,654
Property	556,986	534,189	509,961	504,189
License and privilege	21,091	26,792	29,690	29,198
Severance	461,866	170,980	366,633	325,077
Inheritance and estate	20,503	68,119	45,144	38,058
Miscellaneous taxes	203,467	148,305	168,847	152,016
Unrestricted grants and contributions	16,332	14,640	14,071	9,365
Unrestricted investment earnings	2,179	(21,439)	7,146	9,531
Gain on sale of capital assets	8,885	10,363	9,727	22,682
Miscellaneous general	544,186	493,133	444,309	388,144
Transfers	(22,093)	(12,293)	206,078	172,007
Total General Revenues and Transfers	11,276,968	10,782,637	10,722,797	9,892,576
Change in Net Position	(239,984)	(987,103)	(461,426)	(1,183,868)
Net Position at July 1, as Restated	11,287,532	12,352,067	12,830,250	14,005,048
Net Position at June 30	\$ 11,047,548	\$ 11,364,964	\$ 12,368,824	\$ 12,821,180
Business-Type Activities:				
Unrestricted grants and contributions	\$	\$	\$ 208	\$
Unrestricted investment earnings	(16,154)		56,203	47,657
Gain on sale of capital assets		55,123	597	1,844
Miscellaneous general	501,411		21,902	35,792
Transfers	22,093		(206,078)	(172,007)
Total General Revenues and Transfers	507,350	55,123	(127,168)	(86,714)
Change in Net Position	131,864	192,756	(58,769)	(273,414)
Net Position at July 1, as Restated	(678,846)	(871,602)	(789,694)	(526,859)
Net Position at June 30	\$ (546,982)	\$ (678,846)	\$ (848,463)	\$ (800,273)
Change in Net Position				
Governmental Activities	\$ (239,984)	\$ (987,103)	\$ (461,426)	\$ (1,183,868)
Business-Type Activities	131,864	192,756	(58,769)	(273,414)
Total Primary Government Changes in Net Position	\$ (108,120)	\$ (794,347)	\$ (520,195)	\$ (1,457,282)

NOTE: This schedule is presented on the accrual basis of accounting.

2009	2008	2007	2006	2005	2004
\$ 4,777,321	\$ 4,828,223	\$ 4,623,126	\$ 4,433,893	\$ 4,031,452	\$ 3,780,204
3,359,471	3,512,908	2,975,875	2,863,269	3,060,274	2,790,732
278,103	397,842	961,204	1,013,768	476,524	311,284
534,441	497,326	503,853	492,532	479,815	462,062
37,442	33,049	42,738	73,679	142,962	142,048
362,965	310,294	279,924	290,203	237,512	194,369
43,237	51,423	49,574	40,498	66,766	66,287
146,977	163,842	164,715	161,663	180,045	152,921
10,263	11,923	731	723	1,836	69,037
(9,977)	31,335	57,070	58,428	31,858	24,368
12,730	10,123	3,288	4,637		
319,408	596,079	421,772	499,657	456,736	468,056
264,032	126,716	169,150	187,101	141,338	201,712
10,136,413	10,571,083	10,253,020	10,120,051	9,307,118	8,663,080
(1,306,631)	(1,289,508)	(465,706)	431,284	849,846	343,572
16,086,764	17,525,035	17,842,898	17,387,699	16,599,992	16,326,992
\$ 14,780,133	\$ 16,235,527	\$ 17,377,192	\$ 17,818,983	\$ 17,449,838	\$ 16,670,564
\$	\$	\$	\$	\$	\$
(28,261)	16,531	83,846	26,793	36,782	20
38	59	72	30	61	21,259
48,894	18,746	8,628	25,900	47,820	75
(264,032)	(126,716)	(169,150)	(187,101)	(141,338)	66,689
(243,361)	(91,380)	(76,604)	(134,378)	(56,675)	(201,712)
(570,628)	(28,205)	(41,707)	230,960	76,743	(113,669)
46,549	74,791	34,159	(196,801)	(84,573)	(32,677)
\$ (524,079)	\$ 46,586	\$ (7,548)	\$ 34,159	\$ (7,830)	\$ (49,234)
\$	\$	\$	\$	\$	\$
(1,306,631)	(1,289,508)	(465,706)	431,284	849,846	343,572
(570,628)	(28,205)	(41,707)	230,960	76,743	(32,677)
\$ (1,877,259)	\$ (1,317,713)	\$ (507,413)	\$ 662,244	\$ 926,589	\$ 310,895

