

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2014



Kentucky 
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Commonwealth of Kentucky
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2014

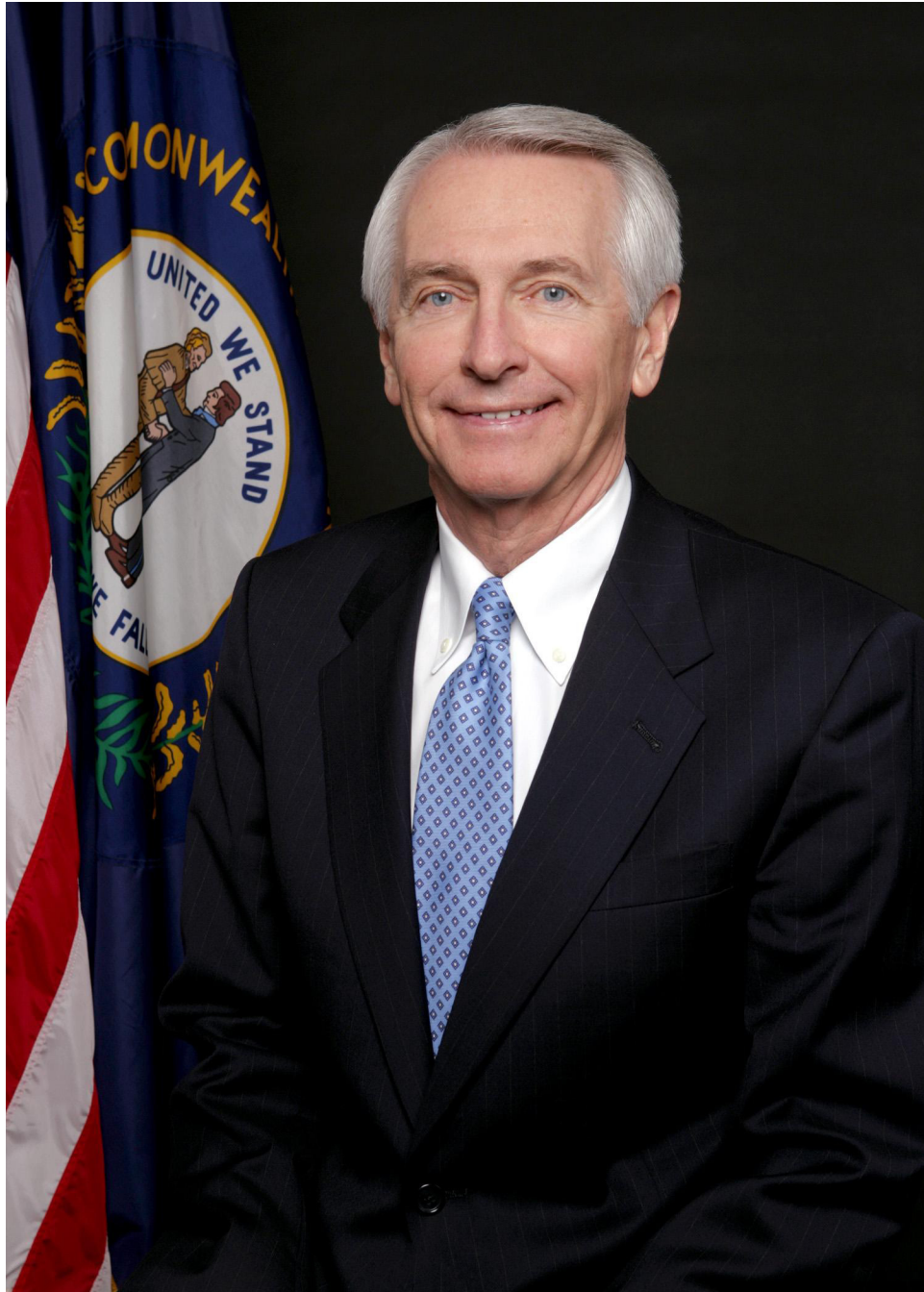
Steven L. Beshear, Governor



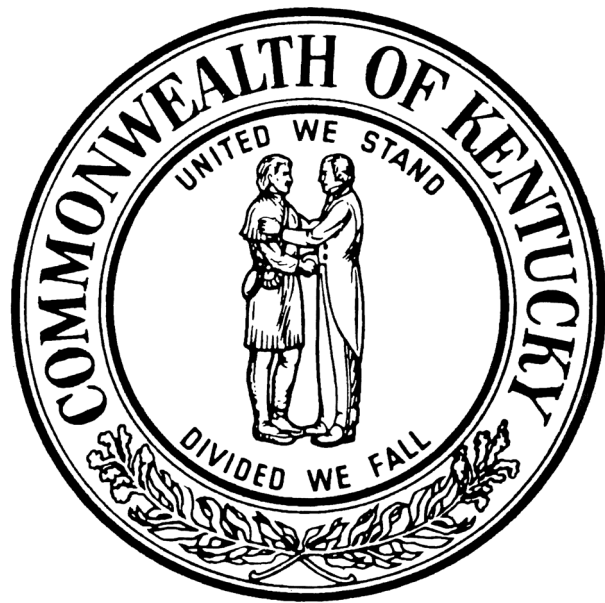
Prepared by:
Finance and Administration Cabinet
Lori H. Flanery, Secretary

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 15, 2014

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, 2014. 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, 2014, are fairly presented in conformity with Generally Accepted Accounting Principles (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, 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 Bluegrass State Skills Corporation, Kentucky Lottery Corporation, Kentucky River Authority, Kentucky State Fair Board, Kentucky Center for the Arts Corporation, Kentucky Educational Television Authority, Kentucky Economic Development Finance Authority, Kentucky Higher Education Assistance Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Housing Corporation, Kentucky Public Transportation Infrastructure Authority, 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

As we reach the conclusion of the first quarter of fiscal year 2015, we find ourselves again balancing the relative improvement of the economy's fundamentals with the continuing policy uncertainty from the Federal Reserve. The divergence between the colloquially named "hawks" and "doves" is driven by continued data that supports each party's viewpoints. The "hawks" are those members that believe the recent economic data supports the continued elimination of the Federal Reserve's bond purchasing program and a return to interest rate normalization. The "doves" are those members that believe the US labor market is still in a slow recovery with a significant amount of weak wage inflation.

The Federal Reserve's quandary is made more difficult due to the fact that the weakness in the labor market is comprised of both cyclical and structural components. The cyclical components are associated with the continued pace of the recovery, and the indicators of the continued slow pace of the labor market recovery are seen in the lack of growth in hourly earnings and high levels of part-time work. The most significant indicator, however, may be seen in the overall growth in the labor force. For calendar 2014, the overall growth in the labor force to date is on track to be fewer than 390,000 net new entrants. This is further indicated by the continued decline in the labor force participation rate, which has fallen by three percent since the end of the recession. These factors would suggest that any actions to raise interest rates should occur at a later time to allow the economic recovery to continue.

The question for policy makers centers on what component of the observed weakness in the labor market is structural rather than cyclical. Beginning with the 45-plus age brackets, labor-force participation rates naturally fall, and these brackets are expanding at a faster pace as the population ages. There are numerous reasons for these naturally declining participation rates, including retirements, working sporadically, health considerations, or no longer needing second incomes. The fact that the participation rates themselves are falling within most age brackets exacerbates this problem, but with faster wage growth and better job prospects, participation rates could steady themselves.

The underlying demographic trends also affect household formation. The release of the Annual Social and Economic Supplement to the Current Population Survey indicated approximately 480,000 households were created during the time period of March of 2013 to March of 2014. As household formation slows, housing starts and sales will be re-

duced. National forecasts of GDP and related housing components will be reduced in upcoming quarters to reflect this new information. All of these demographic trends have economic impacts, but they would not support a delay in the actions of the Federal Reserve. Overall, the Federal Reserve will have to balance the cyclical and structural components of the national data in the execution of monetary policy over the remainder of the fiscal year.

Overall, the outlook for the remainder of the fiscal year is positive, and improved over previous years. Real GDP is expected to grow at an annualized rate 2.8 percent over the next three quarters, representing a 2.7 percent increase year over year. Consumption is forecast to grow by an annual rate of 2.4 percent over the next three quarters. Government expenditures at all levels, Federal, state, and local, will continue to show little growth. Oil and energy prices are expected to remain low helping to keep core inflation down.

Kentucky's Economy

Economic growth in Kentucky is projected to continue through FY15 roughly in line with the national economy. Kentuckians' personal incomes are forecast to grow at the same pace as the U.S. overall over the next three quarters, with wage and salary growth projected to be a solid 5.2 percent. The St. Louis Federal Reserve's Burgundy Book reports that the vast majorities of contacts surveyed expect wages to either increase or remain stable as the calendar year closes.

Kentucky's index of leading economic indicators, as reported by the Philadelphia Federal Reserve, was the highest among U.S. states in August. This suggests that growth will be positive in several areas over the next several months. Retail gasoline prices remained relatively low in the first quarter, a trend that looks to continue as the price of delivery of Brent crude on the futures market a year out remains under \$100/barrel. The fall season is traditionally associated with declining gasoline prices in any case, potentially helping Kentucky consumer spending through a small increase in disposable income.

In August, for the first time on record, the unemployment rate fell in every Kentucky county. Unemployment in Kentucky is projected to continue trending downward as the U.S. economy picks up its pace of return to potential levels of output and employment. Growth in employment is not projected evenly across all sectors and regions, however. Growth in mining employment is still projected to lag that of other goods-producing areas. While the coal fields of West Kentucky have seen positive growth recently, conditions remain challenging for the mines in East Kentucky. Notably, employment growth in Kentucky's service-providing industries is projected to be lower than that of its goods-producing industries. Overall, total non-farm employment growth in Kentucky is projected to lag that of the U.S. as a whole.

The Northern Kentucky areas near Cincinnati already see unemployment below the national average, and the Cleveland Federal Reserve forecasts "optimistic" employment growth in this area. The Cleveland Fed projects the housing market in the Lexington metro area to improve and notes that expansion in local automobile manufacturing over the coming months should further boost area employment and wages. The St. Louis Federal Reserve reports "especially brisk" employment growth in the Louisville and Bowling Green areas and further growth is anticipated as surveys reported improving business optimism.

Some potential impediments to growth warrant caution, however. Surveys of businesses conducted by the Atlanta Federal Reserve multiple Federal Reserve banks indicate that companies are planning to primarily expand their part-time workforce in the coming year rather than hire more full-time workers. The Burgundy Book for the Louisville area reported businesses having a difficult time finding skilled labor to fill potential job openings. While the housing market is improving, the number of new home permits and mortgages issued is not very impressive. A harsh winter similar to that seen in FY14 could put a further damper on growth. While growth in output and employment is expected to be solid going forward, the recent history of this economic recovery has brought boom and bust cycles, thus reminding forecasters and analysts to temper optimism with prudent caution.

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 2014 are:

	<u>Debt Service (thousands)</u>	<u>Ratio to Total General Governmental Expenditures</u>	<u>Debt Per Capita</u>
General Bonded Debt	\$969,090	4.2 %	\$1,431

No general obligation bonds were authorized or outstanding at June 30, 2014.

A detailed analysis of the Commonwealth's debt issuance during the fiscal year ended 2014 is presented in Note 15.

Major Initiatives

Fiscal year 2014 was the second 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 2014 budget was enacted in the 2012 Regular Session of the Kentucky General Assembly. General Fund revenue growth was 1.2 percent, resulting in a \$91 million revenue shortfall. The shortfall, which occurred primarily due to lower tax receipts in the final fiscal quarter of the year, was resolved mainly through the transfer of excess, un-budgeted funds, unexpended General Fund budgets, and the use of the Commonwealth's Budget Reserve Trust Fund (Kentucky's Rainy Day fund). Road Fund revenues increased by 4.6 percent, but despite the growth, that resulted in a \$22 million revenue shortfall. In fiscal year 2014, General Fund spending increased by 3 percent, and Road Fund spending increased by 11 percent. The Road Fund revenue shortfall was resolved primarily through unexpended Road Fund budgets.

The muted General Fund spending growth was primarily due to spending cuts that were incorporated into the fiscal year 2014 budget, a total of \$182 million. 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. In the 2012-14 biennial budget, most other areas of government spending were again reduced in the first fiscal year. The fiscal year 2014 budgets were commonly held at the same level as fiscal year 2013. Some areas of the government have incurred up to 38 percent in General Fund budget reductions since fiscal year 2008. Despite Road Fund revenue growth of 4.6 percent, spending from the Road Fund increased by 11 percent primarily due to the schedule of major road project expenditures, which occur over a multi-year period.

Fiscal year 2014 was the third 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 General Fund cost avoidance of over \$160 million in fiscal year 2014; \$294 million over the 2012-14 biennium. Due to the implementation of reforms in the Corrections area, the inmate population in fiscal year 2013-14 fell by 4.3 percent, and nearly \$7 million was reinvested into evidence-based treatment programs.

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 fiscal year 2014, the Commonwealth made a historically significant health care policy decision; to implement the elements of the federal Affordable Care Act that permitted the expansion of eligibility for the Medicaid program to individuals whose income is up to 138 percent of the poverty level. Additionally, the Commonwealth successfully implemented its Health Benefit Exchange. Based on recent studies, Kentucky ranked second in the country in the rate of reduction of its uninsured population. By the end of fiscal year 2014, over 305,000 Kentuckians were enrolled in the "expanded" Medicaid program.

The Commonwealth continued to implement past actions and 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 2014 was the fourth 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

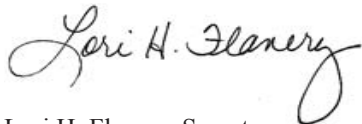
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Kentucky for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This is the 27th consecutive 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.

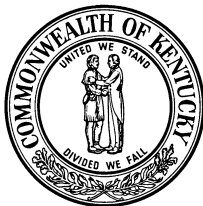
Acknowledgments

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 dark 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
FINANCE AND ADMINISTRATION CABINET
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LORI H. FLANERY
Secretary

EDGAR C. ROSS
Controller

December 15, 2014

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, 2014, 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
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Presented to

Commonwealth of Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

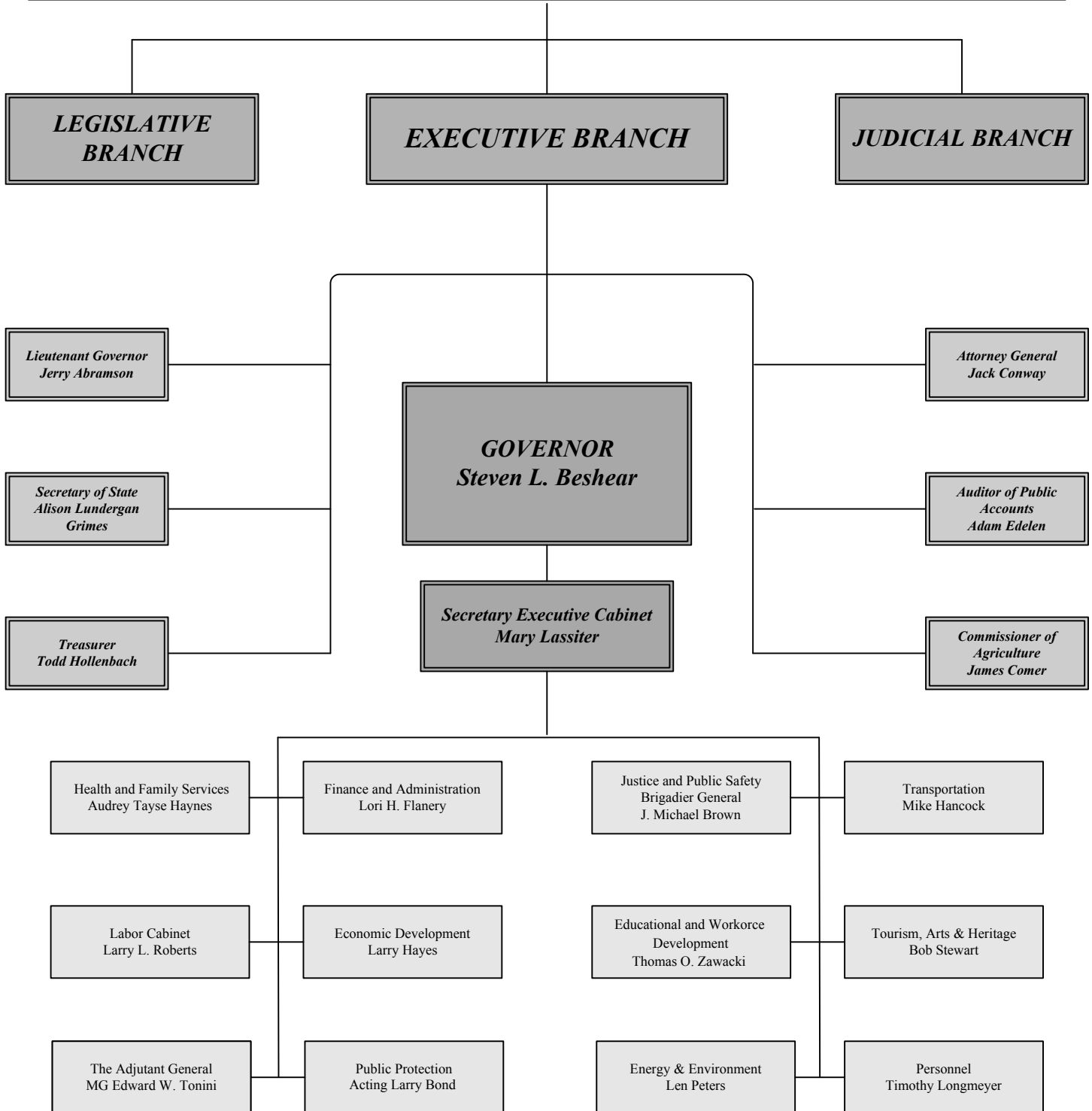
June 30, 2013

Executive Director/CEO

COMMONWEALTH OF KENTUCKY

ELECTORATE OF KENTUCKY

"UNITED WE STAND, DIVIDED WE FALL"



*Principal Officials at June 30, 2014

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, 2014, 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

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

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 Program

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 Public Employees' Deferred Compensation Authority
- Judicial Form Retirement System

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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
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Component Units:

- Bluegrass State Skills Corporation
- Kentucky Center for the Arts Corporation
- Kentucky Economic Development Finance Authority
- Kentucky Educational Television Authority
- Kentucky Higher Education Assistance Authority
- Kentucky 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	1.37 %	.14 %
Primary Government - Business-Type Activities	39.42 %	4.20 %
Component Units	91.91 %	94.29 %
Fund Financial Statements:		
Governmental Funds - Non-Major Funds	39.67 %	2.71 %
Proprietary Funds - Business-Type Activities - Enterprise Funds	39.35 %	3.36 %
Proprietary Funds - Governmental Activities - Internal Service Funds	5.14 %	12.24 %
Fiduciary Funds - Pension and Insurance Trust Funds	52.14 %	51.17 %
Component Units	91.91 %	94.29 %

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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2014, 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 24, budgetary comparison schedules and corresponding notes on pages 120 through 135, and information about infrastructure assets reported using the modified approach on pages 136 and 137, and claims development information for entity risk pools on pages 138 and 139, 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 144 through 197 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

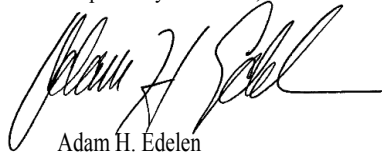
The Introductory and Statistical sections presented in this report on pages 2 through 10 and 200 through 221 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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', written in a cursive style.

Adam H. Edelen
Auditor of Public Accounts

December 15, 2014

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, 2014. 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, 2014, by \$10.3 billion, a decrease of \$774.4 million related to current year activity. Liabilities of the Commonwealth's business-type activities exceeded assets by \$215.1 million, an increase in net position of \$331.8 million related to current year activity. Total net position decreased by \$442.6 million to \$10.1 billion.

The assets of component units exceeded liabilities at fiscal year ending June 30, 2014, by \$10 billion, an increase of \$946.8 million related to current year activity.

Fund Highlights:

As of the close of FY 14, the Commonwealth's governmental funds reported combined ending fund balances of \$2.2 billion, a net decrease of \$42.1 million in comparison with the prior year. Approximately 93.8 percent or \$2.1 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 \$(215.1) million, of which \$379 million was restricted or invested in capital assets and the balance of \$(594.1) million was unrestricted.

Long-Term Debt:

The Commonwealth's total long-term debt obligations (bonds and notes payable) increased by \$83.8 million to \$8.2 billion during the current fiscal year. The small increase is attributable to the issuance of bonds mainly to refund older debt outstanding in addition to funding new projects. The reduction to liabilities includes advanced retirement of old debt and payment of principal were \$737.5 million while new issues for refunding and new projects were \$821.3 million during FY 14. Additional details of these activities can be found in Note 15 beginning on Page 100.

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.

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

These three types of activities are:

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

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

Discretely Presented Component Units – These are operations for which the Commonwealth has financial accountability but which possess certain independent qualities as well. More information on the Commonwealth's discretely presented component units can be found in Note 1 beginning on Page 53.

There were significant fluctuations in the Governmental Activities concerning the General and Federal Funds expenditures and accounts payable. General Fund expenditures in FY 14 increased 5.20 percent when compared to FY 13. The only substantial increase occurred in the Cabinet for Health and Human Services (CHFS). CHFS had a \$355.9 million increase in general fund expenditures over FY 13 which translates into a 17.6 percent increase. There was a 28.4 percent increase in federal expenditures as compared to FY 13. The Commonwealth had a decrease in federal expenditures in all agencies except for CHFS. CHFS had a \$2.0 billion dollar increase in federal expenditures, an increase of 40.8 percent as compared to FY 13. The FY 14 accounts payable for the General and Federal Funds increased by 46.8 percent and 175.9 percent respectively as compared to FY 13. These fluctuations were all caused by the factors noted as follows:

- The implementation of the Affordable Care Act added approximately two hundred and twenty five thousand (225,000) unique individuals (Medicaid expansion adults) to the Commonwealth's Medicaid Program. Capitation rates were paid for these new members for the period January 1 through June 30, 2014 and were funded one hundred percent (100 percent) by federal funds.
- 32,000 new enrollees added to the traditional Medicaid Program. In FY 14 the federal participation in this segment of the Medicaid program was 69.83 percent and the Commonwealth's participation was 30.17 percent.
- The match requirement for the Commonwealth's Medicaid match in the traditional Medicaid program rose from 29.45 percent in FY 13 to 30.17 percent in FY 14.
- In the fee-for-service Medicaid program FY 14 expenditures in several areas exceeded the amounts experienced in FY 13. Based on their participation rate both Federal and State funds were affected by this increase.
- The premature departure of the Kentucky Spirit Managed Care Organization (MCO) and subsequent reassignment of traditional Medicaid members to the two remaining MCOs resulted in an increase of expected expenditures since the former Spirit members were reassigned to the remaining MCOs which had higher negotiated rates. Based on their participation rate both Federal and State funds were affected by this increase.
- The implementation of the Kentucky Health Exchange in accordance with the Affordable Health Act in FY 14 also increased costs to CHFS as compared to FY 13. These costs were funded one hundred percent (100 percent) by federal funds.
- The increase in accounts payables occurred in the Medicaid program due to a decision made by Medicaid management. In order to manage the Medicaid program within fiscal year 2014 budgeted resources, a decision was made to utilize some discretionary cash management actions. Those cash management actions adjusted the timing of certain Medicaid payments while still adhering to the timelines dictated by cash management requirements. The Commonwealth's budget developmental process took into account the impact those cash management actions had on the subsequent fiscal year (2014-2015) budget. As a result this action resulted in those delayed payments being recorded as an accounts payable in the federal fund and accounts payable for the Commonwealth match in the general fund.

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 \$10.1 billion at the end of 2014, as compared to \$10.5 billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$21.3 billion, is net investment 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 \$(12.4) 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, 2014 and June 30, 2013, 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	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 6,213,863	\$ 5,904,367	\$ 1,404,931	\$ 1,031,667	\$ 7,618,794	\$ 6,936,034
Capital Assets	23,135,770	22,991,474	328,198	342,131	23,463,968	23,333,605
Other Assets	290	295			290	295
Total Assets	29,349,923	28,896,136	1,733,129	1,373,798	31,083,052	30,269,934
Deferred outflows of resources	6,583	14,612			6,583	14,612
Non Current Liabilities	15,834,700	15,008,690	1,521,651	1,799,654	17,356,351	16,808,344
Other Liabilities	3,235,745	2,829,459	426,625	121,126	3,662,370	2,950,585
Total Liabilities	19,070,445	17,838,149	1,948,276	1,920,780	21,018,721	19,758,929
Deferred inflows of resources	12,952	25,040			12,952	25,040
Net investment in capital assets	20,986,040	20,195,976	315,131	328,382	21,301,171	20,524,358
Restricted	1,099,649	1,167,435	63,847	913	1,163,496	1,168,348
Unrestricted	(11,812,580)	(10,315,852)	(594,125)	(876,277)	(12,406,705)	(11,192,129)
Total Net Position	\$ 10,273,109	\$ 11,047,559	\$ (215,147)	\$ (546,982)	\$ 10,057,962	\$ 10,500,577

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 FY 14. The Commonwealth received program revenues of \$13.1 billion and general revenues (including transfers) of \$12 billion for total revenues of \$25.1 billion during FY 14. Expenses for the Commonwealth during FY 14 were \$25.6 billion, which resulted in a total decrease of the Commonwealth's net position in the amount of \$442.6 million, net of contributions, transfers and special items.

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

	2014 Governmental Activities	2013 Governmental Activities	2014 Business-Type Activities	2013 Business-Type Activities	2014 Total	2013 Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,464,874	\$ 1,483,849	\$ 2,427,436	\$ 2,383,241	\$ 3,892,310	\$ 3,867,090
Operating Grants and Contributions	8,211,316	6,294,292	174,235	408,125	8,385,551	6,702,417
Capital Grants and Contributions	801,353	806,675	378	155	801,731	806,830
General Revenues:						
Income Taxes	4,209,469	4,171,101			4,209,469	4,171,101
Sales Taxes	5,575,312	5,292,465			5,575,312	5,292,465
Property Taxes	553,339	556,986			553,339	556,986
Other Taxes	508,519	706,927			508,519	706,927
Investment Earnings	(37)	2,179	13,546		13,509	2,179
Other	520,136	569,408	648,466	485,257	1,168,602	1,054,665
Total Revenues	21,844,281	19,883,882	3,264,061	3,276,778	25,108,342	23,160,660
Expenses:						
Governmental Activities:						
General Government	2,840,370	3,333,535			2,840,370	3,333,535
Legislative and Judicial	420,929	406,949			420,929	406,949
Commerce	112,067	112,290			112,067	112,290
Education and Humanities	5,539,119	5,214,551			5,539,119	5,214,551
Human Resources	10,000,356	7,618,717			10,000,356	7,618,717
Justice	933,126	936,118			933,126	936,118
Natural Resources and Environmental Protection	192,059	229,245			192,059	229,245
Public Protection and Regulation	92,798	160,071			92,798	160,071
Transportation	2,127,851	1,720,513			2,127,851	1,720,513
Interest Expense	355,842	369,773			355,842	369,773
Business-type Activities:						
State Parks			96,587	92,724	96,587	92,724
Kentucky Horse Park			19,511	15,856	19,511	15,856
Kentucky Public Employees Health Plan			1,642,048	1,677,143	1,642,048	1,677,143
Insurance Administration			86,063	93,876	86,063	93,876
Unemployment Compensation			1,092,231	1,287,408	1,092,231	1,287,408
Total Expenses	22,614,517	20,101,762	2,936,440	3,167,007	25,550,957	23,268,769
Increase (Decrease) in Net Position Before Transfers	(770,236)	(217,880)	327,621	109,771	(442,615)	(108,109)
Transfers	(4,214)	(22,093)	4,214	22,093		
Change in Net Position	(774,450)	(239,973)	331,835	131,864	(442,615)	(108,109)
Net Position, July 1, as restated	11,047,559	11,287,532	(546,982)	(678,846)	10,500,577	10,608,686
Net Position, June 30	\$ 10,273,109	\$ 11,047,559	\$ (215,147)	\$ (546,982)	\$ 10,057,962	\$ 10,500,577

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 \$774.4 million or 7.0 percent. Approximately 49.7 percent of the governmental activities' total revenue came from taxes, while 41.2 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	\$ 2,840,370	\$ 920,007	\$ (1,920,363)
Legislative and Judicial	420,929	28,947	(391,982)
Commerce	112,067	68,213	(43,854)
Education and Humanities	5,539,119	1,002,265	(4,536,854)
Human Resources	10,000,356	7,180,482	(2,819,874)
Justice	933,126	68,897	(864,229)
Natural Resources and Environmental Protection	192,059	126,445	(65,614)
Public Protection and Regulation	92,798	88,253	(4,545)
Transportation	2,127,851	994,034	(1,133,817)
Totals	\$ 22,258,675	\$ 10,477,543	\$ (11,781,132)

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 \$331.8 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	\$ 96,587	\$ 50,444	\$ (46,143)
Kentucky Horse Park	19,511	11,638	(7,873)
Kentucky Public Employees Health Plan	1,642,048	1,692,801	50,753
Insurance Administration	86,063	115,115	29,052
Unemployment Compensation	1,092,231	732,051	(360,180)
Totals	\$ 2,936,440	\$ 2,602,049	\$ (334,391)

Overall Analysis

Financial highlights for the State as a whole during fiscal year ended June 30, 2014, 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 \$10.3 billion and the condition of the State's business-type activities continued to have liabilities that exceed net position by \$215.1 million.
- The State's total net position decreased during the year by \$442.6 million. Net position of governmental activities decreased by \$774.4 million, while net position of business-type activities increased by \$331.8 million.
- The major reason for the decline in net position of the governmental activities was an increase in the accounts payable of \$1.05 billion. The primary cause of the increase in business-type activities net position is a decrease in loans payable to the Federal government of \$235.8 million for unemployment insurance.

FINANCIAL ANALYSIS OF THE COMMONWEALTH'S INDIVIDUAL FUNDS

At June 30, 2014, the Commonwealth's governmental funds reported combined ending fund balances of \$2.2 billion, a net decrease of \$42.1 million in comparison with the prior year. \$74 million is nonspendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The \$2.1 billion is restricted for certain purposes and is not available to fund current operations. The \$61.9 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, 2014, was \$(130.8) million. The balance reported reflects a decrease of \$332 million from the previously reported amount, which represents a decrease of 164.6 percent. The major factor for the decrease in fund balance is an increase in expenditures of \$458.5 million or 5.2 percent, as explained in the above section titled "Overview of Financial Statements".

The fund balance is segregated into nonspendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of \$6.5 million represents the nonspendable amount. The unrestricted had a negative balance of \$137.3, therefore is not 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 intergovernmental revenues of \$1.9 billion. Expenditures decreased across a majority of all functions, except for Human Resources (CHFS) which experienced an increase in expenditures of \$2 billion a 28.4 percent increase in expenditures for total federal expenditures. The Transportation Fund experienced a slight increase in revenues due to increased tax receipts and an increase in expenditures, resulting in an decrease in fund balance of \$54.2 million.

Proprietary Funds - The Commonwealth's proprietary funds reported net position of \$(140.7) million, which included \$(215.1) million in the enterprise funds and \$74.4 million in the internal service funds. This is a total increase in net position of \$324.6 million from the previous year.

The overall increase in net position of the Unemployment Compensation Fund is due to a decrease in benefit payments of \$195 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, were less than the final budgetary estimates by approximately \$22.3 million. The original budgeted expenditures were decreased to accommodate revenue shortfalls. Actual expenditures for the year were approximately \$214 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, 2014, amounts to \$24.7 billion, with accumulated depreciation of \$1.3 billion, leaving a net book value of \$23.4 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 0.6 percent in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$612.6 million for the year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$100.2 billion. 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 63,407 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 0.2 million more than the reported estimate of \$1,115.5 million for fiscal year 2014.

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 \$135.9 million to \$6.3 billion, a 2.1 percent decrease during the current fiscal year. The major factor in this decrease is a result of the refunding of old issues by the FY 14 new issues. Therefore, the remaining liability on the retired bonds plus the FY 14 principle payments on the remaining outstanding bonds were greater than the FY 14 issues for new projects. No general obligation bonds were authorized or outstanding at June 30, 2014. 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 BUDGET AND RATES

The unemployment rate for the Commonwealth of Kentucky is currently 6.2 percent. The October rate is down a full two percentage points compared to the October 2013 level of 8.2 percent. The national unemployment rate has also fallen, losing 1.4 percentage points from 7.2 percent in October 2013 to 5.8 percent in October 2014. Kentucky saw net job growth in eight of ten 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 calendar year 2014 was up 1.7 percent from the same period in 2013. Recent growth rates have been modest but mostly positive. Quarter-to-quarter growth has ranged from (1.2) to 1.5 percent over the last seven quarters.

U.S. real gross domestic product is projected to grow at a rate of 2.6 percent in 2015, and above three percent in 2016. The housing sector shows modest signs of improvement, and household debt is slowly growing again. The price of crude oil has dropped to its lowest point since 2007, keeping downward pressure on wages and other prices. Slow economic growth in Europe, the prospect of another unusually harsh winter, 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, 2014
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents (Note 5)	\$ 593,440	\$ 325,638	\$ 919,078	\$ 1,360,985
Cash with fiscal agents (Note 5)	28,119		28,119	
Restricted cash (Note 5)	7,471		7,471	
Restricted investments (Note 5)				89,205
Investments, net of amortization (Note 5)	1,800,392	10,991	1,811,383	2,539,341
Invested security collateral (Note 5)	640,820	276,206	917,026	
Receivables, net (Note 4)	2,781,351	288,002	3,069,353	3,514,024
Notes receivable	5,421		5,421	
Capital lease receivable (Note 4)	352,235		352,235	
Internal balances (Note 7)	(64,596)	64,596		
Inventories	56,268	2,166	58,434	53,325
Prepaid expenses	5,421	64	5,485	27,896
Unamortized cost of issuance	7,521		7,521	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (Note 5)				623,660
Investments (Note 5)		437,268	437,268	2,116,256
Capital assets (Note 6):				
Land	216,387	21,583	237,970	299,206
Improvements other than buildings	21,395	144,933	166,328	416,845
Buildings	1,387,996	339,873	1,727,869	6,765,609
Machinery and equipment	644,285	21,094	665,379	2,022,044
Other capital assets				218,085
Easements and other intangibles	177,575	2,322	179,897	
Less: Accumulated depreciation and amortization	(1,039,852)	(225,327)	(1,265,179)	(4,403,410)
Construction in progress	1,847,484	23,720	1,871,204	970,636
Infrastructure	19,880,500		19,880,500	
Total Capital Assets	23,135,770	328,198	23,463,968	6,289,015
Other assets	290		290	283,924
Total Assets	29,349,923	1,733,129	31,083,052	16,897,631
Deferred outflows of resources (Note 15)	6,583		6,583	14,651
Liabilities				
Accounts payable (Note 4)	2,252,509	74,880	2,327,389	551,498
Tax refunds payable	338,032		338,032	
Unearned revenue	4,384	1,836	6,220	193,395
Other liabilities		73,703	73,703	127,543
Liabilities from restricted assets				7,666
Obligations under securities lending	640,820	276,206	917,026	
Noncurrent liabilities:				
Due within one year (Note 15)	830,444	192,739	1,023,183	314,906
Due in more than one year (Note 15)	15,004,256	1,328,912	16,333,168	5,659,326
Total Liabilities	19,070,445	1,948,276	21,018,721	6,854,334
Deferred inflows of resources (Note 15)	12,952		12,952	46,374
Net Position				
Net investment in capital assets	20,986,040	315,131	21,301,171	4,378,216
Restricted for:				
Debt service	125,732		125,732	323,347
Capital projects	245,584	8,706	254,290	243,768
Highways	728,333		728,333	
Unemployment benefits				
Other purposes (Note 1)		55,141	55,141	3,409,090
Unrestricted	(11,812,580)	(594,125)	(12,406,705)	1,657,153
Total Net Position	\$ 10,273,109	\$ (215,147)	\$ 10,057,962	\$ 10,011,574

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, 2014
(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	\$ 2,840,370	\$ 699,518	\$ 192,895	\$ 27,594
Legislative and judicial	420,929	25,584	3,363	
Commerce	112,067	44,538	23,487	188
Education and humanities	5,539,119	43,192	957,073	2,000
Human resources	10,000,356	230,057	6,898,384	52,041
Justice	933,126	23,434	45,463	
Natural resources and environmental protection	192,059	45,334	81,111	
Public protection and regulation	92,798	83,516	4,737	
Transportation	2,127,851	269,701	4,803	719,530
Interest expense	355,842			
Total Governmental Activities	<u>22,614,517</u>	<u>1,464,874</u>	<u>8,211,316</u>	<u>801,353</u>
Business-Type Activities:				
State Parks	96,587	49,016	1,428	
Kentucky Horse Park	19,511	10,679	581	378
Kentucky Public Employees Health Plan	1,642,048	1,692,801		
Insurance Administration	86,063	113,248	1,867	
Unemployment Compensation	1,092,231	561,692	170,359	
Total Business-Type Activities	<u>2,936,440</u>	<u>2,427,436</u>	<u>174,235</u>	<u>378</u>
Total Primary Government	<u>\$ 25,550,957</u>	<u>\$ 3,892,310</u>	<u>\$ 8,385,551</u>	<u>\$ 801,731</u>
Component Units:				
Authorities:				
Kentucky Housing Corporation	\$ 296,560	\$ 103,426	\$ 202,065	\$
Kentucky Higher Education Student Loan Corporation	34,216	43,896		
Kentucky Lottery Corporation	846,372	843,258		
Kentucky Public Transportation Infrastructure Authority	4,447			447,503
Universities, Colleges, & Related Entities:				
University of Kentucky	2,441,583	1,807,574	496,825	55,631
University of Louisville	1,085,131	639,021	166,022	
Kentucky Community and Technical College System	630,121	83,684	95,233	
Other component units	1,728,326	774,815	365,623	72,426
Total Component Units	<u>\$ 7,066,756</u>	<u>\$ 4,295,674</u>	<u>\$ 1,325,768</u>	<u>\$ 575,560</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	
\$ (1,920,363)	\$	\$ (1,920,363)	
(391,982)		(391,982)	
(43,854)		(43,854)	
(4,536,854)		(4,536,854)	
(2,819,874)		(2,819,874)	
(864,229)		(864,229)	
(65,614)		(65,614)	
(4,545)		(4,545)	
(1,133,817)		(1,133,817)	
(355,842)		(355,842)	
(12,136,974)		(12,136,974)	
	(46,143)	(46,143)	
	(7,873)	(7,873)	
	50,753	50,753	
	29,052	29,052	
	(360,180)	(360,180)	
	(334,391)	(334,391)	
(12,136,974)	(334,391)	(12,471,365)	
			\$ 8,931
			9,680
			(3,114)
			443,056
			(81,553)
			(280,088)
			(451,204)
			(515,462)
			(869,754)
5,575,312		5,575,312	
3,752,868		3,752,868	
456,601		456,601	
553,339		553,339	
21,170		21,170	
251,231		251,231	
51,513		51,513	
184,605		184,605	
12,663		12,663	620,159
(37)	13,546	13,509	138,101
10,969	32	11,001	478
496,504	648,434	1,144,938	1,057,785
(4,214)	4,214		
11,362,524	666,226	12,028,750	1,816,523
(774,450)	331,835	(442,615)	946,769
11,047,559	(546,982)	10,500,577	9,064,805
\$ 10,273,109	\$ (215,147)	\$ 10,057,962	\$ 10,011,574

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 page144

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
(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)	\$ 139,531	\$ 22,940	\$ 6	\$ 72,232	\$ 16,813	\$ 4,236	\$ 279,296	\$ 535,054
Cash with fiscal agents (Note 5)					13,425	13,503		26,928
Restricted cash (Note 5)			6,102	1,369				7,471
Investments, net of amortization (Note 5)	12,199	619,011		581,871	213,918	1,250	350,770	1,779,019
Invested security collateral	48,514	211,314		210,466	73,026		97,500	640,820
Receivables, net (Note 4)	887,024	152,101	1,508,671	68,993	14,856	395	142,780	2,774,820
Notes receivable				3,312			1,821	5,133
Capital lease receivable (Note 4)						352,235		352,235
Interfund receivables (Note 7)	82,971	1,847	13,932	67,435	12,208	2,462	127,304	308,159
Interfund loans receivable (Note 7)		25,713		20,728			11,422	57,863
Inventories	6,505	44,667	189	2,611			37	54,009
Total Assets	<u>\$ 1,176,744</u>	<u>\$ 1,077,593</u>	<u>\$ 1,528,900</u>	<u>\$ 1,029,017</u>	<u>\$ 344,246</u>	<u>\$ 374,081</u>	<u>\$ 1,010,930</u>	<u>\$ 6,541,511</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable (Note 4)	\$ 580,704	\$ 117,611	\$ 1,316,323	\$ 73,816	\$ 19,357	\$	\$ 22,374	\$ 2,130,185
Tax refunds payable	338,032							338,032
Interfund payables (Note 7)	83,063	13,598	39,854	79,010	5,891	7,092	145,032	373,540
Interfund loans payable (Note 7)	6,199		46,021	2,950				55,170
Obligations under securities lending	48,514	211,314		210,466	73,026		97,500	640,820
Unearned revenue			274	3,943			48	4,265
Other liabilities	25,342							25,342
Total Liabilities	<u>1,081,854</u>	<u>342,523</u>	<u>1,402,472</u>	<u>370,185</u>	<u>98,274</u>	<u>7,092</u>	<u>264,954</u>	<u>3,567,354</u>
Deferred inflows of resources								
Unavailable (Note 15)	<u>225,680</u>	<u>6,737</u>	<u>64,902</u>	<u>28,297</u>	<u>388</u>	<u>352,235</u>	<u>91,728</u>	<u>769,967</u>
Fund Balances:								
Nonspendable (Note 1)	6,505	44,667	189	7,292		13,503	1,858	74,014
Restricted for (Note 1)		683,666	63,736	578,726	245,584	1,251	495,330	2,068,293
Committed to (Note 1)				33,546			155,160	188,706
Assigned to (Note 1)				10,971			2,083	13,054
Unassigned (Note 1)	(137,295)		(2,399)				(183)	(139,877)
Total Fund Balances	<u>(130,790)</u>	<u>728,333</u>	<u>61,526</u>	<u>630,535</u>	<u>245,584</u>	<u>14,754</u>	<u>654,248</u>	<u>2,204,190</u>
Total Liabilities and Fund Balances	<u>\$ 1,176,744</u>	<u>\$ 1,077,593</u>	<u>\$ 1,528,900</u>	<u>\$ 1,029,017</u>	<u>\$ 344,246</u>	<u>\$ 374,081</u>	<u>\$ 1,010,930</u>	<u>\$ 6,541,511</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, 2014
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds	\$ 2,204,190
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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	331,167	
Buildings, equipment, and other depreciable assets	1,692,632	
Infrastructure	19,880,500	
Accumulated depreciation	(777,945)	
Construction in progress	<u>1,769,119</u>	22,895,473

Certain revenues are earned but not available, and therefore, are deferred in the funds.	769,969
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	12,828
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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.	74,411
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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	(27,875)	
Compensated absences	(217,608)	
Pollution remediation obligations	(18,419)	
Judgements and contingencies	(36,363)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	(134,460)	
Net pension obligations	<u>(6,619,886)</u>	(7,054,611)

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	(6,291,646)	
Notes payable	(1,868,377)	
Unamortized premiums and discounts	(344,240)	
Less deferred amounts on refundings	(6,370)	
Accrued interest payable	<u>(118,518)</u>	(8,629,151)

Net Position of Governmental Activities	<u>\$ 10,273,109</u>
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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, 2014
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 9,059,166	\$ 1,410,369	\$	\$ 410,493	\$	\$	\$ 74,811	\$ 10,954,839
Licenses, fees, and permits	33,673	135,580		178,080			3,121	350,454
Intergovernmental	12,541		8,868,570	42,210	84,740		22	9,008,083
Charges for services	238,974	8,840	3,138	656,532	333	145,977	223,027	1,276,821
Fines and forfeits	39,964	19		7,183			22,365	69,531
Interest and other investment income	805	6,280	111	5,522	9,049	(36)	5,054	26,785
Increase (decrease) in fair value of investments	(1,049)	(2,432)		(1,356)	(3,349)		(1,224)	(9,410)
Securities lending income	204	889		886	307		410	2,696
Other revenues	46,208	4,246	68,895	298,205	444	8,631	201,018	627,647
Total Revenues	9,430,486	1,563,791	8,940,714	1,597,755	91,524	154,572	528,604	22,307,446
Expenditures								
Current:								
General government	1,564,140		126,870	182,480			193,680	2,067,170
Legislative and judicial	370,701		3,335	45,424			1	419,461
Commerce	35,265		16,513	45,494			539	97,811
Education and humanities	4,164,686		950,669	63,895			138,251	5,317,501
Human resources	2,383,840		6,992,292	964,774			59,060	10,399,966
Justice	673,585		38,519	90,899			1,744	804,747
Natural resources and environmental protection	69,986		67,245	42,459			5,857	185,547
Public protection and regulation	16,710		3,764	69,995			2,131	92,600
Transportation	5,828	1,447,239	650,667	246,184			216,464	2,566,382
Debt service:								
Principal retirement	3,050					405,055	139,505	547,610
Interest and fiscal charges						258,683	96,755	355,438
Other expenditures						5,425	4,433	9,858
Securities lending expense	80	349		348	120		161	1,058
Capital outlay:								
Buildings					203,514			203,514
Total Expenditures	9,287,871	1,447,588	8,849,874	1,751,952	203,634	669,163	858,581	23,068,663
Excess (Deficiency) of Revenues over (under) Expenditures	142,615	116,203	90,840	(154,197)	(112,110)	(514,591)	(329,977)	(761,217)
Other Financing Sources (Uses)								
Transfers in	134,995	2,767	87	476,985	91,813	510,762	804,019	2,021,428
Transfers out	(608,804)	(173,124)	(74,788)	(484,060)	(7,397)	(3,621)	(661,975)	(2,013,769)
Capitalized leases				27				27
Issuance of bonds:								
New issues					10,485		246,402	256,887
Refunding issues							141,631	141,631
Premiums				43,314	191	4,258	33,006	80,769
Discounts							(689)	(689)
Issuance of notes:								
New issues				368,000	15,000			383,000
Refunding issues						39,765		39,765
Payments to refunded bond escrow agent						(41,815)	(148,068)	(189,883)
Discounts								
Total Other Financing Sources (Uses)	(473,809)	(170,357)	(74,701)	404,266	110,092	509,349	414,326	719,166
Net Change in Fund Balances	(331,194)	(54,154)	16,139	250,069	(2,018)	(5,242)	84,349	(42,051)
Fund Balances at July 1, As Restated (Note 2)	201,197	794,882	45,351	380,720	247,602	19,996	569,911	2,259,659
Increase (decrease) in inventories	(793)	(12,395)	36	(254)			(12)	(13,418)
Fund Balances at June 30	\$ (130,790)	\$ 728,333	\$ 61,526	\$ 630,535	\$ 245,584	\$ 14,754	\$ 654,248	\$ 2,204,190