**COMMONWEALTH OF KENTUCKY
PERSONAL INCOME TAX INFORMATION
CALENDAR YEARS 2002 and 2011**

Personal Income Tax Filers and Liability by Income Level (C)

Ky Federal AGI (from Ky form 740) Income Level	Calendar Year 2011			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Resident Taxpayer				
less than \$25,001	754,771	43.71%	\$ 232,931,015	7.23%
\$25,001-\$50,000	410,573	23.78%	518,148,020	16.10%
\$50,001-\$100,000	383,891	22.24%	989,966,730	30.76%
\$100,001-\$200,000	143,237	8.30%	754,279,145	23.43%
\$200,001-\$500,000	28,042	1.62%	378,387,955	11.76%
Greater than \$500,000	6,000	0.35%	345,092,853	10.72%
Total Resident	1,726,514	100.00%	3,218,805,718	100.00%
Non-Resident Taxpayer				
less than \$25,001	47,120	35.86%	5,241,625	3.18%
\$25,001-\$50,000	22,776	17.33%	11,722,806	7.12%
\$50,001-\$100,000	25,325	19.27%	22,423,209	13.61%
\$100,001-\$200,000	16,829	12.81%	25,296,850	15.36%
\$200,001-\$500,000	9,971	7.59%	24,078,668	14.62%
Greater than \$500,000	9,384	7.14%	75,944,579	46.11%
Total Non-Resident	131,405	100.00%	164,707,737	100.00%
Totals	1,857,919		\$ 3,383,513,455	

Personal Income Tax Rates

Tax Years 2002 - 2011

Tax Rate	2%	3%	4%	5%
Income Bracket	\$0-3,000	\$3,001-4,000	\$4,001-5,000	\$5,001-8,000

	2011		2002
Personal Income Tax Revenue	\$ 3,383,513,455	(A)	\$ 2,562,384,180
Personal Income	103,986,000,000	(B)	72,498,000,000
Average Effective Rate	3.3%		3.5%

Source of Tax Information:

(A) Kentucky Department of Revenue

(B) See Schedule of Personal Income

(C) This information is presented on a cash basis.

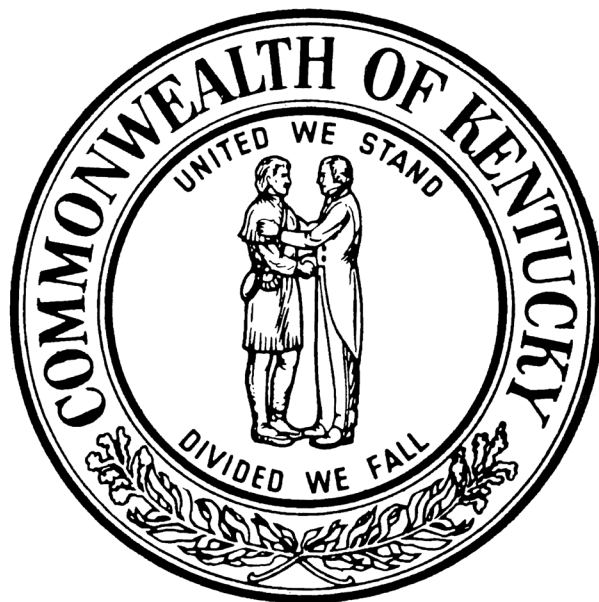
Calendar Year 2002

Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
784,802	48.84%	\$ 207,763,442	8.44%
410,477	25.55%	542,735,102	22.05%
321,606	20.01%	875,712,453	35.57%
70,902	4.41%	405,421,738	16.47%
15,542	0.97%	227,243,636	9.23%
3,557	0.22%	202,962,544	8.24%
1,606,886	100.00%	2,461,838,915	100.00%

Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
45,853	42.86%	4,881,042	4.85%
20,936	19.57%	10,772,771	10.71%
18,691	17.47%	18,146,243	18.05%
9,597	8.97%	15,871,412	15.79%
5,999	5.61%	13,106,391	13.04%
5,911	5.52%	37,767,406	37.56%
106,987	100.00%	100,545,265	100.00%