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, 2014
(Expressed in Thousands)**

Net Change in Fund Balances-Total Governmental Funds	\$	(42,051)
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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	(188,134)	
Donated assets, fair market value	9,656	
Buildings, equipment, and other depreciable assets	131,577	
Infrastructure	261,883	
Accumulated depreciation	<u>(69,452)</u>	145,530

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		82,516
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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	5,017	
Inventories	<u>(13,418)</u>	(8,401)

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.		(7,241)
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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	4,578	
Compensated absence payments	664	
Pollution remediation payments	(186)	
Litigation payments	3,953	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	4,175	
Excess contributions to pension funds	<u>(711,290)</u>	(698,106)

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	(901,361)	
Repayment of bond principal	547,610	
Payment to refunded bond escrow agent	189,883	
Accrued interest	(85,042)	
Loss on refunding	3,345	
Unamortized issue costs	<u>(1,132)</u>	(246,697)

Change in Net Position of Governmental Activities	\$	<u>(774,450)</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 page154

COMMONWEALTH OF KENTUCKY
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	Business-Type Activities-		
	State Parks	Kentucky Horse Park	Insurance Administration
Assets			
Current assets:			
Cash and cash equivalents (Note 5)	\$ 1,114	\$ 395	\$ 112,335
Cash with fiscal agents (Note 5)			
Investments, net of amortization (Note 5)			10,991
Invested security collateral (Note 5)			276,206
Receivables, net (Note 4)	1,291	888	19,308
Interfunds receivable (Note 7)	61	7	10
Inventories	1,528	638	
Prepaid expenses	34		
Total Current Assets	<u>4,028</u>	<u>1,928</u>	<u>418,850</u>
Noncurrent assets:			
Investments, net of amortization (Note 5)	8,003	186	319,170
Receivables, net		103	
Capital assets (Note 6):			
Land	17,130	4,453	
Improvements other than buildings	114,135	30,798	
Buildings	239,690	100,183	
Machinery and equipment	14,381	5,363	1,350
Easements and other intangibles	2,322		
Less: Accumulated depreciation and amortization	(191,252)	(33,209)	(866)
Construction in progress	20,321	3,399	
Total Capital Assets	<u>216,727</u>	<u>110,987</u>	<u>484</u>
Total Noncurrent Assets	<u>224,730</u>	<u>111,276</u>	<u>319,654</u>
Total Assets	<u>228,758</u>	<u>113,204</u>	<u>738,504</u>
Liabilities			
Current liabilities:			
Accounts payable (Note 4)	4,081	1,446	2,445
Judgments payable (Note 15)	32		
Interfunds payable (Note 7)	780	68	2,236
Interfund loans payable (Note 7)			
Claims liability (Note 15)			80,984
Claims adjustment liability (Note 15)			6,851
Capital lease obligations (Note 10) (Note 15)	692	366	
Compensated absences (Note 15)	3,077	448	768
Unearned revenue	1,390	446	
Other liabilities			3
Obligations under securities lending			276,206
Total Current Liabilities	<u>10,052</u>	<u>2,774</u>	<u>369,493</u>
Noncurrent liabilities:			
Claims liability (Note 15)			872,687
Claims adjustment liability (Note 15)			52,233
Capital lease obligations (Note 10) (Note 15)	9,595	2,412	
Compensated absences (Note 15)	2,039	126	619
Loans payable to the federal government (Note 15)			
Total Noncurrent Liabilities	<u>11,634</u>	<u>2,538</u>	<u>925,539</u>
Total Liabilities	<u>21,686</u>	<u>5,312</u>	<u>1,295,032</u>
Net Position			
Net investment in capital assets	206,440	108,208	483
Restricted for:			
Capital projects	8,505	201	
Other purposes (Note 1)			55,141
Unrestricted	(7,873)	(517)	(612,152)
Total Net Position	<u>\$ 207,072</u>	<u>\$ 107,892</u>	<u>\$ (556,528)</u>

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

Enterprise Funds			Governmental
Kentucky			Activities-
Public			Internal
Employees			Service
Health Plan			Funds
	Unemployment	Totals	
	Compensation	June 30, 2014	
\$ 208,549	\$ 3,245	\$ 325,638	\$ 58,386
		10,991	1,191
		276,206	
63,384	203,028	287,899	6,531
67,602	28	67,708	6,625
		2,166	2,259
30		64	403
339,565	206,301	970,672	75,395
109,909		437,268	21,373
		103	289
		21,583	18,219
		144,933	3,133
		339,873	275,883
		21,094	124,929
		2,322	1,675
		(225,327)	(261,907)
		23,720	78,365
		328,198	240,297
109,909		765,569	261,959
449,474	206,301	1,736,241	337,354
31,419	35,489	74,880	10,285
	28	32	
		3,112	5,840
			2,693
93,799		174,783	21,199
5,556		12,407	910
		1,058	7,640
166		4,459	5,111
		1,836	119
73,700		73,703	
		276,206	
204,640	35,517	622,476	53,797
		872,687	181,755
		52,233	5,264
		12,007	19,929
187		2,971	2,198
	389,014	389,014	
187	389,014	1,328,912	209,146
204,827	424,531	1,951,388	262,943
		315,131	212,728
		8,706	
		55,141	2,259
244,647	(218,230)	(594,125)	(140,576)
\$ 244,647	\$ (218,230)	\$ (215,147)	\$ 74,411

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(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	\$ 49,016	\$	\$
Horse park admissions and sales		10,679	
Insurance receipts			113,248
Unemployment insurance receipts			
Internal service fund receipts			
Other services	694	581	1,867
Total Operating Revenues	<u>49,710</u>	<u>11,260</u>	<u>115,115</u>
Operating Expenses:			
Personal services	50,226	8,108	21,739
Utilities, rental, and other services	16,301	3,487	2,085
Commodities and supplies	16,844	3,801	940
Grants and subsidies			
Depreciation and amortization	11,917	4,035	143
Travel	245	16	379
Claims expense			51,643
Claims adjustment expense			(4,365)
Other expenses			5
Total Operating Expenses	<u>95,533</u>	<u>19,447</u>	<u>72,569</u>
Operating Income (Loss)	<u>(45,823)</u>	<u>(8,187)</u>	<u>42,546</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	32	(40)	(15)
Interest and other investment income			15,755
Securities lending income			318
Increase (decrease) in fair value of investments			(2,297)
Interest expense		(24)	
Other revenues (expenses)	(1,054)		(13,479)
Total Nonoperating Revenues (Expenses)	<u>(1,022)</u>	<u>(64)</u>	<u>282</u>
Income (Loss) before Capital Contributions and Transfers	(46,845)	(8,251)	42,828
Capital contributions		378	
Transfers in	37,944	2,970	34
Transfers out	(569)	(11)	(19,348)
Change in Net Position	<u>(9,470)</u>	<u>(4,914)</u>	<u>23,514</u>
Net Position at July 1	216,542	112,806	(580,042)
Net Position at June 30	<u>\$ 207,072</u>	<u>\$ 107,892</u>	<u>\$ (556,528)</u>

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

Enterprise Funds			Governmental
Kentucky Public Employees Health Plan	Unemployment Compensation	Totals June 30, 2014	Activities- Internal Service Funds
\$	\$	\$	\$
		49,016	
		10,679	
1,692,801		1,806,049	
	1,381,219	1,381,219	
		3,142	214,038
1,692,801	1,381,219	3,250,105	16,633
			230,671
7,493	4	87,570	93,237
1,941	30	23,844	31,681
8,117		29,702	33,314
	1,092,197	1,092,197	665
		16,095	14,687
9		649	117
1,506,049		1,557,692	50,936
87,339		82,974	1,022
31,100		31,105	
1,642,048	1,092,231	2,921,828	225,659
50,753	288,988	328,277	5,012
		(23)	(222)
260	(490)	15,525	4
		318	
		(2,297)	
		(24)	(753)
		(14,533)	68
260	(490)	(1,034)	(903)
51,013	288,498	327,243	4,109
		378	85
	2,507	43,455	884
	(19,313)	(39,241)	(12,319)
51,013	271,692	331,835	(7,241)
193,634	(489,922)	(546,982)	81,652
\$ 244,647	\$ (218,230)	\$ (215,147)	\$ 74,411

COMMONWEALTH OF KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Business-Type Activities -		
	State Parks	Kentucky Horse Park	Insurance Administration
Cash Flows from Operating Activities			
Cash received from customers - public	\$ 47,401	\$ 10,370	\$ 111,501
Cash received from customers - state	1,520	72	1,326
Cash payments to suppliers for goods and services	(36,286)	(6,218)	(2,302)
Cash payments for employee salaries and benefits	(50,629)	(8,200)	(21,720)
Cash payments for claims expense			(88,224)
Cash payments from other sources	654	581	1,645
Cash payments to other sources	40		(8,675)
Net Cash Provided (Used) by Operating Activities	<u>(37,300)</u>	<u>(3,395)</u>	<u>(6,449)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	37,944	2,970	34
Transfers to other funds	(569)	(11)	(19,348)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>37,375</u>	<u>2,959</u>	<u>(19,314)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,972)	(1)	(192)
Principal paid on revenue bond maturities and equipment contracts	(643)	(461)	
Interest paid on revenue bonds and equipment contracts	(338)	(25)	
Proceeds from the sale of capital assets	58		4
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(2,895)</u>	<u>(487)</u>	<u>(188)</u>
Cash Flows from Investing Activities			
Purchase of investment securities			(88,879)
Proceeds from the sale of investment securities	3,934	212	127,531
Interest and dividends on investments			16,773
Net Cash Provided (Used) in Investing Activities	<u>3,934</u>	<u>212</u>	<u>55,425</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,114	(711)	29,474
Cash and Cash Equivalents at July 1		1,106	82,861
Cash and Cash Equivalents at June 30	<u>\$ 1,114</u>	<u>\$ 395</u>	<u>\$ 112,335</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (45,823)	\$ (8,187)	\$ 42,546
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	11,917	4,035	143
Interest and other investment income			
Miscellaneous nonoperating income (expense)			(8,675)
Deferred outflows/inflows			
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	(241)	(342)	(654)
Interfund receivables	99	(7)	13
Inventories	40	56	
Prepaid expenses	10		
Other assets			
Increase (decrease) in liabilities:			
Accounts payable	497	948	975
Interfund payables	(3,717)	68	150
Claims liability			(47,317)
Claims adjustment liability			6,369
Compensated absences	(157)	(76)	1
Unearned revenue	30	112	
Other liabilities	45	(2)	
Net Cash Provided (Used) by Operating Activities	<u>\$ (37,300)</u>	<u>\$ (3,395)</u>	<u>\$ (6,449)</u>
Noncash Investing, Capital, and Financing Activities			
Change in fair value of investments	\$	\$	\$ (2,297)
Contributions of capital assets		378	
Capital assets acquired through leases		420	
Total Noncash Investing, Capital, and Financing Activities	<u>\$</u>	<u>\$ 798</u>	<u>\$ (2,297)</u>

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

Enterprise Funds			Governmental
Kentucky Public Employees Health Plan	Unemployment Compensation	Totals June 30, 2014	Activities - Internal Service Funds
\$ 194,220	\$ 1,337,643	\$ 1,701,135	\$ 41,397
1,461,188		1,464,106	165,730
(5,867)	(30)	(50,703)	(61,680)
(3,545)	(4)	(84,098)	(91,427)
(1,601,090)		(1,689,314)	(54,344)
37,452	15,903	56,235	15,741
(1,900)	(1,339,139)	(1,349,674)	(397)
80,458	14,373	47,687	15,020
	2,507	43,455	884
	(19,313)	(39,241)	(12,319)
	(16,806)	4,214	(11,435)
		(2,165)	(7,160)
		(1,104)	(6,443)
		(363)	(754)
		62	758
		(3,570)	(13,599)
(17,437)		(106,316)	
259	(490)	131,677	6,206
(17,178)	(490)	16,542	4
		41,903	6,210
63,280	(2,923)	90,234	(3,804)
145,269	6,168	235,404	62,190
\$ 208,549	\$ 3,245	\$ 325,638	\$ 58,386
\$ 50,753	\$ 288,988	\$ 328,277	\$ 5,012
		16,095	14,687
		(8,675)	67
(69,803)	(28,388)	(99,428)	(4,451)
67,600	(28)	67,677	(645)
		96	662
123		133	23
(1,900)		(1,900)	
6,000	5,823	14,243	(635)
	28	(3,471)	3,706
(3,687)		(51,004)	(2,850)
231		6,600	14
41		(191)	46
	(16,190)	(16,048)	(616)
31,100	(235,860)	(204,717)	
\$ 80,458	\$ 14,373	\$ 47,687	\$ 15,020
\$	\$	\$ (2,297)	\$
		378	85
		420	8,127
\$	\$	\$ (1,499)	\$ 8,212

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, 2014
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 5)	\$ 4,034,190	\$ 241,968
Investments, net of amortization (Note 5)		17,086
Pension trust fund investments (Note 5):		
Corporate and government bonds	9,373,756	
Common stocks	20,451,852	
Mortgages	294,437	
Alternatives	648,141	
Real estate	1,311,157	
Other	1,332,588	
Invested security collateral	1,635,112	673,249
Receivables, net	1,410,260	19,608
Prepaid expenses	91	
Capital assets, net	22,034	
Total Assets	<u>40,513,618</u>	<u>951,911</u>
Liabilities		
Investments - accounts payable	1,044,272	
Accounts payable	20,362	179,741
Amounts held in custody for others		98,921
Obligations under securities lending	1,635,112	673,249
Total Liabilities	<u>2,699,746</u>	<u>951,911</u>
Net Position		
Held in trust for:		
Pension and other post employment benefits	37,813,872	
Total Net Position	<u>\$ 37,813,872</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, 2014
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds
Additions	
Contributions:	
Employer	\$ 1,331,181
Member	849,628
Non-Employer	589,611
Total Contributions	<u>2,770,420</u>
Other Contributions:	
Recovery income	10,662
Medicare D receipts	13
Participant fees	496
Other receipts	7,127
Total Other Contributions	<u>18,298</u>
Investment income:	
Net increase (decrease) in fair value of investments	4,650,792
Interest	654,237
Dividends	185,952
Real estate operating income, net	29,245
Securities lending income, net	8,138
Total Investment Income	<u>5,528,364</u>
Less: Investment expense	104,498
Less: Securities lending expense	1,165
Net Investment Income	<u>5,422,701</u>
Total Additions	<u>8,211,419</u>
Deductions	
Benefit payments	3,885,455
Refunds	59,171
Administrative expenses	52,561
Self funding insurance costs	6,170
Healthcare premiums subsidies	2,769
Other deductions, net	242,111
Total Deductions	<u>4,248,237</u>
Change in Net Position	3,963,182
Net Position Held In Trust	
Net Position at July 1	33,850,690
Net Position at June 30	<u>\$ 37,813,872</u>

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

COMPONENT UNITS FINANCIAL STATEMENTS

Major Component Units

Kentucky Housing Corporation

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

Kentucky Higher Education Student Loan Corporation

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

Kentucky Lottery Corporation

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

Kentucky Public Transportation Infrastructure Authority (KPTIA)

The Kentucky Public Transportation Infrastructure Authority is an independent de jure municipal corporation and political subdivision of the Commonwealth established in 2009 pursuant to KRS Chapter 175B as amended. The authority reviews, approves and monitors certain significant transportation projects. The projects are within the Commonwealth and between the Commonwealth and other states.

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 page184

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2014
(Expressed in Thousands)

	UNIVERSITIES, COLLEGES, AND RELATED ENTITIES			
	University of Kentucky	University of Louisville	Kentucky Community and Technical College System	Kentucky Housing Corporation
Assets				
Current assets:				
Cash and cash equivalents (Note 5)	\$ 387,863	\$ 97,693	\$ 210,543	\$ 104,493
Restricted cash (Note 5)				
Restricted investments (Note 5)				
Investments, net of amortization (Note 5)	26,452	17,719		176,990
Accounts receivable, net	237,281	123,956	25,039	11,114
Interest receivable	2,807		66	
Inventories	30,573	862		14,269
Prepaid expenses	8,182	2,700	2,732	
Other current assets	1,681	9,446		39,612
Total Current Assets	694,839	252,376	238,380	346,478
Noncurrent assets:				
Restricted cash (Note 5)	293,028	19,804	15,224	
Long-term investments (Note 5)	106,124	882,440	66,108	562,073
Restricted long-term investments (Note 5)	1,357,210	7,069		
Long-term receivables, net	59,412	57,402	4,529	754,134
Capital assets (Note 6):				
Land	72,394	94,447	30,647	1,089
Improvements other than buildings	208,259	18,925	14,627	
Buildings	2,305,911	1,169,564	731,390	5,036
Machinery and equipment	909,250	466,507	202,677	4,876
Other capital assets				
Less: Accumulated depreciation and amortization	(1,608,047)	(776,882)	(424,506)	(7,406)
Construction in progress	91,637	93,500	50,463	
Total Capital Assets	1,979,404	1,066,061	605,298	3,595
Other assets	702	3,390	1,679	1,869
Total Noncurrent Assets, Net	3,795,880	2,036,166	692,838	1,321,671
Total Assets	4,490,719	2,288,542	931,218	1,668,149
Deferred outflows of resources (Note 15)		957		6,785
Liabilities				
Current liabilities:				
Accounts payable and accruals	227,576	99,893	6,236	58,117
Current portion of long-term debt:				
Notes payable (Note 15)	1,089	8,164		39,825
Bonds payable (Note 15)	12,261	20,693		28,255
Capital lease obligations (Note 10)	35,649	5,078	3,153	
Compensated absences (Note 16)	651		1,594	
Claims liability				
Prize liability				
Unearned revenues	60,017	64,632	27,982	
Payable from restricted assets				
Other current liabilities	20,817	28,886	16,305	49,676
Total Current Liabilities	358,060	227,346	55,270	175,873
Noncurrent liabilities:				
Notes payable (Note 15)	19,575	58,582		
Bonds payable (Note 15)	472,259	298,706		1,161,314
Capital lease obligations (Note 10)	316,016	20,190	17,490	
Prize liability				
Compensated absences (Note 16)	6,983		14,349	
Other long-term liabilities	170,484	105,792	1,301	13,747
Total Noncurrent Liabilities	985,317	483,270	33,140	1,175,061
Total Liabilities	1,343,377	710,616	88,410	1,350,934
Deferred inflows of resources (Note 15)	3,490	4,881		7,002
Net Position				
Net investment in capital assets	1,347,778	666,292	584,655	3,595
Restricted for:				
Debt service	774	16,075		222,394
Capital projects	101,357	26,951	27,970	
Other purposes (Note 1)	899,909	767,215	65,838	29,411
Unrestricted	794,034	97,469	164,345	61,598
Total Net Position	\$ 3,143,852	\$ 1,574,002	\$ 842,808	\$ 316,998

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

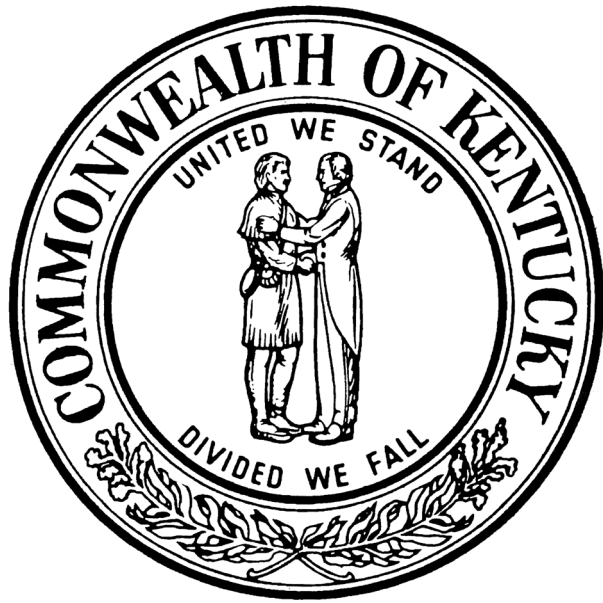
AUTHORITIES				
Kentucky Higher Education Student Loan Corporation	Kentucky Lottery Corporation	Kentucky Public Transportation Infrastructure Authority	Non-Major Component Units	All Component Units Totals June 30, 2014
\$ 12,629	\$ 13,030	\$ 104,446	\$ 430,288	\$ 1,360,985
			83,045	83,045
		85,590	3,615	89,205
25	13,929		382,436	617,551
238	29,347		207,837	634,812
11,330		239	2,062	16,504
			7,621	53,325
604	67		13,611	27,896
204,398	703		9,136	264,976
229,224	57,076	190,275	1,139,651	3,148,299
59,300			153,259	540,615
8,267	21,013		275,765	1,921,790
	5,631	457,719	288,627	2,116,256
1,054,707			932,524	2,862,708
	442		100,187	299,206
	350		174,684	416,845
	7,583		2,546,125	6,765,609
12,771	21,984		403,979	2,022,044
			218,085	218,085
(12,523)	(23,261)		(1,550,785)	(4,403,410)
		598,244	136,792	970,636
248	7,098	598,244	2,029,067	6,289,015
	314		10,994	18,948
1,122,522	34,056	1,055,963	3,690,236	13,749,332
1,351,746	91,132	1,246,238	4,829,887	16,897,631
			6,909	14,651
14,370	4,983	39,361	100,962	551,498
7,370			13,517	69,965
			61,649	122,858
			10,924	54,804
2,230	111		25,415	30,001
			2,039	2,039
	35,239			35,239
			40,764	193,395
			7,666	7,666
	246		11,613	127,543
23,970	40,579	39,361	274,549	1,195,008
1,159,196		763,407	26,072	104,229
			821,136	4,676,018
			118,993	472,689
	22,778			22,778
70	996		1,202	23,530
1,159,266			68,688	360,082
1,183,236	23,774	763,407	1,036,091	5,659,326
21,813	64,353	802,768	1,310,640	6,854,334
			9,188	46,374
248	7,098	447,503	1,321,047	4,378,216
82,347			1,757	323,347
			87,490	243,768
5,718			1,640,999	3,409,090
58,384	19,681	(4,033)	465,675	1,657,153
\$ 146,697	\$ 26,779	\$ 443,470	\$ 3,516,968	\$ 10,011,574

COMMONWEALTH OF KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	UNIVERSITIES, COLLEGES, AND RELATED ENTITIES			
	University of Kentucky	University of Louisville	Kentucky Community and Technical College System	Kentucky Housing Corporation
Expenses:				
Operating and other expenses	\$ 2,441,583	\$ 1,085,131	\$ 630,121	\$ 296,560
Total Expenses	2,441,583	1,085,131	630,121	296,560
Program Revenues:				
Charges for services	1,807,574	639,021	83,684	103,426
Operating grants and contributions	496,825	166,022	95,233	202,065
Capital grants and contributions	55,631			
Total Program Revenues	2,360,030	805,043	178,917	305,491
Net Program (Expense) Revenue	(81,553)	(280,088)	(451,204)	8,931
General Revenues:				
Unrestricted grants and contributions	104,349	105,830	220,949	
Unrestricted investment earnings	(1,244)	95,255	3,389	
Gain on sale of capital assets				
Miscellaneous general	259,794	156,557	213,608	
Total General Revenues	362,899	357,642	437,946	
Change in Net Position	281,346	77,554	(13,258)	8,931
Net Position at July 1, As Restated (Note 2)	2,862,506	1,496,448	856,066	308,067
Net Position at June 30	\$ 3,143,852	\$ 1,574,002	\$ 842,808	\$ 316,998

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

Authorities				
Kentucky Higher Education Student Loan Corporation	Kentucky Lottery Corporation	Kentucky Public Transportation Infrastructure Authority	Non-Major Component Units	All Component Units Totals June 30, 2014
\$ 34,216	\$ 846,372	\$ 4,447	\$ 1,728,326	\$ 7,066,756
34,216	846,372	4,447	1,728,326	7,066,756
43,896	843,258		774,815	4,295,674
		447,503	365,623	1,325,768
43,896	843,258	447,503	72,426	575,560
9,680	(3,114)	443,056	1,212,864	6,197,002
			(515,462)	(869,754)
			189,031	620,159
	801		39,900	138,101
	210	414	478	478
	1,011	414	427,202	1,057,785
			656,611	1,816,523
9,680	(2,103)	443,470	141,149	946,769
137,017	28,882		3,375,819	9,064,805
\$ 146,697	\$ 26,779	\$ 443,470	\$ 3,516,968	\$ 10,011,574



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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 116 and 117 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.

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 Com-

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monwealth and agencies thereof, including persons in the public school systems, universities, or local governments, are eligible to contribute on a pre-tax basis through payroll deductions. In no event shall the 457, 401(k) or Deemed IRA trust Funds be used for, or diverted to, purposes other than the exclusive benefit of the participants and beneficiaries or in the payment of the expenses of the Plans and Trust.

Kentucky School Facilities Construction Commission (KRS 157.617)

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

Administrative Entities

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

Bluegrass State Skills Corporation (KRS 154.12-205)

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

Kentucky Public Transportation Infrastructure Authority (KRS 175B.15)

This authority is an independent de jure municipal corporation and political subdivision of the Commonwealth. The authority reviews, approves and monitors certain significant transportation projects within the Commonwealth and between the Commonwealth and

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Notes to the Financial Statements

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other states. If necessary the authority can assist with the operation, financing and management of those projects. . The authority consists of eleven voting members. The authorities Chairman, is the Secretary of the Transportation Cabinet. Vice Chair, the Secretary of the Finance and Administration Cabinet, one representative from the Kentucky Association of Counties, one representative from the Kentucky County Judges/Executive Association, one representative from the Kentucky League of Cities and six citizens at-large. A financial benefit/burden exists between the Commonwealth and the Authority.

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 its will and there also exists a financial benefit/burden relationship.

Kentucky Center for the Arts Corporation (KRS 153.410)

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

Kentucky Educational Television Authority (KET) (KRS 168.030)

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

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

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

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

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

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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.

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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Notes to the Financial Statements
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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) **Net investment in capital assets**, 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	\$	\$ 54,542
Education		6,637
Instruction		3,065
Scholarships and Fellowships		1,013,378
Research		673,458
Claims	55,141	
Public Service		17,011
Totals	\$ 55,141	\$ 1,768,091

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 2014, the total amount of sales and gross receipts tax reported in the government wide statements was \$5,575,312,000 and comprised of:

Sales and Gross Receipts Tax
(Expressed in Thousands)

Sales and Use Tax	\$	3,141,659
Motor Fuels Tax		891,618
Motor Vehicles Usage Tax		443,339
Healthcare Provider Tax		298,572
Tobacco Products Tax		253,221
Insurance Premiums Tax		146,831
Limited Liability Entity Tax		192,408
Alcoholic Beverage Tax		129,120
Telecommunications Tax		64,739
Transient Room Tax		9,210
Parimutuel and Race Track Admission Tax		4,595
Total Sales and Gross Receipts Tax	\$	5,575,312

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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 fiscal year are considered unavailable and are reported as deferred inflows. Unearned revenue are reported as 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 taxes, fees, and charges that 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 position, 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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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 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 net position.

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
- Kentucky Public Transportation Infrastructure Authority
- University of Kentucky
- University of Louisville

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

- Bluegrass State Skills Corporation
- 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 2014, the primary government provided \$283,869,300 to the University of Kentucky, \$191,455,700 to the Kentucky Community and Technical College System, \$163,278,240 to the University of Louisville, and \$194,877,430 to the Kentucky Higher Education Assistance Authority. The Commonwealth contributed capital in the amount of \$447,503,008 to the Kentucky Public Transportation Infrastructure Authority. In addition, the State received \$229,361,944 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, 2014 are \$4,341,504,263.

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. However, in accordance with KRS 42.0201(4) the state controller; the executive director of the Office of Financial Management and the state budget director placed these resources in the special revenue funds with the intent of appropriating at a later date.

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. 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.

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,

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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.

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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	\$ 6,505	\$ 44,667	\$ 189	\$ 2,611
Long-term receivables				3,312
Cash with fiscal agents				1,369
Restricted for:				
General government			18,080	85,670
Legislative and judicial				18,585
Commerce			6,976	94,020
Education and humanities			577	33,984
Human resources			38,102	62,885
Justice				17,660
Natural resources and environmental protection				23,107
Public protection and regulation			1	64,042
Transportation		683,666		178,773
Debt service				
Committed to:				
General government				8,649
Commerce				25
Education and humanities				502
Justice				23
Natural resources and environmental protection				1,275
Public protection and regulation				5,895
Transportation				17,177
Assigned to:				
General government				6,530
Legislative and judicial				703
Commerce				377
Education and humanities				2,250
Human resources				599
Justice				167
Natural resources and environmental protection				288
Public protection and regulation				26
Transportation				31
Unassigned	(137,295)		(2,399)	
Total Fund Balances	\$ (130,790)	\$ 728,333	\$ 61,526	\$ 630,535

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Debt Service Fund	Capital Projects Fund	Total
\$	\$	\$
		53,972
		3,312
13,503		14,872
	49,047	152,797
	13,797	32,382
	80,236	181,232
	4,352	38,913
	25,085	126,072
	13,265	30,925
	21,333	44,440
	1,100	65,143
	37,369	899,808
1,251		1,251
		8,649
		25
		502
		23
		1,275
		5,895
		17,177
		6,530
		703
		377
		2,250
		599
		167
		288
		26
		31
		(139,694)
\$ 14,754	\$ 245,584	\$ 1,549,942

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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 \$2,685,513,813 of conduit debt, the proceeds of which are used to promote the purposes set forth in KRS 103.200 and 103.210.

Q. Future Changes in Accounting Standards

As of June 30, 2014 The Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Commonwealth.

GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans - an amendment of GASB Statement No. 27. The provisions of this statement are effective for fiscal year 2015. This new accounting and reporting standard will impact the State's measurement and recognition of liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure in government-wide and fund financial statements.

This new accounting standard will require the State to record a liability in the government-wide statements equal to the State's total Net Pension Liability(NPL) for the Judicial Form Retirement System, in addition to the State's proportionate share of the plans administered by the Kentucky Retirement System and the Kentucky Teachers' Retirement System. The recording of the NPL in Fiscal Year 2015 will reduce the State's unrestricted net position in the government-wide statements when the liability is recorded.

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GASB Statement No. 69, Government Combinations and Disposals of Government Operations. The provisions of this statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. This Statement amends GASB 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68.

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. 65 - Items Previously Reported as Assets and Liabilities;

GASB Statement No. 67 - Items Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25;

GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees;

All applicable provisions of these new statements have been incorporated into the financial statements and notes.

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 - Bluegrass State Skills Corporation was previously reported as a blended component unit and is now reported as a discretely presented component unit. The effect on net position is an increase of \$11,000.

Component Units – Authorities:

Kentucky Higher Education Assistance Authority – Kentucky Higher Education Assistance Authority restated net position due to a reclassification of an asset. The effect on net position is an increase of \$62,000.

Kentucky Educational Television Authority – Kentucky Educational Television Authority restated net position due to a prior period error. The effect on net position is an increase of \$99,000.

Kentucky Infrastructure Authority – Kentucky Infrastructure Authority restated net position due to the implementation of GASB 65. The effect on net position is a decrease of \$2,353,000.

Bluegrass State Skills Corporation – Bluegrass State Skills Corporation was previously reported as a blended component unit and is now reported as a discretely presented component unit. The effect on net position is a decrease of \$11,000.

Kentucky Local Correctional Facilities Construction Authority – Kentucky Local Correctional Facilities Construction Authority restated net position due to the implementation of GASB 65. The effect on net position is a decrease of \$43,000.

Component Units – Universities, Colleges, and Related Entities:

University of Louisville – University of Louisville restated net position due to the implementation of GASB 65 and prior period errors. The effect on net position is a decrease of \$23,418,000.

University of Kentucky – University of Kentucky restated net position due to the implementation of GASB 65. The effect on net position is a decrease of \$3,462,000.

Murray State University – Murray State University restated net position due to the implementation of GASB 65. The effect on net position is a decrease of \$1,002,000.

Eastern Kentucky University – Eastern Kentucky University restated net position due to the implementation of GASB 65. The effect on net position is a decrease of \$1,272,000.

Northern Kentucky University – Northern Kentucky University restated net position due to prior period errors. The effect on net position is a decrease of \$6,168,000.

Restatement of all Component Units - results in an overall decrease in net position of \$37,568,000.

Note 3

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Governmental Funds – The General Fund has a deficit of \$130,790,000. The deficit resulted from an increase in federal match expenditures.

B. Enterprise Funds – The Insurance Administration Fund has a net position deficit of \$556,528,000. 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 \$218,230,000 due to an increase in demand for unemployment insurance payments.

C. Internal Service Funds – The Risk Management Fund has a net position deficit of \$189,233,000. 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 \$525,000. The deficit is the result of competitive pressure from other state agencies and outside printing sources. Central Printing is unable to develop billing rates that would cover their costs resulting in a negative fund balance.

D. Component Units – Authorities – The Bluegrass State Skills Corporation has a net deficit of \$2,000 from the recognition of a long-term compensated absence liability.

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, 2014. 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, 2014. 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	\$ 194,095	\$ 3,289	\$ 5,923	\$ 203,307	\$ 3,789	\$ 207,096
Utilities, rental and other services	30,249	502	1,573	32,324	1,049	33,373
Commodities and supplies	991	226	1,703	2,920	497	3,417
Grants and subsidies	1,664,259	17,024	26	1,681,309	36,003	1,717,312
Capital outlay	87,844	30	112	87,986	175	88,161
Travel	2,355	16	100	2,471	25	2,496
Interest Payable	119,471	6	41	119,518		119,518
Other	120,586	1,281	807	122,674	33,342	156,016
Total Current Payables	<u>\$ 2,219,850</u>	<u>\$ 22,374</u>	<u>\$ 10,285</u>	<u>\$ 2,252,509</u>	<u>\$ 74,880</u>	<u>\$ 2,327,389</u>
Current Receivables						
Charges for services	\$ 84,554	\$ 123,979	\$ 6,580	\$ 215,113	\$ 20,980	\$ 236,093
Taxes receivable	2,033,078	63,079		2,096,157		2,096,157
Investment receivable	1,775	1,174		2,949		2,949
Intergovernmental revenue	1,534,275	6		1,534,281	25,628	1,559,909
Other	76,859	66,186	(49)	142,996	248,594	391,590
Allowances for uncollectibles	(1,098,501)	(111,644)		(1,210,145)	(7,303)	(1,217,448)
Total Current Receivables	<u>\$ 2,632,040</u>	<u>\$ 142,780</u>	<u>\$ 6,531</u>	<u>\$ 2,781,351</u>	<u>\$ 287,899</u>	<u>\$ 3,069,250</u>

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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	
\$ 969,603	\$ 6,078	\$ 975,681
769,759		769,759
92,773		92,773
132,974		132,974
1,368	3,404	4,772
44,141	6,526	50,667
10,066	3,323	13,389
12,394	43,748	56,142
<u>\$ 2,033,078</u>	<u>\$ 63,079</u>	<u>\$ 2,096,157</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, 2014, are as follows (Expressed in Thousands):

	Principal	Interest	Total
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	26,535	11,453	37,988
2020-2024	128,715	38,460	167,175
2025-2029	86,740	11,298	98,038
2030-2034	8,670	1,015	9,685
Total leases receivable	<u>\$ 352,235</u>	<u>\$ 119,968</u>	<u>\$ 472,203</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 \$791,363,927 and the bank balance was \$791,363,927. 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 between 80 and 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 \$3,776,377 in securities lending income. On June 30, 2014, the fair value of the securities transferred was \$1,589,037,837 and the fair value of the securities purchased by the Commonwealth was \$1,590,277,154. The collateralization requirements and monitoring procedures in the securities lending program are similar to as those requirements in regard to repurchase agreements. The Commonwealth requires 100 percent 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, 2014, 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
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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, 2014, are presented below. All investments are presented by investment type.

Cash And Investments By Type
Primary Government

I. Cash:

	Carrying Amount	Bank Balance
Cash	\$ 755,773,334	\$ 755,773,334
Cash with Fiscal Agents	35,590,492	35,590,492
Cash with Federal Government	101	101
Total Cash	<u>\$ 791,363,927</u>	<u>\$ 791,363,927</u>

II. Investments:

Investments Managed Based Upon Duration

Debt Securities

	Fair Value	Effective
Cash Equivalents	\$ 613,499,164	0.110
Fixed Income Mutual Funds	296,954,123	0.02
U.S. Government & Agency Obligations	1,119,589,814	1.210
Mortgage-Backed Securities	290,292,989	1.500
Corporate Obligations	178,586,756	2.230
Asset Backed Securities	126,690,946	0.700
Municipal Obligations	30,760,946	0.750
Total Debt Securities	<u>2,656,374,738</u>	
Portfolio Effective Weighted Duration		<u>0.894</u>

Other Investments

Fixed Income Mutual Funds	934,171
Common Stock	715,008
Securities Lending Invest	<u>1,590,277,154</u>
Total Other Investments	<u>1,591,926,333</u>
Total Investments	<u>\$ 4,248,301,071</u>

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

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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, 2014, and the ratings are presented in the following table.

Investments and Credit Ratings

Primary Government

	<u>Standard & Poor's/Moody's Credit Ratings</u>					<u>Total Fair Value of Investments</u>
	<u>AAA/Aaa</u>	<u>AA/Aa</u>	<u>A</u>	<u>Unrated</u>	<u>NA</u>	
Cash Equivalents	\$ 226,673,780	\$ 216,886,729	\$	\$ 169,938,655	\$	\$ 613,499,164
Fixed Income Mutual Funds	296,954,123				934,171	297,888,294
U.S. Government & Agency Obligations		1,119,589,815				1,119,589,815
Mortgage-Backed Securities		290,292,989				290,292,989
Corporate Obligations	12,944,763	20,127,846	145,514,146			178,586,755
Common Stock					715,008	715,008
Asset Backed Securities	123,663,296	3,027,650				126,690,946
Municipal Obligations	5,087,242	20,569,907	5,103,797			30,760,946
Securities Lending					1,590,277,154	1,590,277,154
Total Investments	<u>\$ 665,323,204</u>	<u>\$ 1,670,494,936</u>	<u>\$ 150,617,943</u>	<u>\$ 169,938,655</u>	<u>\$ 1,591,926,333</u>	<u>\$ 4,248,301,071</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, 2014, the primary government had no investments which would constitute a concentration of credit risk.

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 \$84,871,725 and the bank balance was \$84,871,725.

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 \$12,838,281 which are uninsured and not registered in the name of the Commonwealth but are held by the counterparty.

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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 position 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, 2014, 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	\$ 73,353,222	\$ 73,353,222
Money Market	11,518,503	11,518,503
Total Cash	<u>\$ 84,871,725</u>	<u>\$ 84,871,725</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities

	Fair Value	< 1 year	1-5 Years	6-15 Years
U.S. Government & Agency Obligations	\$ 21,388,481	\$	\$ 14,258,291	\$ 7,130,190
Corporate Obligations	58,856,384	5,865,039	21,969,532	31,021,813
Municipal Obligations	4,487,548		1,348,414	3,139,134
Total Debt Securities	<u>84,732,413</u>	<u>\$ 5,865,039</u>	<u>\$ 37,576,237</u>	<u>\$ 41,291,137</u>

Investments Managed Based Upon Duration

Debt Securities

	Fair Value	Effective	Modified	Macaulay
Cash Equivalents	900,589,611	0.129		
Cash Equivalents	452,530,493		4.242	
Fixed Income Mutual Funds	529,289,727		0.037	
U.S. Government & Agency Obligations	865,201,811	6.354		
U.S. Government & Agency Obligations	2,138,405,705		6.670	
Mortgage-Backed Securities	296,210,072	18.747		
Mortgage-Backed Securities	102,649,319		2.115	
Corporate Obligations	2,382,088,437	7.109		
Corporate Obligations	615,116,095		5.613	
Asset Backed Securities	85,465,935	10.528		
Asset Backed Securities	119,105,296		8.996	
Asset Backed Securities	694,044,553			3.940
Municipal Obligations	524,188,540	12.398		
Municipal Obligations	96,839,728		10.069	
Other	442,795,813		0.473	
Other	494,850,446			7.931
Total Debt Securities	<u>10,739,371,581</u>			
Portfolio Weighted Effective Duration		<u>7.025</u>		
Portfolio Weighted Modified Duration			<u>4.921</u>	
Portfolio Weighted Macaulay Duration				<u>5.601</u>

Other Investments

Common Stock	20,146,510,429
Asset Backed Securities	27,106,677
Limited Partnerships	3,291,513,613
Real Estate	1,311,156,558
Securities Lending	1,635,112,090
Other Investments	1,760,858,667
Total Other Investments	<u>28,172,258,034</u>
Total Investments	<u>\$ 38,996,362,028</u>

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Notes to the Financial Statements

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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, 2014, 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	\$ 484,066,621
AA+	92,413,229
AA	918,246,913
AA-	51,229,609
A+	57,850,583
A	890,409,763
A-	162,595,731
BBB+	112,300,685
BBB	712,748,286
BBB-	117,792,648
BB+	116,549,012
BB	402,002,243
BB-	112,383,183
B+	102,556,047
B	427,857,798
B-	82,419,600
CCC+	55,120,732
CCC	32,509,464
CCC-	5,632,348
CC	2,548,669
D	9,556,889
Not Rated	2,542,415,789
Total Credit Risk Debt Securities	7,491,205,842
Cash Equivalents	900,589,611
U.S. Government & Agencies	2,435,059,266
Common Stock	20,146,510,429
Pooled Investments	27,106,677
Limited Partnerships	3,291,513,613
Real Estate	1,311,156,558
Securities Lending	1,635,112,090
Other	1,758,107,942
Total Investments	\$ 38,996,362,028

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, 2014.

<u>Asset Description</u>	<u>Amount</u>
Fixed Contract Fund	\$694,044,553
T Rowe Price Mid Cap Growth	295,536,215
Fidelity Contrafund	244,656,742
Vanguard Wellington	244,101,351
Fidelity Growth Co	187,177,796
Vanguard Institutional Index Fund	134,119,002

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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, 2014, 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	\$ 4,336,906	\$ 170,283,964	\$ 55,141,260	\$	\$ 229,762,130
Bermudian Dollar		97,641,622	3,495,360		101,136,982
Brazilian Real		101,481,495	2,353,101		103,834,596
British Pound Sterling	6,142,455	855,424,513	57,469,859		919,036,827
Canadian Dollar	9,380,935	299,519,403	151,148,637		460,048,975
Cayman Islands Dollar		73,686,162	21,887,137		95,573,299
Chilean Peso		17,095,071			17,095,071
Chinese Yuan		132,409,135			132,409,135
Columbian Peso		6,983,243			6,983,243
Czech Crown		2,554,617			2,554,617
Danish Krone	527,574	101,671,320	924,415		103,123,309
Dominican Peso			316,624		316,624
Egyptian Pound		386,418			386,418
Euro	(2,899,020)	1,456,885,370	188,290,774		1,642,277,124
Hong Kong Dollar	173,779	166,100,843			166,274,622
Hungarian Forint		1,305,340	547,830		1,853,170
Indian Rupee	1,919,797	114,680,221			116,600,018
Indonesian Rupiah		24,155,851	1,004,295		25,160,146
Israeli New Shekel	511,312	44,418,225			44,929,537
Japanese Yen	14,614,829	731,191,090	12,106,268		757,912,187
Jersey Pound		92,589,658	5,454,250		98,043,908
Jordanian Dinar			2,228,116		2,228,116
Liberian Dollar			1,497,635		1,497,635
Malaysian Ringgit	184,905	24,860,065	455,042		25,500,012
Mexican Peso	(1,113,016)	66,094,953	13,998,476		78,980,413
Netherlands Antillean Guilder		73,009,281			73,009,281
New Taiwan dollar		8,240,119			8,240,119
New Zealand Dollar	(1,731,362)	20,200,710	5,733,275		24,202,623
Norwegian Krone	(3,092,939)	40,008,709	11,975,790		48,891,560
Panamanian Balboa		30,075,798			30,075,798
Peruvian Nuevo Sol		8,260,548			8,260,548
Philippine Peso		10,127,786			10,127,786
Polish Zloty	773,136	9,949,845	1,031,210		11,754,191
Riyal		570,466			570,466
Russian Ruble	354,877	50,858,160	834,947		52,047,984
Singapore Dollar	1,450	64,078,186	711,098		64,790,734
South African Rand	13,496	34,960,062			34,973,558
South Korean Won	3,567,170	144,423,004	5,260,215		153,250,389
Swedish Krona	962,672	163,856,054	47,101,507		211,920,233
Swiss Franc	3,500,506	361,837,075	12,252,638		377,590,219
Taiwan Dollar	66,580	88,693,406			88,759,986
Thai Bhat		18,452,289			18,452,289
Turkish Lira		23,744,203			23,744,203
UAE Dirham		682,805			682,805
Uruguayan Peso			269,506		269,506
Various		6,224,368			6,224,368
American Funds Euro Pacific Growth Fund		85,372,999			85,372,999
Dodge & Cox International Stock Fund		27,582,986			27,582,986
DFA International Small Cap		22,267,669			22,267,669
Vanguard Total International Stock Fund		2,386,473			2,386,473
Total Securities Subject To Foreign Currency Risk	38,196,042	5,877,281,580	603,489,265		6,518,966,887
USD (Securities Held By International Investment Managers)				14,265,413,001	14,265,413,001
Total International Investment Securities	\$ 38,196,042	\$ 5,877,281,580	\$ 603,489,265	\$ 14,265,413,001	\$ 20,784,379,888

COMMONWEALTH OF KENTUCKY

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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, 2014, 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, 2014. More detail on those individual investment derivatives may be found in the audited financial statements of Kentucky Retirement Systems.