1,713,873.00	\$ 2,562,384,180
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5.8%	6.0%
\$8,001 -75,000	\$75,001 and UP



COMMONWEALTH OF KENTUCKY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FOR CALENDAR YEARS 2003-2012
(Expressed in Thousands, Except Ratio Data)

For the Year Ended December 31	Real Property		Personal Property		Totals		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
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%
2012	232,286,735	247,113,548	176,724,331	176,724,331	409,011,066	423,837,879	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 2003-2012
(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 **
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
2012	561,041	531,406	94.7%	26,972	558,378	99.5%	66.01

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)

	2013	2012	2011	2010
Governmental Activities Debt				
Revenue Bonds (2)	\$ 6,427,591	\$ 6,555,730	\$ 6,241,628	\$ 5,959,846
Notes (2)	1,648,642	1,669,372	1,715,915	1,089,740
Capital Leases (2)	58,311	46,069	30,877	32,341
Total Government Activities Debt	<u>8,134,544</u>	<u>8,271,171</u>	<u>7,988,420</u>	<u>7,081,927</u>
Business-Type Activities Debt				
Notes (2)		1,172		
Capital Leases (2)	13,748	14,119	3,542	127
Total Business-Type Activities Debt	<u>13,748</u>	<u>15,291</u>	<u>3,542</u>	<u>127</u>
Total Primary Government Debt	<u>\$ 8,148,292</u>	<u>\$ 8,286,462</u>	<u>\$ 7,991,962</u>	<u>\$ 7,082,054</u>
Total Debt Ratios				
Ratio of Total Debt to Personal Income	<u>7.54%</u>	<u>7.97%</u>	<u>7.81%</u>	<u>7.09%</u>
Total Debt Per Capita (1)	<u>\$ 1,864.87</u>	<u>\$ 1,896.50</u>	<u>\$ 1,838.81</u>	<u>\$ 1,641.60</u>
Net Bonded Debt				
Gross Bonded Debt	\$ 6,427,591	\$ 6,555,730	\$ 6,241,628	\$ 5,959,846
Less: Debt Service Funds	124,951	120,304	137,921	197,802
Net Bonded Debt	<u>\$ 6,302,640</u>	<u>\$ 6,435,426</u>	<u>\$ 6,103,707</u>	<u>\$ 5,762,044</u>
Net Bonded Debt Ratios				
Ratio of Net Bonded Debt to				
Governmental Funds Revenues	<u>31.14%</u>	<u>32.81%</u>	<u>31.11%</u>	<u>29.54%</u>
Net Bonded Debt Per Capita (1)	<u>\$ 1,438.82</u>	<u>\$ 1,472.85</u>	<u>\$ 1,404.36</u>	<u>\$ 1,335.63</u>

(1) Per Capita calculations are based on the population figures for the prior year. (See Demographics Schedule on page 218)

(2) See Note 15 for Debt Amounts

2009	2008	2007	2006	2005	2004
\$ 4,429,520	\$ 3,617,080	\$ 3,442,634	\$ 3,546,468	\$ 3,236,766	\$ 3,225,431
1,059,520	1,516,350	910,310	554,790	373,990	186,970
26,638	30,968	39,079	28,450	32,518	17,252
5,515,678	5,164,398	4,392,023	4,129,708	3,643,274	3,429,653
					451
211	212	197	307	275	245
211	212	197	307	275	696
\$ 5,515,889	\$ 5,164,610	\$ 4,392,220	\$ 4,130,015	\$ 3,643,549	\$ 3,430,349
5.45%	5.21%	4.64%	4.54%	4.26%	4.28%
\$ 1,292.01	\$ 1,217.65	\$ 1,044.26	\$ 989.60	\$ 878.83	\$ 833.05
\$ 4,429,520	\$ 3,617,080	\$ 3,442,634	\$ 3,546,468	\$ 3,236,766	\$ 3,225,431
353,391	405,028	415,386	403,002	314,554	317,665
\$ 4,076,129	\$ 3,212,052	\$ 3,027,248	\$ 3,143,466	\$ 2,922,212	\$ 2,907,766
22.22%	17.97%	17.77%	18.45%	18.35%	18.26%
\$ 954.77	\$ 757.30	\$ 719.73	\$ 753.21	\$ 704.84	\$ 706.14

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
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
2013	4,031,429 **	1,485,309	2.71

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	2013			2004		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
United Parcel Service, Inc.	12,517	1	0.66%	10,419	2	0.56%
Toyota Motor Corp.	12,028	2	0.62%	8,519	3	0.46%
Humana Inc.	11,836	3	0.61%			
Ford Motor Co.	8,491	4	0.44%	10,900	1	0.59%
Amazon.com	6,529	5	0.34%			
General Electric Co.	6,053	6	0.31%	8,227	4	0.44%
FMR LLC	3,900	7	0.20%			
Berkshire Hathaway Inc.	3,380	8	0.18%			
Xerox Coporation	3,374	9	0.18%			
J&F Participações S/A	2,700	10	0.14%			
Delta Air Lines, Inc.				5,799	5	0.31%
Johnson Controls, Inc.				4,088	7	0.22%
Lexmark International Inc.				3,500	8	0.19%
Dana Corp.				5,038	6	0.27%
Alcan				2,400	10	0.13%
Fidelity investments				2,750	9	0.15%
	70,808		3.68%	61,640		3.32%

SOURCE: <http://www.thinkkentucky.com>
<http://www.workforcekentucky.ky.gov>

DEMOGRAPHIC STATISTICS
FOR CALENDAR YEARS 2003-2012

For the Year Ended December 31	Estimated Population	Per Capita Income	Unemployment Rate
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%
2012	4,380,415	35,041	8.1%

SOURCE: <http://www.bea.gov>
<http://www.bls.gov>

COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR CALENDAR YEARS 2003-2012
(Expressed in Thousands, Except Percent Data)

Source	2003**		2004**		2005**		2006**		2007**	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 854,000	1.1%	\$ 580,000	0.7%	\$ 1,520,500	1.7%	\$ 532,750	0.6%	\$ 1,040,750	1.0%
Agriculture services, forestry, fisheries and others	383,250	0.5%	359,250	0.4%	369,750	0.4%	422,500	0.4%	407,250	0.4%
Mining	1,310,500	1.6%	1,495,250	1.7%	1,879,750	2.1%	2,128,750	2.3%	2,227,000	2.2%
Manufacturing	14,816,000	18.5%	16,142,000	18.9%	16,364,000	18.0%	17,033,000	18.0%	17,069,000	17.2%
Construction	4,821,250	6.0%	4,819,750	5.6%	5,133,750	5.6%	5,225,750	5.5%	5,292,750	5.3%
Wholesale and retail trade	9,940,250	12.4%	10,475,250	12.3%	10,857,250	11.9%	11,430,750	12.1%	11,726,500	11.8%
Finance, insurance and real estate	4,962,750	6.2%	5,274,250	6.2%	5,487,250	6.0%	5,922,750	6.3%	6,345,250	6.4%
Transportation and public utilities	5,023,250	6.3%	5,386,750	6.3%	5,452,500	6.0%	5,653,750	6.0%	6,237,000	6.3%
Services	23,330,250	29.1%	24,756,000	29.0%	26,222,250	28.9%	27,810,500	29.3%	29,033,250	29.4%
Government and government enterprises	14,686,250	18.3%	16,196,000	18.9%	17,594,750	19.4%	18,420,500	19.5%	19,826,000	20.0%
Earnings by Place of Work	<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>	<u>\$ 99,204,750</u>	<u>100.0%</u>

Source	2008**		2009**		2010**		2011**		2012**	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 932,500	0.9%	\$ 1,364,000	1.4%	\$ 1,208,000	1.2%	\$ 811,000	0.8%	\$ 1,062,000	1.0%
Agriculture services, forestry, fisheries and others	421,500	0.4%	319,250	0.3%	316,000	0.3%	280,000	0.3%	330,000	0.3%
Mining	2,475,000	2.4%	2,121,000	2.1%	2,353,000	2.3%	2,256,000	1.3%	2,224,000	1.3%
Manufacturing	16,305,750	16.1%	13,446,500	13.5%	14,293,000	14.0%	12,563,000	12.2%	15,736,000	15.4%
Construction	5,356,750	5.3%	5,045,000	5.1%	4,726,000	4.6%	5,101,000	5.0%	5,568,000	5.4%
Wholesale and retail trade	11,870,500	11.8%	11,548,500	11.6%	11,456,000	11.2%	12,021,000	11.7%	12,306,000	12.0%
Finance, insurance and real estate	6,390,750	6.3%	5,979,500	6.0%	5,956,000	5.8%	6,507,000	6.3%	6,931,000	6.8%
Transportation and public utilities	6,008,000	5.9%	6,062,250	6.1%	6,130,000	6.0%	6,199,000	6.1%	6,529,000	6.4%
Services	30,718,250	30.4%	31,714,500	31.6%	32,939,000	32.1%	34,521,000	33.1%	34,471,000	33.1%
Government and government enterprises	20,809,250	20.5%	22,249,500	22.3%	23,014,000	22.5%	23,727,000	23.2%	22,879,000	22.3%
Earnings by Place of Work	<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>	<u>\$ 108,036,000</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 EIGHT FISCAL YEARS**