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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 \$1,213,662,475 and bank balance was \$1,230,344,636.

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, 2014.

Custodial Risk
Discretely Presented Major Component Units

I. Deposits

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

Deposits are uninsured and

a) uncollateralized;	\$	11,413,549
b) collateralized with securities held by the pledging financial institution; or		30,096,413
c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commonwealth's name.		43,075,568
Total Deposits Subject To Custodial Credit Risk	\$	<u>84,585,530</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	\$	1,391,937,658
(b) the counterparty's trust department or agent but not in the Commonwealth's name.		171,184,878
Total Non-Current Cash And Investments Subject To Custodial Credit Risk	\$	<u>1,563,122,536</u>

Investment Types:

	Type A (counterparty)	Type B (trust or agent)
Debt Securities		
Cash Equivalents	\$ 6,225,342	\$ 48,736,203
Fixed Income Mutual Funds	542,605,678	20,891,536
U.S. Government & Agency Obligations	11,889,041	3,860,000
Corporate Obligations	27,477,999	
Municipal Obligations	697,519	
Total Debt Securities	<u>588,895,579</u>	<u>73,487,739</u>
Other Investments		
Cash Equivalents		82,020
Fixed Income Mutual Funds	77,744,000	
Common Stock	50,810,113	43,295,769
Alternatives	490,508,478	
Real Estate	1,225,000	660
Funds Held In Trust By Others		52,480,000
Other Various	182,754,488	1,838,690
Total Other Investments	<u>803,042,079</u>	<u>97,697,139</u>
Total Type A	<u>1,391,937,658</u>	Total Type B <u>171,184,878</u>
Total Non-Current Cash And Investments Subject To Custodial Credit Risk		\$ <u>1,563,122,536</u>

COMMONWEALTH OF KENTUCKY
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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, 2014.

Cash And Investments By Type
Discretely Presented Major Component Units

I. Cash

	Carrying Amount	Bank Balance
Cash	\$ 458,850,303	\$ 476,182,464
Money Market	129,416,875	129,416,875
Other	625,395,297	624,745,297
Total Cash	<u>\$ 1,213,662,475</u>	<u>\$ 1,230,344,636</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	Fair Value	< 1 year	1-5 Years	6-10 Years	> 10 Years
Cash Equivalents	\$ 198,679,291	\$ 198,181,801	\$ 497,490	\$	\$
U.S. Government & Agency Obligations	265,944,176	58,331,828	196,123,666	8,205,182	3,283,500
Corporate Obligations	50,601,360	2,304,891	31,308,715	7,592,398	9,395,356
Guaranteed Investment Contract/Annuities	2,725,486		101,687	120,315	2,503,484
Total Debt Securities	<u>517,950,313</u>	<u>\$ 258,818,520</u>	<u>\$ 228,031,558</u>	<u>\$ 15,917,895</u>	<u>\$ 15,182,340</u>

Investments Managed Based Upon Duration

Debt Securities	Fair Value	Effective	Modified
Cash Equivalents	161,236	0.002	
Fixed Income Mutual Funds	20,891,536	7.300	
Fixed Income Mutual Funds	86,282,339		0.300
U.S. Government & Agency Obligations	378,606,510	1.216	
U.S. Government & Agency Obligations	14,218,238		0.870
Mortgage Backed Securities	1,335,725	6.687	
Corporate Debt	3,570,426	2.510	
Corporate Debt	6,140,757		0.400
Total Debt Securities	<u>511,206,767</u>		
Portfolio Effective Weighted Duration		<u>1.559</u>	
Portfolio Modified Weighted Duration			<u>0.382</u>

Other Investments

Fixed Income Mutual Funds	74,617,020
Common Stock	632,234,758
Corporate Bonds	27,477,999
Mortgage Loans	660
Alternatives	1,138,992,374
Real Estate	82,678,785
Funds Held In Trust By Others	52,480,000
Other	18,399,671
Total Other Investments	<u>2,026,881,267</u>
Total Investments	<u>\$ 3,056,038,347</u>

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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, 2014, 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>BB/Ba or Lower</u>	<u>Unrated</u>	<u>NA</u>	<u>of Investments</u>
Cash Equivalents	\$	\$	\$	\$	\$	\$ 68,799,208	\$ 136,266,661	\$ 205,065,869
Fixed Income Mutual Funds		20,891,536				77,744,000	86,282,338	184,917,874
U.S. Government & Agency Obligations	153,986,328	443,331,927		733,249		15,749,041	11,693,812	625,494,357
Mortgage Backed Securities	1,335,725							1,335,725
Corporate Obligations	6,190,273	6,906,399	19,475,621	21,727,218	10,090,968	44,760,741		109,151,220
Common Stock						94,105,882	538,128,877	632,234,759
Municipal Obligations	1,840,228	2,599,617	8,817,684					13,257,529
Guaranteed Investment Contracts/Annuities		120,315					2,605,171	2,725,486
Alternatives						645,331,497	493,660,897	1,138,992,394
Real Estate						1,225,000	81,453,785	82,678,785
Funds Held In Trust								
By Others						52,480,000		52,480,000
Other						7,552,370	151,979	7,704,349
Total Investments	<u>\$ 163,352,554</u>	<u>\$ 473,849,794</u>	<u>\$ 28,293,305</u>	<u>\$ 22,460,467</u>	<u>\$ 10,090,968</u>	<u>\$ 1,007,747,739</u>	<u>\$ 1,350,243,520</u>	<u>\$ 3,056,038,347</u>

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 17%, 44%, 16% and 22%, 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, 2014. The university has \$8,712,000 in a pooled private equity fund and \$51,320,000 in common stock and \$372,000 in cash equivalents.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2014

Note 6

CAPITAL ASSETS

*Capital asset activity for the year ended June 30, 2014
(Expressed in Thousands):*

	Primary Government			
	Beginning Balance	Additions	Decreases	Ending Balance
Primary Government:				
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 190,370	\$ 29,500	\$ (3,483)	\$ 216,387
Construction in progress	1,826,839	551,985	(531,340)	1,847,484
Infrastructure	19,775,679	283,336	(178,515)	19,880,500
Easements and Other Intangibles	129,984	3,015		132,999
Total capital assets not being depreciated	<u>21,922,872</u>	<u>867,836</u>	<u>(713,338)</u>	<u>22,077,370</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	21,331	64		21,395
Buildings	1,371,181	21,822	(5,007)	1,387,996
Machinery and Equipment	628,620	58,770	(43,105)	644,285
Easements and Other Intangibles	44,576			44,576
Total capital assets, being depreciated/amortized	<u>2,065,708</u>	<u>80,656</u>	<u>(48,112)</u>	<u>2,098,252</u>
<i>Less accumulated depreciation/amortization:</i>				
Improvements other than buildings	(8,978)	(811)		(9,789)
Buildings	(561,102)	(32,123)	3,371	(589,854)
Machinery and Equipment	(414,031)	(47,191)	38,022	(423,200)
Easements and Other Intangibles	(12,995)	(4,014)		(17,009)
Total accumulated depreciation	<u>(997,106)</u>	<u>(84,139)</u>	<u>41,393</u>	<u>(1,039,852)</u>
Total capital assets, being depreciated/amortized, net	<u>1,068,602</u>	<u>(3,483)</u>	<u>(6,719)</u>	<u>1,058,400</u>
Governmental activities capital assets, net	<u>\$ 22,991,474</u>	<u>\$ 864,353</u>	<u>\$ (720,057)</u>	<u>\$ 23,135,770</u>
Business-type activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,583	\$ 711	\$ (1,164)	\$ 21,583
Construction in progress	24,173			23,720
Total capital assets, not being depreciated	<u>45,756</u>	<u>711</u>	<u>(1,164)</u>	<u>45,303</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	144,076	857		144,933
Buildings	339,151	727	(5)	339,873
Machinery and Equipment	20,760	1,116	(782)	21,094
Easements and Other Intangibles	2,322			2,322
Total capital assets, being depreciated/amortized	<u>506,309</u>	<u>2,700</u>	<u>(787)</u>	<u>508,222</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(67,081)	(4,064)		(71,145)
Buildings	(128,648)	(11,043)	5	(139,686)
Machinery and Equipment	(12,866)	(872)	697	(13,041)
Easements and Other Intangibles	(1,339)	(116)		(1,455)
Total accumulated depreciation	<u>(209,934)</u>	<u>(16,095)</u>	<u>702</u>	<u>(225,327)</u>
Total capital assets, being depreciated/amortized, net	<u>296,375</u>	<u>(13,395)</u>	<u>(85)</u>	<u>282,895</u>
Business-type activities capital assets, net	<u>\$ 342,131</u>	<u>\$ (12,684)</u>	<u>\$ (1,249)</u>	<u>\$ 328,198</u>

COMMONWEALTH OF KENTUCKY
Notes to the 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	\$ 12,034	\$
Legislative and Judicial	1,223	
Commerce	2,371	
Education and Humanities	2,827	
Human Resources	5,264	
Justice	20,959	
Natural Resources and Environmental Protection	1,484	
Public Protection and Regulation	253	
Transportation	23,037	
Capital assets held by government's internal service funds are charged to the various functions based on usage of the assets	14,687	
State Parks		11,917
Horse Park		4,035
Insurance Administration		143
Total depreciation expense by activities	<u>\$ 84,139</u>	<u>\$ 16,095</u>

Discretely presented major component units

Capital asset activity for the year ended June 30, 2014

(Expressed in Thousands):

	Component Units			
	Beginning Balance Restated	Additions	Retirements	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 187,878	\$ 13,141	\$ (2,000)	\$ 199,019
Construction in progress	114,940	744,440	(25,536)	833,844
Totals, capital assets not being depreciated	<u>302,818</u>	<u>757,581</u>	<u>(27,536)</u>	<u>1,032,863</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	232,019	10,262	(120)	242,161
Buildings	4,156,726	75,500	(12,742)	4,219,484
Machinery and Equipment	1,563,956	95,066	(40,957)	1,618,065
Total capital assets, being depreciated/amortized	<u>5,952,701</u>	<u>180,828</u>	<u>(53,819)</u>	<u>6,079,710</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(90,075)	(7,056)	100	(97,031)
Buildings	(1,499,372)	(118,377)	8,309	(1,609,440)
Machinery and Equipment	(1,078,014)	(102,135)	33,995	(1,146,154)
Total accumulated depreciation	<u>(2,667,461)</u>	<u>(227,568)</u>	<u>42,404</u>	<u>(2,852,625)</u>
Total capital assets, being depreciated/amortized, net	<u>3,285,240</u>	<u>(46,740)</u>	<u>(11,415)</u>	<u>3,227,085</u>
Component units capital assets, net	<u>\$ 3,588,058</u>	<u>\$ 710,841</u>	<u>\$ (38,951)</u>	<u>\$ 4,259,948</u>

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

(Expressed in Thousands)

Kentucky Housing Corporation	\$ 395
Kentucky Higher Education Student Loan Corporation	93
University of Kentucky	131,262
University of Louisville	64,340
Kentucky Community and Technical College System	30,257
Kentucky Lottery Corporation	1,221
Total depreciation expense by functions/programs	<u>\$ 227,568</u>

COMMONWEALTH OF KENTUCKY
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Note 7

INTERFUND TRANSACTIONS

Interfund Transfers In and Out

The table below shows the interfund operating transfers for fiscal year 2014
(Expressed in Thousands):

Transfers In	Transfers Out				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$	\$ 21	\$ 85,988	\$
Transportation Fund				997	1,770
Federal Fund	26				47
Agency Revenue Fund	40,950		6,897		3,002
Capital Projects Fund	1,004	19,499	10,537	41,618	
Debt Service	411,717	10,940	53,981	1,677	1,927
Non-Major Governmental Funds	114,615	142,415	3,000	351,256	
State Parks Fund	37,229	270	302		76
Kentucky Horse Park Fund	2,395				575
Insurance Administration Fund			34		
Unemployment Compensation Fund				2,507	
Internal Service Funds	868		16		
Fiduciary Funds				17	
Total	<u>\$ 608,804</u>	<u>\$ 173,124</u>	<u>\$ 74,788</u>	<u>\$ 484,060</u>	<u>\$ 7,397</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 2014
(Expressed in Thousands):

Interfund Receivables	Interfund Payables				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$ 108	\$ 4,735	\$ 53,917	\$ 56
Transportation Fund			25,317	1,076	635
Federal Fund	7,708	18		4,988	88
Agency Revenue Fund	16,200	85	53,886		55
Capital Projects Fund	81	11,874	37		
Debt Service					1,864
Non-Major Governmental Funds	6,515		40	19,684	
State Parks Fund	48	13			
Kentucky Horse Park Fund				7	
Kentucky Public Employees Health Plan	56,528	1,461	1,509	1,560	
Insurance Administration Fund	4		6		
Unemployment Insurance Fund			28		
Internal Service Funds	2,178	39	317	728	3,193
Total	<u>\$ 89,262</u>	<u>\$ 13,598</u>	<u>\$ 85,875</u>	<u>\$ 81,960</u>	<u>\$ 5,891</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 the Financial Statements

June 30, 2014

Transfers Out								
Debt Service Fund	Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Fiduciary Funds	Total
\$ 621	\$ 21,974	\$	\$	\$ 15,570	\$	\$ 9,950	\$ 871	\$ 134,995
					14			2,767
3,000	401,674			3,063	17,747	568	84	87
	17,170		11	215	1,552	207		476,985
	28,369	569				1,582		91,813
	192,721					12		510,762
	67							804,019
								37,944
								2,970
								34
								2,507
								884
				500				517
<u>\$ 3,621</u>	<u>\$ 661,975</u>	<u>\$ 569</u>	<u>\$ 11</u>	<u>\$ 19,348</u>	<u>\$ 19,313</u>	<u>\$ 12,319</u>	<u>\$ 955</u>	<u>\$ 2,066,284</u>

Interfund Payables								
Debt Service	Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Total	
\$ 7,092	\$ 10,417	\$ 349	\$ 33	\$ 2,074	\$	\$ 4,190	\$	82,971
						532		27,560
	1,097			5	28			13,932
	17,525	2		35		375		88,163
	52		9			155		12,208
						598		2,462
	110,214					2,273		138,726
								61
								7
	5,727	260	25	122		410		67,602
								10
								28
		169	1					6,625
<u>\$ 7,092</u>	<u>\$ 145,032</u>	<u>\$ 780</u>	<u>\$ 68</u>	<u>\$ 2,236</u>	<u>\$ 28</u>	<u>\$ 8,533</u>	<u>\$</u>	<u>440,355</u>

Note 8

**PENSION PLANS AND OTHER POST
EMPLOYMENT BENEFITS**

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

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

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

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

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

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

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

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

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

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn ten dollars (\$10) per month for insurance benefits at retirement for every year

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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.

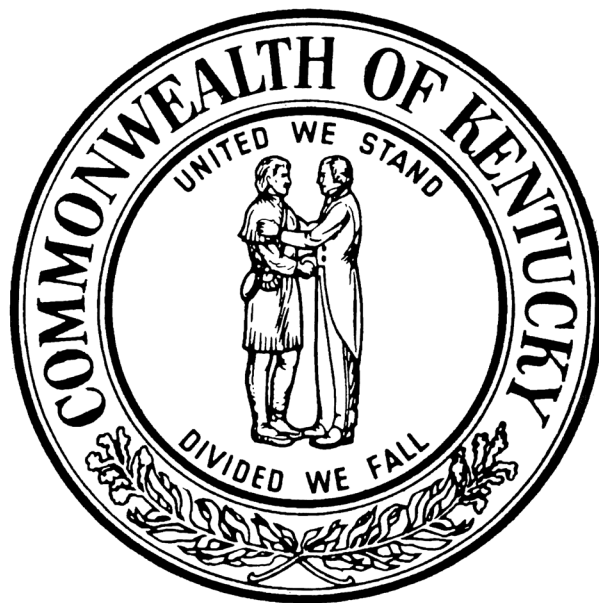
The Judicial Form Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing to the Judicial Form Retirement System, P.O. Box 791, Frankfort, 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.

Cost of Living increases are one and one half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.



COMMONWEALTH OF KENTUCKY

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June 30, 2014

	Kentucky Legislators' Retirement Plan		Kentucky Judicial Retirement Plan		State Police Retirement System	
	Pension	Insurance	Pension	Insurance	Pension	Insurance
Contribution rates:						
State	37%		33%	2.00%	39.50%	31.65%
Plan members		6%		6%		8.0%-9.0%
Annual required contribution (ARC) (Thousands)	\$3,215		\$15,220	\$893	\$25,808	\$20,879
Contributions made (Thousands)	\$1,825		\$10,805	\$634	\$20,279	\$14,493
Actuarial valuation date	July 1, 2014		July 1, 2014		June 30, 2014	
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		29 years	
Asset valuation method	Market value		Market value		Five-year smoothed Market	
Actuarial assumptions:						
Investment rate of return	6.50%		6.15%		7.75%	
Inflation Rate	3%		3%		3.50%	
Projected salary increases	1%		1%		4.50%	
Increases in Health Insurance Cost	11%		11%		5.0%-7.75%	
(Dollar amounts in thousands)						
Actuarial Required						
Contribution (ARC)	\$ 3,215	\$	\$ 15,220	\$ 893	\$ 25,808	\$ 20,879
Interest on NPO/NOPEBO	217	(19)	920	61	4,053	12,265
Adjustment to ARC	(269)	24	(1,205)	(70)	(2,873)	(6,087)
Annual pension cost	3,163	5	14,935	884	26,988	27,057
Contributions made	1,825		10,805	634	20,279	14,493
Increase (Decrease) in NPO/NOPEBO	1,338	5	4,130	250	6,709	12,564
NPO/NOPEBO beginning of year	3,343	(295)	14,955	868	52,297	158,263
NPO/NOPEBO as of 6/30/14	\$ 4,681	\$ (290)	\$ 19,085	\$ 1,118	\$ 59,006	\$ 170,827
Percentage APC contributed	57.7%		72.3%	71.8%	75.1%	53.6%
6/30/2013						
Annual Pension Cost	\$ 3,195	\$ 3	\$ 15,112	\$ 886	\$ 24,169	\$ 32,789
Percentage APC Contributed	53.1%		68.8%	68.9%	76.5%	51.3%
NPO/NOPEBO as of 6/30/13	\$ 3,343	\$ (295)	\$ 14,955	\$ 868	\$ 52,297	\$ 158,263
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

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Kentucky Employees Retirement System				Kentucky Teachers' Retirement System	
Non-Hazardous		Hazardous		Pension	Insurance
Pension	Insurance	Pension	Insurance		
17.90%	5.0%-6.0%	14.89%	8.0%-9.0%	13.105%-14.105%	0.75%
				11.35%	1.25%-1.75%
\$520,765	\$208,881	\$13,570	\$15,627	\$823,446	\$160,628
\$286,836	\$166,610	\$11,670	\$23,874	\$563,326	\$163,574
June 30, 2014				June 30, 2014	
Entry age				Entry age	
Level percent closed				Level percent closed	Level percent open
29 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%	
4.50%		4.50%		4.00% - 8.20%	
	5.0%-7.75%		5.0%-7.75%		5.0%-7.5%
\$ 520,765	\$ 208,881	\$ 13,570	\$ 15,627	\$ 823,446	\$ 160,628
113,450	133,626	18,944	7,928	52,412	116,970
(80,425)	(66,316)	(13,429)	(5,620)	(38,368)	(79,905)
553,790	276,191	19,085	17,935	837,490	197,693
286,836	166,610	11,670	23,874	563,326	163,574
266,954	109,581	7,415	(5,939)	274,164	34,119
1,463,865	1,724,207	244,444	102,290	682,450	1,461,619
\$ 1,730,819	\$ 1,833,788	\$ 251,859	\$ 96,351	\$ 956,614	\$ 1,495,738
51.8%	60.3%	61.1%	133.1%	67.3%	82.7%
\$ 513,180	\$ 346,385	\$ 27,024	\$ 28,497	\$ 814,559	\$ 224,112
54.7%	47.7%	101.1%	90.1%	69.8%	75.1%
\$ 1,463,865	\$ 1,724,207	\$ 244,444	\$ 102,290	\$ 682,450	\$ 1,461,619
\$ 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

COMMONWEALTH OF KENTUCKY
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June 30, 2014

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, 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
June 30, 2014	2,423,956,716	11,550,110,224	9,126,153,508	21.0	1,577,496,447	578.5
<u>Hazardous</u>						
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
June 30, 2014	527,897,261	816,850,063	288,952,802	64.6	129,076,038	223.9
<u>State Police Retirement System</u>						
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
June 30, 2014	242,741,735	681,118,402	438,376,667	35.6	44,615,885	982.6
<u>Judicial Retirement Plan</u>						
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
June 30, 2014	208,852,050	338,165,869	129,313,819	61.8	32,930,076	392.7
<u>Legislators' Retirement Plan</u>						
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
June 30, 2014	46,665,856	75,144,254	28,478,398	62.1	4,987,823	571.0
<u>Kentucky Teachers' Retirement System</u>						
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
June 30, 2014***	16,174,199,000	30,184,404,000	14,010,205,000	53.6	3,486,327,000	401.9

***Reflects change in assumption

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, 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
June 30, 2014	621,236,646	2,226,759,925	1,605,523,279	27.9	1,577,496,447	101.8
<u>Hazardous</u>						
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
June 30, 2014	419,395,867	396,986,820	(22,409,047)	105.6	129,076,038	(17.4)
<u>State Police Retirement System</u>						
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
June 30, 2014	155,597,760	234,271,127	78,673,367	66.4	44,616,885	176.3
<u>Judicial Retirement Plan</u>						
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
June 30, 2014	53,374,356	56,161,700	2,787,344	95.0	32,930,076	8.5
<u>Legislators' Retirement Plan</u>						
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)
June 30, 2014	29,405,073	24,525,907	(4,879,166)	119.9	4,987,823	(97.8)
<u>Kentucky Teachers' Retirement System</u>						
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	3,480,066,000	89.3
June 30, 2014	605,043,000	3,292,043,000	2,687,000,000	18.4	3,486,327,000	77.1

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

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Membership of the retirement systems, at June 30, 2014, 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	38,022	2,467	46,112	6,066	1,249	308	186	48,576	142,986
Inactive plan members	41,213	3,318	70,231	2,038	239	18	42	27,689	144,788
Terminated plan members vested								7,762	7,762
Active plan members	40,500	4,094	82,494	9,189	861	276	119	73,407	210,940
Total members	<u>119,735</u>	<u>9,879</u>	<u>198,837</u>	<u>17,293</u>	<u>2,349</u>	<u>602</u>	<u>347</u>	<u>157,434</u>	<u>506,476</u>
Number of participating employers	354		1,137		1	1	1	208	1,702

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>						
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%
2014	520,765	55.1%	208,881	79.8%	729,646	62.1%
<u>Hazardous</u>						
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%
2014	13,570	86.0%	15,627	152.8%	29,197	121.7%
<u>State Police Retirement System</u>						
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%
2014	25,808	78.6%	20,879	69.4%	46,687	74.5%
<u>Judicial Retirement Plan</u>						
2012	\$ 10,302	48.0%	\$ 696	48.0%	\$ 10,998	48.0%
2013	15,220	68.3%	893	68.3%	16,113	68.3%
2014	15,220	71.0%	893	71.0%	16,113	71.0%
<u>Legislators' Retirement Plan</u>						
2012	\$ 2,140	48.0%	\$		\$ 2,140	48.0%
2013	3,215	52.8%			3,215	52.8%
2014	3,215	56.8%			3,215	56.8%
<u>Kentucky Teachers' Retirement System</u>						
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%
2014	823,446	68.0%	160,628	101.9%	984,074	68.0%

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 \$904,604,700 in the 457 Plan at June 30, 2014, \$434,051,670 was applicable to the Commonwealth, while the remaining \$470,553,029 represents assets of the other jurisdictions participating in the Plan. The 401(k) Plan had total plan assets of \$1,623,760,227 at June 30, 2014, of which \$601,250,267 was applicable to the state while the remaining \$1,022,509,960 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, 2014, are summarized in Note 15.

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At June 30, 2014, 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.

Buildings
Equipment
Other
Total
Less: Accumulated depreciation
Total Net of Depreciation

Primary Government		
Governmental Activities	Business-Type Activities	Component Units-Major
\$ 49,590	\$ 14,611	\$ 507,750
37,185	859	121,339
		75,512
86,775	15,470	704,601
(28,644)	(2,316)	(235,197)
\$ 58,131	\$ 13,154	\$ 469,404

Future minimum rental commitments for capitalizable leases as of June 30, 2014, are as follows (Expressed in Thousands):

	Primary Government		Component Units-Major	Total
	Governmental Activities	Business-Type Activities	Universities, Colleges, and Related Entities	
2015	\$ 12,672	\$ 1,408	\$ 60,688	\$ 74,768
2016	11,055	1,347	54,107	66,509
2017	8,124	1,322	49,623	59,069
2018	5,631	1,322	44,881	51,834
2019	3,984	1,321	38,204	43,509
2020-2024	15,919	5,831	165,598	187,348
2025-2029	5,724	2,814	98,830	107,368
Total minimum lease payments	63,109	15,365	511,931	590,405
Less: Amount representing interest (1.35-27.2%)	(7,665)	(2,300)	(114,355)	(124,320)
Present value of future minimum lease payments	\$ 55,444	\$ 13,065	\$ 397,576	\$ 466,085

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 \$1,000,000 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 \$4,720,620 reported in the Program at June 30, 2014, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a lia-

bility 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 2014 and 2013 were:

	Fiscal Year 2014	Fiscal Year 2013
Beginning of fiscal year liability	\$ 10,465,735	\$ 1,825,000
Incurred claims	17,718,658	37,666,132
Changes in estimates		
Claims payments	(23,463,773)	(29,025,397)
Balance at Fiscal Year End	\$ 4,720,620	\$ 10,465,735

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 \$175,694,730 reported in the Program at June 30, 2014, 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 2014 and 2013 were:

	Fiscal Year 2014	Fiscal Year 2013
Beginning of fiscal year liability	\$ 173,408,609	\$ 159,663,396
Claims and claims adjustments incurred:		
Current year	25,619,119	21,347,533
Increase (Decrease) in Prior year	(1,458,433)	10,898,889
Total Claims and Claims Adjustments Incurred:	24,160,686	32,246,422
Claims and claims adjustment payments:		
Current year	(7,313,960)	(4,201,350)
Increase (Decrease) in Prior year	(14,560,605)	(14,299,859)
Total Claims and Claims Adjustment Payments	(21,874,565)	(18,501,209)
Balance at Fiscal Year End	<u>\$ 175,694,730</u>	<u>\$ 173,408,609</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 \$28,711,821 reported in the Program at June 30, 2014, 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 2014 and 2013 were:

	Fiscal Year 2014	Fiscal Year 2013
Beginning of fiscal year liability	\$ 28,088,590	\$ 29,074,740
Claims and claims adjustments incurred	4,336,572	4,006,703
Changes in estimates	(390,765)	(1,434,749)
Claims and claims adjustment payments	(3,322,576)	(3,558,104)
Balance at Fiscal Year End	<u>\$ 28,711,821</u>	<u>\$ 28,088,590</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 \$772,965,650, as reported in the financial statements, is the present value of the aggregate actuarially determined claims liability of \$1,057,704,000, discounted at 3 percent, and net of the estimated realizable value of reimbursements. The claims adjusted liability of \$27,875,486, as reported in the financial statements is the present value of the aggregate actuarially determined liability of \$34,836,000 discounted at 3 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, 2014. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years were:

	Fiscal Year 2014	Fiscal Year 2013
Beginning of fiscal year liability	\$ 1,159,021,000	\$ 1,233,593,000
Claims and claims adjustments incurred	7,293,000	7,417,000
Changes in estimates	(9,827,000)	(16,366,000)
Claims and claims adjustment payments	(63,947,000)	(65,623,000)
Balance at Fiscal Year End	<u>\$ 1,092,540,000</u>	<u>\$ 1,159,021,000</u>

COMMONWEALTH OF KENTUCKY

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June 30, 2014

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 \$29,578,215, as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$33,598,000, discounted at 3.5 percent. The claims adjustment liability of \$973,000, as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$1,105,000, 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 2014	Fiscal Year 2013
Beginning of fiscal year liability	\$ 22,533,000	\$ 20,311,000
Claims and claims adjustments incurred	3,643,000	2,839,000
Changes in estimates	11,852,000	745,000
Claims and claims adjustment payments	(3,325,000)	(1,362,000)
Balance at Fiscal Year End	<u>\$ 34,703,000</u>	<u>\$ 22,533,000</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 \$181,143,394 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 2014	Fiscal Year 2013
Beginning of fiscal year liability	\$ 194,025,718	\$ 205,143,056
Claims and claims adjustments incurred	6,054,551	6,478,468
Changes in estimates		(756,597)
Claims and claims adjustment payments	(18,936,875)	(16,839,209)
Balance at Fiscal Year End	<u>\$ 181,143,394</u>	<u>\$ 194,025,718</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.

	Fiscal Year 2014	Fiscal Year 2013
Beginning of fiscal year liability, as Restated	\$ 189,552	\$ 189,552
Claims and claims adjustments incurred		
Changes in estimates		
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, 2014.

	Fiscal Year 2014	Fiscal Year 2013
Beginning of fiscal year liability	\$	\$ 106,500
Claims and claims adjustments incurred		
Changes in estimates		
Claims and claims adjustment payments		(106,500)
Balance at Fiscal Year End	<u>\$</u>	<u>\$</u>

Kentucky Employees Health Plan:

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

The health benefits for governmental participants are funded by monthly premiums paid by individuals and state and local governmental units. A participant may extend coverage to dependents for an additional monthly premium based 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.

COMMONWEALTH OF KENTUCKY**Notes to the Financial Statements****June 30, 2014**

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 \$99,354,848 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 2014	Fiscal Year 2013
Beginning of fiscal year liability	\$ 102,811,050	\$ 91,436,823
Claims and claims adjustments incurred	1,585,494,571	1,665,418,207
Changes in estimates	7,893,093	(7,580,764)
Claims and claims adjustment payments	(1,596,843,866)	(1,646,463,216)
Balance at Fiscal Year End	<u>\$ 99,354,848</u>	<u>\$ 102,811,050</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 2014 or 2013; and, there was not a claims liability for FY 2014 or FY 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.

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, 2014 the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated May 29, 2014, were issued for the Clinton County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$854,809 maturing August 1, 2014, through August 1, 2030, and carrying interest rates from 1.10% to 3.20%.

Revenue refunding bonds dated March 17, 2014, were issued for the Corbin Independent School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$949,926 maturing June 30, 2014, through June 30, 2030, and carrying interest rates from 2.00% to 3.75%.

Revenue refunding bonds dated April 22, 2014, were issued for the Dawson Springs Independent School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$307,362 maturing August 1, 2014, through August 1, 2029, and carrying interest rates from 1.00% to 3.25%.

Revenue refunding bonds dated March 31, 2014, were issued for the Fayette County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$2,249,442 maturing June 1, 2014, through June 1, 2029, and carrying interest rates from 2.00% to 5.00%.

Revenue refunding bonds dated November 27, 2013, were issued for the Gallatin County School District Finance Corporation to refund a 2004 issue. The Commission's portion of the refunding issue was \$375,718 maturing June 1, 2014, through June 1, 2024, and carrying an interest rate of 2.30%.

Revenue refunding bonds dated April 30, 2014, were issued for the Gallatin County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$470,108 maturing May 1, 2015, through May 1, 2030, and carrying interest rates from 1.10% to 3.15%.

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Revenue refunding bonds dated July 17, 2013, were issued for the Graves County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$5,341,758 maturing June 1, 2014, through June 1, 2029, and carrying an interest rates from 1.20% to 4.00%.

Revenue refunding bonds dated February 5, 2014, were issued for the Jessamine County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$1,188,829 maturing August 1, 2014, through August 1, 2029, and carrying interest rates from 2.00% to 3.50%.

Revenue refunding bonds dated April 7, 2014, were issued for the Marion County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$1,542,041 maturing September 1, 2014, through September 1, 2029, and carrying interest rates from 1.00% to 3.50%.

Revenue refunding bonds dated March 13, 2014, were issued for the McCracken County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$4,141,031 maturing June 1, 2014, through December 1, 2030, and carrying interest rates from 2.00% to 5.00%.

Revenue refunding bonds dated November 20, 2013, were issued for the Meade County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$547,417 maturing February 1, 2014, through August 1, 2029, and carrying interest rates from 1.00% to 3.65%.

Revenue refunding bonds dated March 27, 2014, were issued for the Simpson County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$1,044,010 maturing August 1, 2014, through August 1, 2030, and carrying interest rates from 1.00% to 3.45%.

Revenue refunding bonds dated March 26, 2014, were issued for the Warren County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$1,293,923 maturing June 1, 2014, through June 1, 2029, and carrying interest rates from 2.00% to 4.00%.

The Kentucky Asset/Liability Commission issued \$39,765,000 of 2014 Series B Federal Highway Trust Fund Refunding Notes dated March 19, 2014. These Notes had maturing dates from September 1, 2015 through September 1, 2017 and carrying interest rates of 1.00% to 5.00%. The net proceeds of the issue were \$43,855,830 with a cost of issuance of \$169,007. The net proceeds of the bond were deposited in the Bond Repayment Fund to partially refund the Commission's outstanding Project Notes, 2005 Federal Trust Fund First Series maturing on September 1, 2015, through September 1, 2017, and carrying interest rates of 3.625% to 5.00%.

The refunding will result in increase cash flows in future periods of \$2,370,370 and a present value savings of \$2,370,583 at 2.96%.

The Turnpike Authority of Kentucky issued Economic Development Road Revenue Refunding Bonds dated June 25, 2014 in the amount of \$121,325,000. The bonds mature July 1, 2016 through July 1, 2025 and carrying interest rates of 1.00% to 5.00%. The net proceeds of the issue were \$138,920,279 with a cost of issuance of \$732,650. The net proceeds of the bond were deposited in the Bond Fund for Prior Bonds and used for partially refunding of Series 2005B bonds maturing July 1, 2016, through July 1, 2025, and carrying interest rates of 4.00% to 5.00%. The refunding will result in net savings (increase in cash flows) of \$15,864,546 in future periods and a present value savings of \$15,867,035 at 2.187%.

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

LONG-TERM OBLIGATIONS

Long-Term Obligations

General Obligation Bonds are issued through the State Property and Buildings Commission, subject to general referendum approval required by the Kentucky Constitution. General obligation bonds pledge the full faith, credit, and taxing power of the Commonwealth and denote application of specific or general tax revenues to provide payment of principal and interest requirements on the debt. No new issues of this type have been issued since 1965, and none are outstanding or authorized but unissued at June 30, 2014.

Revenue Bonds - General authorization for the use of revenue bonds is contained in Chapter 58 of the Kentucky Revised Statutes.

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

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue debt issued by the Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Economic Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Public Transportation Infrastructure 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, 2014 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 \$10,485,000 in revenue bonds as follows:

\$10,485,000 Project No.107, Road Fund Revenue Bonds, dated May 21, 2014, were issued. These bonds consist of: \$6,085,000 Series A serial bonds maturing May 1, 2022 through May 1, 2030 and carrying interest rates of 3.00% to 4.00%; \$4,400,000 Taxable Series B Bonds maturing May 1, 2015 through May 1, 2022 and carrying an interest rates of 1.00% to 3.00%. The proceeds are to be used to support the development, rehabilitating, and maintenance of public use airports in the Commonwealth and pay the costs of issuing the Bonds.

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 \$308,950,000 in revenue and revenue refunding bonds as follows:

\$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 pay certain costs of issuing the 2013A Notes.

\$121,325,000 of Economic Development Road Revenue Refunding Bonds, 2014 Series A dated May 8, 2014. These bonds mature July 1, 2016 through July 1, 2025 and carry interest rates of 1.00% to 5.00%. The proceeds will be used to refund certain maturities of the outstanding Economic Development Road Revenue Bonds, 2005 Series B and to pay certain costs of issuance of the 2014 Series A Bonds.

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.

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The authority issued no bonds during fiscal year 2014.

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

State supported universities issued \$331,920,000 in General Receipts Bonds to finance various new construction projects and renovation of existing facilities as follows.

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 3.00% and April 1, 2027 with an interest rate of 3.50%. The proceeds of the bonds will be used by the University to renovate both the interior and exterior of the Mignon Residence Hall and to pay certain costs of issuance of the 2013 Series A Bonds.

Northern Kentucky University issued \$47,375,000 General Receipts Bonds, 2014 Series A, dated January 7, 2014. These bonds mature September 1, 2014 through September 1, 2033 carrying interest rates of 2.00% to 5.00%. The proceeds of these bonds will be used to finance the renovation and expansion of the Albright Health Center, the acquisition and renovation of a new residence hall and to pay certain costs of issuance of the 2014 Series A Bonds.

Western Kentucky University issued \$36,095,000 General Receipts Bonds, 2013 Series A dated October 29, 2013. The bonds mature September 1, 2014 through September 1, 2033 and carry interest rates of 2.00% to 4.75%. The proceeds of the bond will be used to construct the Honors College/International Student Building and to complete the renovation of the Downing Student Union and to pay certain costs of issuance of the 2013 Series A Bonds.

The University of Kentucky issued \$238,975,000 of University of Kentucky General Receipts 2014 Bonds Series. These Bonds Consist of: \$190,255,000 Series A serial bonds maturing April 1, 2016 through April 1, 2039 and carrying interest rates of 3.00% to 5.00%; \$38,665,000 Series B serial bonds maturing April 1, 2016 through April 1, 2034 and carrying interest rates of 3.00% to 5.00% and \$10,050,000 Taxable Series C serial bonds maturing April 1, 2016 through April 1, 2020 and carrying interest rates of

0.47% to 2.02%. The bonds were issued for the purpose of funding the renovation of Commonwealth Stadium, construction of the Academic Science Building and the expansion and renovation of Gatton College of Business and Economics.

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 \$5.0 billion total maximum principal value of debt outstanding.

The Corporation issued \$99,970,000 in Housing Revenue Bonds which consisted of the following:

\$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 0.44% to 3.52%; \$885,000 3.20% Series D Serial Bonds (Non-AMT) due July 1, 2023; \$11,000,000 3.75% Series D Term Bonds (Non-AMT) due July 1, 2028; \$12,370,000 4.00% Series D Term Bonds (Non-AMT) due July 1, 2028; \$25,155,000 3.50% 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 1.00% to 3.20%; \$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 0.50% to 1.20%; \$2,295,000 4.00% Series G Term Bonds (Non-AMT) due July 1, 2033; \$895,000 4.30% 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.

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 rev-

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venue 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 2014.

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 2014.

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 \$405,650,000 in Student Loan Asset-backed Bonds as follows:

\$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 2013-1Bond

\$21,650,000 Student Loan Asset-backed Bonds, Series 2014A dated May 21, 2014 consisting of: \$14,650,000 Senior Series 2014A serial bonds maturing June 1, 2016 through June 1, 2031 and carrying interest rates of 3.00% to 5.00% and \$7,000,000 of 3.75% Term Bonds (Non-AMT) due June 1, 2026. The proceeds of the

bonds will be used to finance Eligible Loans, to make a deposit to the Debt Service Reserve Fund and to make a deposit to the Loan Reserve Fund.

The Kentucky Public Transportation Infrastructure Authority is an independent de jure municipal corporation and political subdivision of the Commonwealth established in 2009 pursuant to KRS Chapter 175B, as amended. The authority reviews, approves and monitors certain significant transportation projects within the Commonwealth and between the Commonwealth and other states.

The authority issued \$275,670,369 in First Tier Toll Revenue Bonds and \$452,200,000 in Subordinate Toll Revenue Bond Anticipation Notes dated December 20, 2013 which consist of the following:

\$174,865,000 First Tier Toll Revenue Bonds Series 2013A (current interest bonds) Term Bonds maturing July 1, 2049 and July 1, 2053 and carrying interest rates of 5.75% and 6.00%; \$27,476,000 First Tier Toll Revenue Bonds Series 2013B (capital appreciation bonds) maturing July 1, 2019 through July 1, 2032 and carrying interest rates of 3.75% through 6.65%; \$73,329,000 First Tier Toll Revenue Bonds Series 2013C (convertible capital appreciation bonds) maturing July 1, 2033 through July 1, 2046 and carrying interest rates of 6.400% through 6.875%; \$426,045,000 Subordinate Toll Revenue Bonds Anticipation Notes Series 2013A (tax-exempt) maturing July 1, 2017 and carrying interest rates of 3.00% and 5.00% and \$26,155,000 Subordinate Toll Revenue Bonds Anticipation Notes Series 2013B (taxable) maturing July 1, 2017 and carrying an interest rate of 3.22%. The proceeds of the bonds and notes will be used to pay a portion of the costs of the Downtown Crossing Project, fund the Proceeds Subaccount of the First Tier Common Debt Service Account for the Series 2013 Bonds and a TIFIA Bonds Series Debt Service Reserve Account, pay interest capitalized on the Series 2013 Bonds to and including January 1, 2018, and on the Series 2013 Subordinate Notes to and including their maturity date, fund certain operating reserves relating to the Downtown Crossing Project and pay the costs of issuance of the Series 2013 obligations.

The Series 2013B and Series 2013C were issued as capital appreciation bonds and convertible capital appreciation bonds respectively. As a result the interest on the Series 2013B Bonds will not be paid currently, but will accrete from the date of issuance and be compounded semi-annually on each January 1 and July 1, commencing on January 1, 2014 and will be paid as part of the accreted value payable at maturity. The interest on the Series 2013C Bonds will not be paid currently prior to the conversion date, but will accrete from the date of issuance and be compounded semi-annually on each January 1 and July 1, commencing on January 1, 2014. After the conversion date, interest will be paid semi-annually on each January 1 and July 1, commencing January 1, 2024. As a result the initial principal of \$27,476,000 for 2013B and \$73,329,000

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for 2013C as shown above differs from the liability shown on the audited financial statements. The liability shown on the audited financial statements for 2013B is \$52,185,000 and for 2013C is \$137,475,000, a total difference of \$88,855,000.

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 2014.

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, 2014, the Commission sold school building revenue and revenue refunding bond issues having aggregate state participation of \$79,083,624 maturing through June 30, 2034, at interest rates of 0.350% to 5.00%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 2014, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014. 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, 2014.

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, 2014.

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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, 2014, are as follows (Expressed in Thousands):

Long-Term Obligations	Principal Outstanding	Interest Rate	Annual Maturity To
Agency:			
State Property and Buildings Commission	\$ 3,856,695	1.00%-8.25%	2033
Kentucky School Facilities Construction Commission	906,866	.09%-5.90%	2035
Turnpike Authority of Kentucky	1,528,085	1.00%-5.75%	2033
Total	<u>\$ 6,291,646</u>		

Future revenue bond debt service requirements, to be paid with State Funds, at June 30, 2014, are as follows (Expressed in Thousands):

Year Ending June 30	Principal	Interest	Totals
2015	\$ 400,063	\$ 268,150	\$ 668,213
2016	420,239	253,409	673,648
2017	428,688	235,805	664,493
2018	433,381	217,521	650,902
2019	475,021	197,405	672,426
2020-2024	2,149,688	673,286	2,822,974
2025-2029	1,524,556	272,574	1,797,130
2030-2034	459,554	34,817	494,371
2035-2039	456		456
Total	<u>\$ 6,291,646</u>	<u>\$ 2,152,967</u>	<u>\$ 8,444,613</u>

Component Unit Revenue Bonds Payable (Expressed in Thousands):	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky Housing Corporation *	\$ 1,185,710	.07-6.06%	2044
Kentucky Infrastructure Authority*	302,275	2.00-5.29%	2032
Kentucky Higher Education Student Loan Corporation	1,161,035	.14-5.00%	2038
Kentucky Local Correctional Facilities Construction Authority *	2,365	5.25-5.25%	2015
Kentucky Public Transportation Infrastructure Authority	816,725	3.00-6.875%	2053
University of Kentucky*	465,850	1.46-4.50%	2044
University of Louisville*	314,412	1.30-6.46%	2044
Eastern Kentucky University	60,315	3.00-5.00%	2032
Western Kentucky University*	228,085	2.00-5.00%	2033
Murray State University *	56,800	2.00-4.50%	2034
Morehead State University	58,615	1.00-6.00%	2033
Kentucky State University	3,405	3.625-3.875%	2027
Northern Kentucky University*	132,020	2.00-5.00%	2034
Total Component Unit Revenue Bonds Payable	<u>\$ 4,787,612</u>		

* Amounts reflect original issue

Future revenue bond debt service requirements for bonds issued by the Commonwealth's Component Units at June 30, 2014, are as follows (Expressed in Thousands):

Year Ending June 30	Principal	Interest	Totals
2015	\$ 117,828	\$ 155,012	\$ 272,840
2016	132,266	148,584	280,850
2017	135,684	143,876	279,560
2018	596,225	127,968	724,193
2019	143,396	111,657	255,053
2020-2024	749,143	476,808	1,225,951
2025-2029	1,517,472	356,833	1,874,305
2030-2034	614,573	220,302	834,875
2035-2039	341,940	139,630	481,570
2040-2044	232,070	88,418	320,488
2045-2049	87,965	49,212	137,177
Thereafter	119,050	18,656	137,706
Total	<u>\$ 4,787,612</u>	<u>\$ 2,036,956</u>	<u>\$ 6,824,568</u>

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NOTES PAYABLE At June 30, 2014, 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 \$384,485,000 in Federal Trust Fund Project Notes as follows:

\$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).