	2013	2012	2011	2010	2009	2008	2007	2006
Personnel								
Number of Full Time Employees- Executive Branch	31,869	33,267	33,464	33,225	32,747	33,608	33,204	34,947
Health Insurance Expenditures - Percentage Increase/(decrease)	7.4%	(3.5%)	4.5%	18.7%	(1.3%)	6.1%	(1.8%)	29%
Education								
K-12 Enrollment	677,394	647,827	644,963	636,188	671,147	671,542	668,337	664,606
K-12 Attendance Rate	94.52%	94.05%	94.05%	94.18%	94.17%	94.18%	94.60%	94.31%
K-12 Graduation Rate	86.10%	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	19.6	19.8	19.6	19.4	19.4**	20.9	20.7	20.6
GED Graduates	8,890	9,469	10,294	9,357	9,382	10,307	9,757	9,054
College Going Rate for 9th Graders	39%	42%	42%	42%	44%	38%	38%	37%
Postsecondary Education Enrollment	225,415	235,833	232,318	223,893	211,179	212,994	206,419	202,197
Bachelor's and Higher Degrees Awarded	32,237	30,034	29,911	28,798	27,983	27,246	27,042	26,544
Justice and Public Safety								
Incarcerated Population-Daily Average	21,785	21,471	20,785	20,798	21,470	22,219	20,772	19,943
Probation and Parole Population - Daily Average	43,196	41,790	41,534	39,364	38,933	39,206	33,642	33,643
Health and Family Services								
Medicaid Enrollment-Average	829,826	825,648	815,460	788,236	748,296	722,559	710,000	699,595
Food Stamp Recipients-Monthly Average	869,035	843,939	814,176	761,654	680,087	623,997	595,366	598,486
Temporary Assistance for Needy Families (TANF)-Monthly Average	49,148	48,817	50,583	48,894	48,368	48,743	68,260	69,696
Children with substantiated incidences	17,884	15,699	15,721	15,092	14,475	15,196	15,500	15,526
Environmental and Public Protection								
Air Pollution Source Inspections	3,919	3,355	3,390	5,910	3,085	4,310	4,000	4,600
Waste Management Inspections	6,239	6,062	6,155	7,060	5,910	6,443	7,500	7,200
Acres of Land Reforested	8,309	10,396	4,827	4,520	5,580	5,105	2,000	1,600
Mine Permits Issued	606	719	691	608	688	848	954	1,025
Mine Reclamation and Enforcement Inspections	23,003	26,942	25,392	25,686	24,890	26,062	22,898	22,001
Mine Safety-Completed Inspections	3,546	3,203	3,102	4,611	2,888	2,718	2,364	2,500
Transportation								
Percentage of Total Road System Needing Improvement	19%	19%	15%	18%	14%	15%	15%	14%
Statewide Road Maintainance Rating (Top Score = 80)	80.5	80.1	81.5	79.7	80.9	81.7	80.1	79.1
Daily Miles Traveled-Percentage Changed (as compared to 2005 Data)	(1.98%)	0.17%	0.20%	(0.1%)	0.0%	(0.5%)	0.1%	(0.3%)
State-Maintained Lane Miles- Annual Percent Change	0.03%	0.10%	0.30%	0.10%	1.6%	0.6%	0.2%	0.2%
Kentucky Road Construction Cost Index-Percent Increase (1987 Base Year)	34.9%	10.7%	35.2%	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 EIGHT FISCAL YEARS**