\$132,175,000 of Project Notes, 2014 Federal Highway Trust Fund First Series A (Non Taxable), dated August 8, 2013. These project notes mature September 1, 2023 through September 1, 2026 and carry interest rates of 3.00% to 5.00%. The proceeds, together with other funds, will fund various projects and pay the costs of issuing the 2014A Notes.

\$39,765,000 of Project Notes, 2014 Federal Highway Trust Fund First Series B (Non Taxable), dated March 19, 2014. These project notes mature September 1, 2015 through September 1, 2017 and carry interest rates of 1.00% to 5.00%. The proceeds of the 2014B Notes, together with other funds, will be used by the Commission to fund various projects, to pay the costs of partially refunding outstanding Project Notes, 2005 Federal Highway Trust Fund First Series and pay the costs of issuing the 2014B Notes.

The Component Units of the Commonwealth reported notes payable of \$174,194,000 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 116 and 117.

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 on the following page.

Administrative Office of the Courts (AOC) - AOC has entered into a loan agreement in the amount of \$15,000,000. The proceeds of the loan will be used as interim financing for the development of the Judicial Branch's eCourt program. When complete the Phase I E-Case and Docket Management System will be a new comprehensive, fully integrated statewide electronic case and document management system used by the Commonwealth's trial and appellate courts. This loan provides funding for next two years and will be replaced by permanent financing through the issuance of tax-exempt bonds by the Kentucky Asset/Liability Commission or the Kentucky State Property and Buildings Commission. The loan closed on August 16, 2013 with a fixed rate of 0.98% for two years and matures on August 16, 2015. The debt service requirement for the loan is shown on the following page.

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*Future debt service requirements, under
Administrative Office of the Courts Loan
June 30, 2014, are as follows (Expressed in Thousands)*

Year Ending June 30	Principal	Interest	Totals
2015	\$ 2,033	\$ 112	\$ 2,145
2016	9,917	48	9,965
Total	<u>\$ 11,950</u>	<u>\$ 160</u>	<u>\$ 12,110</u>

*Future debt service requirements, under Memorandum of Understanding
to be paid with State Funds, at
June 30, 2014, are as follows (Expressed in Thousands)*

Year Ending June 30	Principal	Interest	Totals
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	5,325	5,932	11,257
2020-2024	30,900	25,392	56,292
2025-2029	39,565	16,734	56,299
2030-2034	39,785	5,248	45,033
Total	<u>\$ 134,460</u>	<u>\$ 79,455</u>	<u>\$ 213,915</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 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 changes in long-term liabilities chart on page 109, net of estimated recoveries in the amount of \$200,000.

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, 2014 the amount borrowed was \$389 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 an agreement to increase an existing loan in the amount of \$23,280,000 for a remaining liability of \$70,997,000. 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 following charts.

***Future debt service requirements, under
Unemployment Insurance Administration Fund Loan
June 30, 2014, are as follows (Expressed in Thousands)***

Year Ending June 30	Principal	Interest	Totals
2015	\$ 8,841	\$ 1,335	\$ 10,176
2016	8,986	1,150	10,136
2017	16,735	833	17,568
2018	22,679	385	23,064
2019	13,756	67	13,823
Total	<u>\$ 70,997</u>	<u>\$ 3,770</u>	<u>\$ 74,767</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	\$ 4,554	\$ 957
Interest Rate Swap-Derivative	2,029	6,785
Total	<u>\$ 6,583</u>	<u>\$ 7,742</u>
Deferred Inflow of Resources:		
Deferred Gain on Refunding	\$ 10,923	\$ 25,303
Interest Rate Swap-Derivative	2,029	11,883
Total	<u>\$ 12,952</u>	<u>\$ 37,186</u>

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Future debt service requirements for aggregated Notes Payable for the Primary Government at June 30, 2014, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2015	\$ 159,570	\$ 75,081	\$ 234,651
2016	160,360	69,770	230,130
2017	156,685	63,781	220,466
2018	183,490	57,041	240,531
2019	170,070	49,550	219,620
2020-2024	655,140	144,190	799,330
2025-2029	300,115	23,516	323,631
Total	<u>\$ 1,785,430</u>	<u>\$ 482,929</u>	<u>\$ 2,268,359</u>

Future debt service requirements for aggregated Notes Payable for the Component Units at June 30, 2014, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2015	\$ 69,965	\$ 2,497	\$ 72,462
2016	8,922	2,116	11,038
2017	44,300	2,277	46,577
2018	16,674	955	17,629
2019	2,691	488	3,179
2020-2024	9,993	1,788	11,781
2025-2029	6,779	1,129	7,908
2030-2034	6,550	574	7,124
2035-2039	8,320	290	8,610
Total	<u>\$ 174,194</u>	<u>\$ 12,114</u>	<u>\$ 186,308</u>

Changes in long-term liabilities for the fiscal year ended June 30, 2014, are summarized as follows (Expressed in Thousands):

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due In One Year	Due Thereafter
Governmental Activities						
Compensated absences	\$ 225,536	\$ 1,909	\$ (2,527)	\$ 224,918	\$ 166,674	\$ 58,244
Capital leases	58,311	8,154	(11,021)	55,444	11,102	44,342
Claims liability	211,963	46,217	(49,053)	209,127	22,109	187,018
Notes payable	1,648,642	422,765	(203,030)	1,868,377	170,444	1,697,933
Bonds payable	6,427,591	398,518	(534,463)	6,291,646	400,063	5,891,583
Unamortized premiums	309,708	80,769	(34,660)	355,817	24,653	331,164
Unamortized discounts	(12,792)	(689)	1,904	(11,577)	(802)	(10,775)
Judgments and contingent liabilities	67,595	8,927	(13,166)	63,356	26,993	36,363
LFUCGPFC MOU obligations	138,635		(4,175)	134,460	4,380	130,080
Pollution remediation liabilities	24,895	11,125	(12,774)	23,246	4,828	18,418
Unfunded employer pension contributions	5,908,601	711,285		6,619,886		6,619,886
Total Governmental Activities	<u>15,008,685</u>	<u>1,688,980</u>	<u>(862,965)</u>	<u>15,834,700</u>	<u>830,444</u>	<u>15,004,256</u>
Business-Type Activities						
Compensated absences	7,623	942	(1,135)	7,430	4,459	2,971
Capital leases	13,748	421	(1,104)	13,065	1,058	12,007
Claims and claims adjustment liability	1,156,513	1,638,650	(1,683,053)	1,112,110	187,190	924,920
Judgments and contingent liabilities	2	43	(13)	32	32	
Loans payable to the Federal government	624,871	403,961	(639,818)	389,014		389,014
Total Business-Type Activities	<u>1,802,757</u>	<u>2,044,017</u>	<u>(2,325,123)</u>	<u>1,521,651</u>	<u>192,739</u>	<u>1,328,912</u>
Total Primary Government	<u>\$ 16,811,442</u>	<u>\$ 3,732,997</u>	<u>\$ (3,188,088)</u>	<u>\$ 17,356,351</u>	<u>\$ 1,023,183</u>	<u>\$ 16,333,168</u>
Major Component Units						
Compensated absences	\$ 22,812	\$ 19,629	\$ (15,527)	\$ 26,914	\$ 4,586	\$ 22,328
Capital leases	443,103	11,251	(56,778)	397,576	43,880	353,696
Prize liability	67,025	4,435	(13,443)	58,017	35,239	22,778
Notes payable	136,233	135,335	(136,963)	134,605	56,448	78,157
Bonds payable	3,263,151	1,566,455	(913,515)	3,916,091	61,209	3,854,882
Total Major Component Units	<u>\$ 3,932,324</u>	<u>\$ 1,737,105</u>	<u>\$ (1,136,226)</u>	<u>\$ 4,533,203</u>	<u>\$ 201,362</u>	<u>\$ 4,331,841</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, 2014. 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, 2014 (Expressed in Thousands)
Governmental Activities**

Project Notes	Effective Date	Notional Amounts		Maturity Date	Pay-Fixed		Fair Value 6/30/2013	Fair Value 6/30/2014	Change in Fair Value
		Original	Outstanding		Rate	Variable Rate			
2007 ALCo	5/31/2007	\$ 25,210	\$ 10,390	11/1/2017	3.839%	67% 3M LIBOR +.4%	\$ (866)	\$ (618)	\$ 248
2007 ALCo	5/31/2007	71,310	66,310	11/1/2021	4.042%	67% 3M LIBOR +.52%	(8,872)	(8,143)	729
2007 ALCo	5/31/2007	70,935	70,935	11/1/2025	4.125%	67% 3M LIBOR +.55%	(12,621)	(12,160)	461
2007 ALCo	5/31/2007	75,625	56,985	11/1/2025	4.066%	67% 3M LIBOR +.53%	(8,442)	(7,851)	591
Total		<u>\$ 243,080</u>	<u>\$ 204,620 **</u>				<u>\$ (30,801)</u>	<u>\$ (28,772)</u>	<u>\$ 2,029 *</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, 2014, are as follows
(Expressed in Thousands)**

Year Ending June 30	Principal	Interest	Net Swap Payments	Totals
2015	\$ 6,295	\$ 784	\$ 7,413	\$ 14,492
2016	6,545	759	7,183	14,487
2017	6,810	685	6,991	14,486
2018	18,005	620	6,559	25,184
2019	15,410	1,080	5,426	21,916
2020-2024	100,920	3,571	13,752	118,243
2025-2029	50,635	177	2,726	53,538
Total	<u>\$ 204,620</u>	<u>\$ 7,676</u>	<u>\$ 50,050</u>	<u>\$ 262,346</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, 2014 and 2013 amounted to \$152.3 and \$146.3 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, 2014, the estimated liability for annual and compensatory leave was \$224,937,000 for the governmental activities, and \$7,430,000 in the business-type activities.

Compensated absence liabilities for the major component units totaled \$26,914,000 at June 30, 2014.

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, 2014. The estimated accumulated amount of unused sick leave at that date for the governmental and business-type activities was \$379,586,795 and \$13,022,976, respectively.

Construction Projects - The Transportation Cabinet, at June 30, 2014, had contractual commitments of approximately \$1,323,689,670 for the construction, maintenance and operation of the highway system. It is anticipated that these projects will be funded with approximately 36 percent State funds, 45 percent Federal funds, and the remaining 19 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.

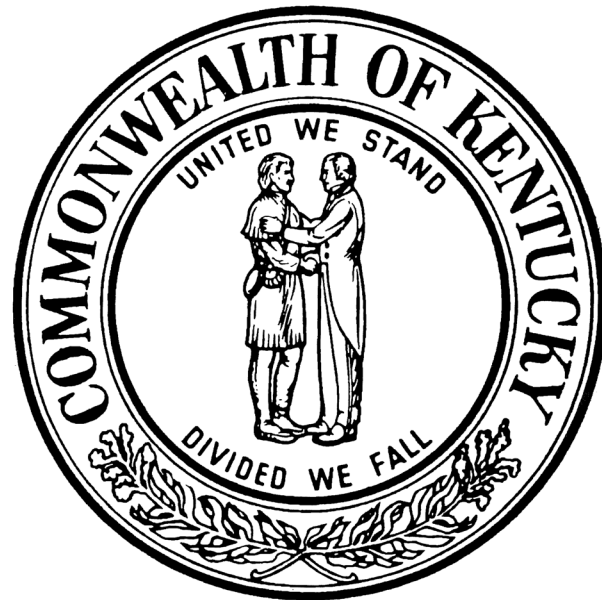
The Ohio River Bridge Project structures will be ultimately owned 50% by Indiana and 50% by Kentucky and is expected to cost \$2.6 billion. Kentucky's portion of the total project cost is estimated to be \$1.3 billion and Indiana's portion is estimated to be \$1.3 billion. Kentucky plans to finance its 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 and taxable 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 \$763 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 \$712 million to date and the State of Indiana has spent approximately \$266 million to date.

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, 2014, and prior to December 15, 2014, and reported other subsequent events for the same period, as described below.

Morehead State University issued \$27,460,000 in General Receipts Refunding Bonds dated July 24, 2014. These bonds consist of: \$22,620,000 Series A serial bonds maturing on October 1, 2014 through October 1, 2021 carrying interest rates of 2.00% to 5.00%, and \$4,840,000 Series B serial bonds maturing on October 1, 2014 through October 1, 2021 carrying interest rates of 1.00% to 5.00%. The net proceeds of the bonds will be used to refund the University's outstanding debt as follows: Morehead State University Consolidated Educational Buildings Refunding and Improvement Bonds, Series M, dated January 1, 2004, Morehead State University General Receipts, Taxable Build America Bonds 2009 Series A, dated July 29, 2009 and Morehead State University General Receipts Taxable Build America Bonds 2010 Series A, dated June 29, 2010 and pay certain costs of issuing the bonds.

The Kentucky Higher Education Student Loan Corporation executed a Warehouse Loan and Security Agreement with a commercial bank (the "Bank") to provide up to \$25,000,000 through a multi-draw term loan (Credit Facility"). The Credit Facility is restricted to the acquisition of loans made through the Federal Family Loan Program and is collateralized by the loans financed with funds advanced by the Bank. In addition, this \$25,000,000 Credit Facility and an existing \$30,000,000 Line of Credit with the same bank are cross-collateralized. Cash and marketable securities of the Operating Funds of the Authority/Corporation are pledged as collateral against any outstanding balance on the \$30,000,000 Line of Credit. The final date for advances on the Credit Facility is the earlier of the date the full \$25,000,000 is advanced or August 19, 2015. The maturity dates on the Credit Facility and the Line of Credit are August 19, 2016 and September 30, 2016, respectively.

The Kentucky Housing Corporation issued \$61,445,000 in Housing Revenue Bonds dated July 2, 2014. These bonds consist of: \$46,720,000 Series A serial bonds (taxable) maturing on January 1, 2015 through July 1, 2024 carrying interest rates of 0.250% to 3.418%, \$6,975,000 term bond maturing on July 1, 2029 and carrying an interest rate of 3.948% and \$7,750,000 term bond maturing on January 1, 2034 and carrying an interest rate of 4.296%. The net proceeds of this issue together with the proceeds from the sale of related assets will be used to complete the economic refunding or redemption in their entirety the Series 2004 D, F, G, and H and Series 2005 C, D, and E bonds and pay certain costs of issuing the bonds.

The University of Kentucky issued \$88,145,000 of General Receipts Revenue Refunding Bonds Series 2014 D dated July 28, 2014. These bonds mature October 1, 2014 Through October 1, 2025 and carry interest rates of 3.00% to 5.25%. The net proceeds will refund CERB, Series P, Q, R (2nd), partially refund General Receipts Series 2005 A bonds and 2005 A notes and pay certain costs of issuing the bonds.

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, 2014, and maturing as to principal through 2034 as displayed in the table on page 115.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2014

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

School District	Delivery Date	Principal at Issue	State Share	Interest Rates (%)
Ashland Independent	08/06/14	\$ 3,730,000	\$ 518,180	1.000%-3.125%
Bardstown Independent	07/08/14	925,000	396,980	2.000%-3.750%
Barren County	07/08/14	1,615,000	1,615,000	1.000%-4.000%
Bell County	07/08/14	7,680,000	378,926	1.000%-4.000%
Beechwood Independent	08/04/14	5,315,000	868,943	1.650%-3.125%
Bowling Green Independent	08/12/14	2,190,000	688,944	0.850%-3.700%
Bowling Green Independent	11/12/14	5,165,000	731,949	2.000%-4.000%
Boyd County	08/04/14	30,710,000	3,793,055	2.000%-3.500%
Bullit County	07/30/14	48,595,000	213,785	3.375%-5.000%
Calloway County	11/26/14	2,765,000	48,133	0.900%-3.000%
Carlisle County	07/29/14	1,090,000	1,081,575	2.000%-4.000%
Campbell County	12/11/14	18,270,000	706,684	2.000%-3.000%
Carroll County	12/04/14	5,645,000	959,488	2.500%-3.000%
Casey County	09/03/14	370,000	370,000	3.450%
Covington Independent	11/10/14	2,930,000	1,725,109	2.000%-3.125%
Danville Independent	12/04/14	700,000	700,000	1.000%-3.000%
Fairview Independent	10/22/14	1,665,000	395,510	1.000%-2.150%
Fort Thomas Independent	08/21/14	9,540,000	6,309,446	2.000%-3.375%
Hardin County	11/12/14	7,300,000	907,616	2.000%-5.000%
Hazard Independent	09/25/14	1,745,000	572,832	1.000%-3.500%
Henderson County	12/01/14	7,865,000	1,697,734	0.900%-3.000%
Henry County	07/15/14	4,315,000	706,420	1.100%-4.000%
Hopkins County	07/16/14	4,155,000	4,155,000	1.000%-4.000%
Jackson County	09/02/14	310,000	310,000	2.000%-3.500%
Jackson County	11/05/14	7,425,000	5,656,472	1.250%-3.000%
Jefferson County	09/02/14	21,630,000	8,291,139	2.000%-5.000%
Jessamine County	09/11/14	8,470,000	1,160,776	2.000%-3.500%
Jessamine County	12/09/14	14,645,000	43,352	1.000%-5.000%
Knott County	09/25/14	635,000	280,700	2.000%
Livingston County	09/02/14	1,600,000	630,328	1.000%
Madison County	08/26/14	10,495,000	5,110,099	2.000%-3.625%
Magoffin County	08/20/14	16,000,000	6,387,359	2.000%-3.625%
Mason County	11/06/14	4,540,000	1,376,980	2.000%-3.125%
McLean County	07/09/14	2,020,000	1,691,401	2.200%-4.000%
Mercer County	08/07/14	4,115,000	139,138	1.750%-3.500%
Montgomery County	09/18/14	15,500,000	422,902	3.000%-3.500%
Muhlenburg County	07/30/14	1,100,000	1,100,000	1.000%-4.000%
Newport Independent	11/25/14	9,715,000	692,229	2.000%-3.500%
Perry County	08/05/14	1,420,000	13,039	1.000%-2.000%
Pike County	07/09/14	8,350,000	3,065,474	2.000%-4.000%
		<u>\$ 302,250,000</u>	<u>\$ 65,912,697</u>	

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2014

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

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 the Financial Statements

June 30, 2014

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

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

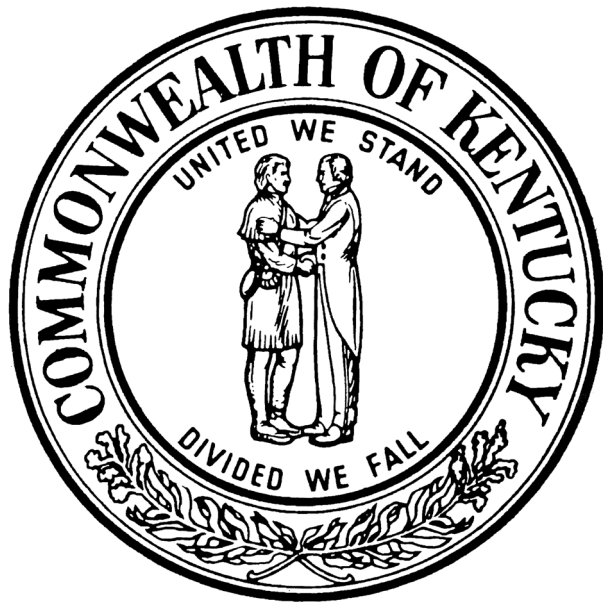
Kentucky Public Employees'
Deferred Compensation Authority
101 Sea Hero Road, Suite 110
Frankfort, KY 40601-5404

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

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

Kentucky Public Transportation Infrastructure Authority
200 Mero Street, 6th Floor East
Frankfort, Kentucky 40622



**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, 2014
(Expressed in Thousands)

	Original	Final	Actual	Variance
Revenues				
Budgeted:				
Taxes	\$ 9,161,773	\$ 9,174,557	\$ 9,097,716	\$ (76,841)
Licenses, fees, and permits	37,189	33,222	33,597	375
Intergovernmental	39,801	36,364	13,678	(22,686)
Charges for services	7,354	6,193	7,841	1,648
Fines and forfeits	33,069	40,130	39,987	(143)
Interest and other investment income	1,500	800	(176)	(976)
Lottery proceeds	218,000	224,000	219,501	(4,499)
Other revenues	25,244	37,629	49,891	12,262
Tobacco Settlement	90,800	90,800	159,371	68,571
Subtotal of Budgeted Revenues	9,614,730	9,643,695	9,621,406	(22,289)
Other Budgeted Financial Resources:				
Transfers in (interfund)	96,322	92,663	145,692	53,029
Total Budgeted Revenues	9,711,052	9,736,358	9,767,098	30,740
Expenditures				
General Government:				
Executive Office of the Governor	5,314	5,328	5,328	
Office of Homeland Security	207	208	208	
Kentucky Infrastructure Authority	1,551	1,552	1,552	
Department of Veterans Affairs	14,045	14,124	14,124	
Office of State Budget Director	3,022	3,018	3,018	
State Planning Fund	159	159	159	
Unified Prosecutorial System:				
Commonwealth Attorneys	39,631	39,765	39,765	
County Attorneys	34,308	34,453	34,453	
Department of Agriculture	16,339	16,405	16,143	262
Office of the Attorney General	10,292	10,316	10,316	
Auditor of Public Accounts	4,479	4,492	4,492	
Registry of Election Finance	1,169	1,173	1,138	35
Military Affairs	8,675	20,863	13,415	7,448
Governor's Office for Local Development	7,996	7,756	7,756	
Local Government:				
Economic Assistance Fund	76,786	51,850	51,850	
Economic Development Fund	80,499	29,433	29,433	
Area Development Fund	498	499	499	
Secretary of State	1,682	1,589	1,589	
Secretary of Treasury	1,766	1,773	1,773	
Board of Elections	2,515	2,552	2,538	14
School Facilities Construction Commission	106,597	106,598	96,705	9,893
Executive Branch Ethics Commission	447	448	448	
Commission on Human Rights	1,649	1,655	1,655	
Commission on Women	212	213	212	1
Council on Postsecondary Education	45,577	45,212	44,049	1,163
Budget Reserve Trust Fund	121,723	98,294		98,294
Personnel:				
State Salary Compensation Fund	4,500			
State Group Health Insurance	1,058	1,053	1,053	