	2013	2012	2011	2010	2009	2008	2007	2006
<u>General Government</u>								
Number of Buildings	313	310	292	326	309	558	566	297
Number of Vehicles	305	377	394	365	356	411	487	258
Land (Acres)	15,251	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	17
Number of Recreation Parks	21	21	23	23	24	24	24	24
Number of Historic Sites	11	9	10	10	11	11	11	10
Area of State Parks (Acres)	45,180	45,180	42,397	42,035	42,597	42,428	42,428	45,137
<u>Education and Humanities</u>								
Number of Buildings	65	65	66	73	72	70	69	70
Number of Vehicles	83	89	105	101	113	123	134	209
Land (Acres)	387	387	388	388	388.4	372	388.4	388
<u>Human Resources</u>								
Number of Buildings	182	182	182	200	196	196	193	190
Number of Vehicles	24	23	45	46	40	150	165	215
Land (Acres)	1,206	1,206	1,206	1,206	1,206	1,007	1,206	1,206
<u>Justice</u>								
Number of Buildings	452	459	465	508	479	482	449	440
Number of Vehicles	1753	2043	2,102	1,863	1,861	1,696	1,668	3,911
Land (Acres)	8,735	8,685	8,865	8,867	8,903	6,166	5,314	9,044
<u>Natural Resources and</u>								
<u>Environmental Protection</u>								
Number of Buildings	20	20	21	26	26	26	27	25
Number of Vehicles	793	847	827	916	815	847	1,319	2,622
Land (Acres)	64,585	62,661	60,003	59,149	58,325	51,175	50,983	64,134
<u>Public Protection and</u>								
<u>Regulation</u>								
Number of Vehicles	149	132	118	121	90	76	86	44
<u>Transportation</u>								
Number of Lane Miles -State								
Maintained Highways	63,196	63,175	63,135	62,913	62,823	62,419	62,071	62,193
Number of State maintained Bridges	8,976	8,972	8,957	8,933	8,870	8,842	8,974	8,974
Land (Acres)	1,653	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**

	2013	2012	2011	2010
<u>FULL-TIME EMPLOYEES</u>				
FUNCTION				
General government	5,089	4,669	4,738	4,841
Legislative and judicial	4,159	3,503	3,502	3,597
Commerce	1,520	1,914	1,972	2,023
Education and humanities	2,671	2,701	2,696	2,712
Human resources	7,470	7,481	7,517	7,482
Justice	8,054	8,070	8,016	7,938
Natural resources and environmental protection	1,608	1,614	1,648	1,675
Public protection and regulation	1,034	1,097	1,113	1,127
Transportation	4,690	4,682	4,670	4,713
Total full-time employees	36,295	35,731	35,872	36,108
<u>PART-TIME and TEMPORARY EMPLOYEES</u>				
FUNCTION				
General government	649	663	657	662
Legislative and judicial	426	484	476	483
Commerce	488	498	384	1,376
Education and humanities	211	227	198	306
Human resources	126	119	108	124
Justice	21	24	26	39
Natural resources and environmental protection	18	26	31	56
Public protection and regulation	18	20	30	31
Transportation	88	40	138	133
Total part-time and temporary employees	2,045	2,101	2,048	3,210
 Total Employees	 38,340	 37,832	 37,920	 39,318

2009	2008	2007	2006	2005	2004
4,706	4,855	4,984	5,004	5,150	5,062
3,759	3,730	3,626	3,445	3,332	3,138
2,038	2,141	2,155	2,212	2,206	2,188
2,760	2,967	2,984	2,906	2,923	3,158
7,182	7,387	7,751	8,411	8,861	9,015
7,955	8,090	7,967	7,932	7,693	7,488
1,649	1,601	1,673	1,659	1,681	1,692
1,102	1,208	1,194	1,199	1,164	1,112
4,467	4,549	4,711	4,715	5,082	5,251
35,618	36,528	37,045	37,483	38,092	38,104
659	649	757	781	787	665
539	574	554	583	751	747
1,496	1,506	1,548	1,516	1,522	1,525
219	228	281	306	265	347
91	71	165	114	97	69
27	58	33	50	49	27
31	27	67	54	51	38
14	15	54	34	35	23
129	156	202	165	126	80
3,205	3,284	3,661	3,603	3,683	3,521
38,823	39,812	40,706	41,086	41,775	41,625

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