	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	41,560	41,560	41,560	
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	166,212	166,212	163,278	2,934
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	6,784	6,810	6,783	27
Debt Service	434,883	434,883	403,084	31,799
Office of the Controller	6,144	6,050	6,020	30
Department for Facilities Management	6,215	6,238	6,238	
Kentucky Higher Education Assistance Authority	198,742	200,543	194,877	5,666
Special Accounts - Tobacco Settlement	93,093	161,664	159,371	2,293
Finance - County Costs	16,734	21,414	21,414	
Department of Revenue:				
General Operations	83,506	83,675	83,673	2
Office of Property Valuation Administrators	37,365	37,536	37,536	
Appropriations Not Otherwise Classified:				
Judgements		3,635	3,445	190
Board of Claims Awards	408	233	231	2
Guardian Ad Litem	2,389	11,467	11,467	
Prior Year Claims	382	50	46	4
Unredeemed Checks Refunded	970	2,863	2,700	163
Involuntary Commitments	60	60	60	
Blanket Employee Bonds	60	60	52	8
Frankfort In Lieu of Taxes	195	195	195	
Frankfort Cemetery	3	3	3	
Police and Firemen Life Insurance	309	329	329	
Attorney General Expense	350	487	487	
Medical Malpractice Liability Insurance Reimbursements	165	134	132	2
Total General Government	2,423,027	2,420,684	2,260,454	160,230
Legislative and Judicial:				
General Assembly	26,497	26,210	18,678	7,532
Legislative Research Commission	40,976	40,976	34,026	6,950
Judicial Retirement System	11,940	11,940	11,939	1
Court of Justice - Court Facility Use	120	120		120
Court of Justice - Operation and Administration	186,162	190,662	190,662	
Court of Justice - Local Facility Support	126,353	120,353	118,686	1,667
Total Legislative and Judicial	392,048	390,261	373,991	16,270

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, 2014
(Expressed in Thousands)

	Original	Final	Actual	Variance
Commerce:				
Economic Development:				
Office of the Secretary	\$ 19,218	\$ 19,039	\$ 18,580	\$ 459
Commerce Cabinet: Office of the Secretary	2,582	2,577	2,568	9
Kentucky State Fair Board	176	10,766	10,766	
Kentucky Horse Park	2,391	2,395	2,395	
Department of Parks	28,883	37,229	37,229	
Department of Travel	3,057	3,068	3,066	2
Berea Artisans Center	353	355	355	
Total Commerce	<u>56,660</u>	<u>75,429</u>	<u>74,959</u>	<u>470</u>
Education:				
General Administration and Program Support	4,879	4,835	4,835	
Commission on the Deaf and Hard of Hearing	776	779	779	
Kentucky Heritage Council	729	732	722	10
Kentucky Arts Council	2,798	2,803	2,803	
Department of Education:				
Support Education Excellence In KY (SEEK)	2,899,841	2,888,420	2,878,777	9,643
Bureau of Support Services	46,604	47,185	47,184	1
Learning Results Services	918,228	877,027	876,784	243
Kentucky Educational Television	12,049	12,086	12,086	
Kentucky Historical Society	5,697	5,711	5,711	
Kentucky Center for the Arts	802	802	801	1
Education Professional Standards Board	7,171	6,881	6,873	8
Libraries and Archives -				
Direct Local Aid	5,326	2,996	2,996	
Public Library Facilities Construction Debt Assistance		2,330	2,330	
General Operations	5,782	5,804	5,804	
Teachers' Retirement System	299,692	299,692	295,590	4,102
Workforce Investment:				
Office of the Blind	1,230	1,235	1,235	
Vocational Rehabilitation	11,109	11,132	11,132	
Total Education and Humanities	<u>4,222,713</u>	<u>4,170,450</u>	<u>4,156,442</u>	<u>14,008</u>
Human Resources:				
Health and Family Services:				
Administrative Services	31,936	28,022	28,021	1
Department for Community Based Services	330,465	330,847	330,347	500
Office of the Inspector General		3,995	3,995	
Office of Health Policy	440	441	441	
Department for Aging and Independent Living	43,756	43,776	43,776	
Department of Income Support	8,644	8,644	8,641	3
Department for Public Health	56,885	56,936	52,936	4,000
Department for Behavioral Health, Developmental and Intellectual Disabilities	197,170	197,249	188,249	9,000
Department for Human Support Services	439	52,589	52,589	
Department for Medicaid Services	33,840	33,856	33,856	
Medicaid Services Benefits	1,477,525	1,477,525	1,477,525	
Commission for Children With Special Health Care Needs	4,762	4,777	4,777	
Total Human Resources	<u>2,185,862</u>	<u>2,238,657</u>	<u>2,225,153</u>	<u>13,504</u>

	Original	Final	Actual	Variance
Justice:				
Office of the Secretary	\$ 10,274	\$ 10,293	\$ 10,293	\$
Department of State Police	67,167	74,602	74,602	
Department of Juvenile Justice	80,849	81,205	81,205	
Department for Public Advocacy	40,679	45,228	45,228	
Department of Corrections:				
Management	9,537	9,577	9,577	
Adult Institutions	273,660	258,522	258,522	
Local Jail Allotment	19,037	19,037	19,037	
Community Services and Local Facilities	151,074	181,006	177,211	3,795
Total Justice	652,277	679,470	675,675	3,795
Natural Resources and Environmental Protection:				
General Administration & Support	3,316	3,325	3,325	
Energy Development & Independence	1,348	1,351	1,351	
Kentucky River Authority	246	247	247	
Kentucky Nature Preserves Commission	1,001	1,005	1,005	
Environmental Protection	21,900	21,982	21,982	
Department for Natural Resources	35,529	19,006	19,005	1
Mine Safety and Licensing		13,310	13,309	1
Surface Mining Reclamation and Enforcement		8,109	8,109	
Total Natural Resources and Environmental Protection	63,340	68,335	68,333	2
Public Protection and Regulation:				
General Administration & Support	267	267	267	
Board of Claims and Crime Victims Compensation	600	612	612	
Board of Tax Appeals	409	422	422	
Kentucky Racing Commission	2,660	2,660	2,660	
Public Service Commission	15,675	15,203	9,380	5,823
Mine Safety Review Commission		157	157	
Department of: Alcoholic Beverage Control	698	698	698	
Housing, Buildings, and Construction	2,180	2,112	2,084	28
Labor:				
Workplace Standards	1,750	1,667	1,665	2
General Administration & Support	2,994	3,004	3,004	
Total Public Protection and Regulation	27,233	26,802	20,949	5,853
Transportation:				
General Administration and Support	500	449	449	
Public Transportation	5,477	5,476	5,369	107
Total Transportation	5,977	5,925	5,818	107
Total Expenditures	10,029,137	10,076,013	9,861,774	214,239
Excess of Revenues Over (Under) Expenditures	(318,085)	(339,655)	(94,676)	244,979
Fund Balance at July 1		(2,818,623)	279,162	
Non-Budgeted Items			(2,219)	
Fund Balance at June 30	\$ (318,085)	\$ (3,158,278)	\$ 182,267	\$

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, 2014
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Revenues				
Budgeted:				
Taxes	\$ 1,414,715	\$ 1,426,781	\$ 1,407,757	\$ (19,024)
Licenses, fees, and permits	134,916	137,061	135,559	(1,502)
Charges for services	9,670	9,920	8,854	(1,066)
Fines and forfeits	34	34	19	(15)
Interest and other investment income	4,100	2,800	3,996	1,196
Other revenues	4,750	6,030	4,232	(1,798)
Total Budgeted Revenues	1,568,185	1,582,626	1,560,417	(22,209)
Non-Budgeted:				
Taxes				
Licenses, fees, and permits				
Intergovernmental				
Charges for services				
Fines and forfeits				
Interest and other investment income				
Other revenues				
Transfers in (interfund)	997	997	2,767	1,770
Transfers in (intrafund)				
Total Non-Budgeted Revenue	997	997	2,767	1,770
Total Revenues	1,569,182	1,583,623	1,563,184	(20,439)
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				
Medical Imaging and Radiation Therapy				
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
\$	\$	\$	\$	\$	\$	\$	\$
						318,417	
						178,778	
		8,858,768				41,550	
		2,903				3,733,206	
		(8)				7,180	
		102				10,149	
		96,868				398,706	
		61				740,156	
		1,640				2,995,606	
		8,960,334				8,423,748	
		8,960,334				8,423,748	
227	776	657	119	209	209	89	120
4,858	5,658	5,154	504	1,269	1,614	971	643
29,316	29,316	29,045	271	34,141	34,141	940	33,201
				371	371	152	219
				87	99	96	3
				40,247	40,397	39,738	659
55	55	39	16	1,560	1,560	1,195	365
622	622	586	36	334	434	422	12
4,896	5,496	5,413	83	7,897	9,397	7,494	1,903
2,378	3,278	2,672	606	6,347	39,925	38,430	1,495
				6,517	7,556	7,062	494
					15	1	14
43,114	113,114	96,211	16,903	41,296	41,296	35,266	6,030
				439	839	836	3
33,487	41,094	35,434	5,660	200	1,100	317	783
	92	6	86	1,724	1,724	1,127	597
				1,179	1,179	987	192
				526	526	488	38
				82	82	72	10
				372	372	341	31
				307	307	289	18
				287	306	300	6
				84	84	83	1
				1	1	1	
					152	152	
				6	16	13	3
				155	225	197	28
				4	5	4	1
				46	46	42	4
				9	21	12	9
				761	851	841	10
				74	74	66	8
5,306	5,306	588	4,718	120	216	20	196
				369	369	367	2
				412	412	368	44
				63	63	62	1
				236	236	201	35

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, 2014
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Board of: (Continued)	\$	\$	\$	\$
Examiners of Social Workers				
Hairdressers and Cosmetologists				
Hearing Instrument Specialists				
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	<u>3,620</u>	<u>3,621</u>	<u>3,621</u>	

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$
				248	248	230	18
				1,306	1,306	1,177	129
				81	81	60	21
				61	64	64	
				2,818	2,818	2,671	147
				5,960	5,960	5,021	939
				55	55	54	1
				194	194	179	15
				11	13	13	
				135	135	126	9
				196	196	189	7
				116	116	92	24
				107	107	102	5
				804	804	728	76
				1,539	1,665	1,572	93
				413	413	393	20
				24	39	26	13
				1,235	1,235	1,183	52
				170	170	161	9
				278	278	221	57
				101	101	71	30
				161	171	171	
				2,042	2,042	1,930	112
				665	766	714	52
234	497	465	32				
17,994	17,994	16,713	1,281	6,119	6,413	5,736	677
				1	1	1	
				26,062	26,078	25,586	492
				8,877	8,877	7,045	1,832
				294,146	294,146	259,997	34,149
				60,050	60,050	35,388	24,662
				194,731	195,528	90,341	105,187
				131,312	132,647	113,113	19,534
				203,428	208,325	159,827	48,498
				2,565,761	2,587,237	1,858,216	729,021
				1,066,021	1,066,848	113,406	953,442
				332,301	334,191	250,610	83,581
				781,495	781,495	256,537	524,958
3,500	4,334	634	3,700	3,337	4,457	3,407	1,050
				9,046	9,046	7,369	1,677
341	1,991	1,079	912	305	1,040	1,031	9
2,016	2,016	354	1,662	29,359	32,589	32,338	251
				222	122	78	44
				1,702	1,702	1,121	581
				38,856	38,856	32,999	5,857
				7,126	9,254	9,223	31
				3,500	6,741	6,560	181
				1,169	1,219	1,166	53
148,344	231,639	195,050	36,589	5,931,377	6,012,059	3,427,285	2,584,774

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, 2014
(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				
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				
Vocational Rehabilitation				
Total Education and Humanities				

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$
1	1		1	714	714		714
				1,786	1,786		1,786
					263	218	45
3,911	4,911	3,513	1,398	56,950	60,179	45,412	14,767
3,912	4,912	3,513	1,399	59,450	62,942	45,630	17,312
112	5,642	5,288	354	2,290	3,215	2,193	1,022
				10,333	10,333	10,029	304
				150	62	62	
				1	101	14	87
				1,583	1,633	1,629	4
15,760	18,657	14,353	4,304	31,944	35,045	34,774	271
15,872	24,299	19,641	4,658	46,301	50,389	48,701	1,688
				810	810	797	13
				246	358	213	145
737	772	768	4	249	249	181	68
760	760	694	66	152	486	474	12
164	427	159	268	5,143	5,643	5,566	77
502,746	558,100	493,129	64,971	22,813	22,813	19,376	3,437
267,265	327,265	303,295	23,970	8,871	8,871	5,606	3,265
				1,451	2,382	2,314	68
41	588	291	297	458	458	439	19
				188	188	145	43
109	199	152	47	858	858	101	757
635	635	433	202	896	896	777	119
2,076	2,076	1,509	567	1,433	2,210	2,145	65
				12,030	12,030	9,968	2,062
8,955	8,955	7,260	1,695	753	1,167	715	452
168,724	168,724	99,270	69,454	30,132	30,132	23,245	6,887
43,672	43,671	43,029	642	2,340	4,803	3,877	926
995,884	1,112,172	949,989	162,183	88,823	94,354	75,939	18,415

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, 2014
(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 Behavioral Health, Developmental and Intellectual Disabilities				
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	91,898	91,898	91,898	
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	91,898	91,898	91,898	
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	
Mine Safety Review Commission				
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
\$ 26,559	\$ 29,359	\$ 28,855	\$ 504	\$ 9,050	\$ 12,007	\$ 11,955	\$ 52
	40,973	39,741	1,232		3,663	3,229	434
52,999	52,999	40,208	12,791	121	126	121	5
452,506	502,286	480,218	22,068	139,966	155,672	153,951	1,721
13,562	12,562	12,175	387	2,283	3,426	3,352	74
	400	6	394	775	775	550	225
18,329	24,829	20,448	4,381	1,444	3,244	1,862	1,382
32,832	32,832	29,965	2,867	15,630	15,625	14,788	837
192,530	200,030	190,186	9,844	116,253	116,171	76,937	39,234
35,189	39,589	34,984	4,605	226,742	245,055	244,525	530
56,738	71,838	70,404	1,434	16,628	21,628	20,074	1,554
4,334,881	5,179,332	5,179,332		394,755	450,666	448,661	2,005
4,566	4,566	4,251	315	6,971	6,971	6,971	
3,069	4,019	3,958	61	94	94	94	
5,223,760	6,195,614	6,134,731	60,883	930,712	1,035,123	987,070	48,053
11,368	11,368	10,503	865	5,795	5,795	5,285	510
11,562	11,562	11,051	511	19,105	19,105	15,521	3,584
2,421	2,421	1,795	626	4,044	4,044	2,041	2,003
12,424	12,424	12,424		9,686	13,167	13,166	1
188	188	104	84	49,329	49,329	48,980	349
825	825	285	540	300	300	214	86
1,806	1,806	1,558	248	5,234	9,006	8,941	65
340	1,340	1,026	314	5,830	5,830	2,800	3,030
40,934	41,934	38,746	3,188	99,323	106,576	96,948	9,628
1,162	1,162	1,107	55	1,286	1,486	1,200	286
1,224	1,224	695	529	5,232	5,232	2,981	2,251
				4,210	4,210	2,785	1,425
				223	223	190	33
50	65	50	15	336	700	419	281
23,245	23,670	23,405	265	38,712	38,760	31,222	7,538
					1	1	
5,378	5,378	3,054	2,324	4,438	5,616	2,106	3,510
582	582		582	848	737	304	433
11,311	11,312	9,466	1,846	3,059	1,876	1,632	244
37,129	37,130	29,655	7,475	8,665	8,665	1,769	6,896
80,081	80,523	67,432	13,091	67,009	67,506	44,609	22,897
				5,339	4,035	3,735	300
514	514	510	4	1,011	1,011	934	77
				25,627	25,627	21,750	3,877
				151	151	121	30
229	322	301	21	223	223		223
					1,304	1,126	178
				5,196	5,196	4,522	674
				3,474	3,474	3,031	443
				10,450	10,450	9,081	1,369
	18	5	13	17,094	17,094	15,620	1,474
3,537	1,085	515	570	20,460	16,872	14,440	2,432
3,770	3,770	3,290	480				
237	237	174	63	3,031	3,031	2,688	343
8,287	5,946	4,795	1,151	92,056	88,468	77,048	11,420

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, 2014
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Transportation:				
Administration & Support	\$ 67,741	\$ 68,492	\$ 65,135	\$ 3,357
Revenue Sharing	526,304	520,620	398,098	122,522
Air Transportation	3,101	3,101	2,031	1,070
Highways	1,361,787	1,375,815	878,335	497,480
Public Transportation				
Vehicle Regulation	25,763	25,763	23,124	2,639
Debt Service	168,162	168,162	142,416	25,746
Transfers to Capital Projects	21,053	21,053	19,120	1,933
BRAC Economic Development Road Bonds				
GARVEE Louisville Bridges Project Bonds				
GARVEE Western KY Bridges Project				
2005 GARVEE Bond Series				
2005 Ed Bond Series				
LSIORB TIFIA Loan				
LSIORB Toll Revenue Bonds				
Total Transportation	<u>2,173,911</u>	<u>2,183,006</u>	<u>1,528,259</u>	<u>654,747</u>
Total Expenditures	<u>2,270,079</u>	<u>2,279,175</u>	<u>1,624,428</u>	<u>654,747</u>
Excess of Revenues over (under)				
Expenditures	<u>(700,897)</u>	<u>(695,552)</u>	<u>(61,244)</u>	<u>634,308</u>
Other Financing Sources (Uses)				
Proceeds from Trustees				
Proceeds from Issuance of Notes				
Proceeds from Issuance of Bonds				
Total Other Financing Sources (Uses)				
Excess of Revenues and Other Financing				
Sources over (under) Expenditures and				
Other Financing Uses	(700,897)	(695,552)	(61,244)	634,308
Fund Balances at July 1, as Restated		(3,036,962)	715,543	
Non-Budgeted Items			(550)	
Fund Balances at June 30	<u>\$ (700,897)</u>	<u>\$ (3,732,514)</u>	<u>\$ 653,749</u>	<u>\$</u>

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$ 20	\$ 20	\$	\$ 20
					1,520	1,520	
1,072	1,072	21	1,051	16,109	16,109	6,253	9,856
1,335,517	1,335,517	681,977	653,540	95,394	91,893	70,103	21,790
69,037	69,037	26,689	42,348	440	562	505	57
2,730	4,830	3,805	1,025	15,105	15,105	10,670	4,435
				57,531	57,532	27,396	30,136
				254,014	254,014	230,216	23,798
				330,000	330,000	2,779	327,221
				16,157	19,657	15,168	4,489
				443,408	443,408	93,474	349,934
					100,000		100,000
					185,000	17,098	167,902
1,408,356	1,410,456	712,492	697,964	1,228,178	1,514,820	475,182	1,039,638
7,925,430	9,107,495	8,126,389	981,106	8,543,229	9,032,237	5,278,412	3,753,825
		833,945				3,145,336	
						1,000	
						23,280	
						1,178,215	
						1,202,495	
		833,945				4,347,831	
		287,923				1,211,146	
		(17,233)				(3,472,054)	
\$	\$	\$ 1,104,635	\$	\$	\$	\$ 2,086,923	\$

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 Legislature 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, 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 section as follows.

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2014

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, 2014, 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, 2014:				
Budgetary basis	\$ 182,267	\$ 653,749	\$ 1,104,635	\$ 2,086,923
Adjustments:				
Accrued revenues	332,654	143,239	392,211	57,415
Accrued expenditures	(553,403)	(113,146)	(1,282,042)	(53,445)
Accrued transfers (net)			(11,281)	11,281
Total Accruals (1)	(220,749)	30,093	(901,112)	15,251
Reclassifications and other adjustments:				
Inventory balances (1)	6,505	44,667	189	2,611
To reclassify financial and other resources into financial statement fund types (2)	2,856	(176)	(142,186)	(1,475,619)
To record financial resources available as non-budgeted funds (3)	(101,669)			1,369
Fund Balance				
Fund balance June 30, 2014:				
GAAP Basis	\$ (130,790)	\$ 728,333	\$ 61,526	\$ 630,535
(1) Basis differences				
(2) Perspective differences				
(3) Entity differences				

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2014

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 63,407 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Good	53.7%	56.6%	59.3%	62.4%	62.8%
Fair	27.0%	24.7%	21.6%	22.6%	19.5%
Poor	19.3%	18.7%	19.1%	15.0%	17.7%

Bridges

Measurement Scale

KYTC maintains information on its 9,000 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, 2014

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:

Calendar Year	Deck Area	
	Structurally Deficient	Structurally Deficient
2013	6.9%	4.9%
2012	6.5%	6.4%
2011	6.6%	6.9%
2010	7.0%	6.5%
2009	7.4%	7.3%

Fiscal Year 2010:

Estimated	\$ 809.4	\$ 103.1	\$ 912.5
Actual *	\$ 838.4	\$ 94.9	\$ 933.3

Fiscal Year 2009:

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

*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
Fiscal Year 2015:			
Estimated	\$1,103.0	\$ 57.2	\$1,160.2
Fiscal Year 2014:			
Estimated	\$1,030.6	\$ 84.9	\$1,115.5
Actual	\$1,060.7	\$ 55.0	\$1,115.7
Fiscal Year 2013:			
Estimated	\$ 951.1	\$ 112.7	\$1,063.8
Actual *	\$1,009.4	\$ 73.5	\$1,082.9
Fiscal Year 2012:			
Estimated	\$ 839.2	\$ 103.1	\$ 942.3
Actual *	\$1,009.5	\$ 81.1	\$1,090.6
Fiscal Year 2011:			
Estimated	\$ 872.3	\$ 108.9	\$ 981.2
Actual *	\$ 855.2	\$ 79.2	\$ 923.3

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

State Workers' Compensation Program

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Earned Premiums	\$ 22,950	\$ 24,812	\$ 23,395	\$ 24,293	\$ 21,764	\$ 23,666	\$ 22,094	\$ 22,993	\$ 24,500	\$ 24,497
Administrative Expense	385	1,149	1,127	1,070	1,094	936	1,031	1,013	955	1,038
Incurred Claims as										
Originally Estimated	20,899	19,493	18,161	16,765	21,006	19,084	20,372	21,269	23,043	25,619
Claims Paid (Cumulative) as of:										
End of Fiscal Year	4,520	4,131	4,898	4,078	4,907	4,613	5,497	5,245	5,076	7,314
One Year Later	7,233	7,862	8,716	7,585	8,252	8,675	9,233	9,568	7,927	
Two Years Later	9,347	9,632	10,947	9,316	9,328	10,433	11,153	11,806		
Three Years Later	10,424	10,873	12,259	10,364	10,065	11,489	12,309			
Four Years Later	11,209	11,609	12,981	11,115	10,319	12,067				
Five Years Later	11,798	12,126	13,899	11,592	10,514					
Six Years Later	12,334	12,663	14,407	12,052						
Seven Years Later	12,769	13,110	14,966							
Eight Years Later	13,140	13,549								
Nine Years Later	13,430									
Re-estimation of Incurred Claims:										
End of Fiscal Year	20,899	19,493	18,161	16,765	21,006	19,084	20,372	21,269	23,043	25,619
One Year Later	18,824	17,769	19,152	17,770	19,270	20,373	21,613	22,466	20,463	
Two Years Later	17,659	17,758	20,192	17,851	18,313	20,170	21,966	23,455		
Three Years Later	17,753	18,338	20,618	18,483	18,183	21,106	22,550			
Four Years Later	18,502	18,755	21,460	19,849	17,847	21,236				
Five Years Later	18,717	19,417	22,379	20,188	17,579					
Six Years Later	18,937	19,931	22,906	19,975						
Seven Years Later	19,617	20,288	23,144							
Eight Years Later	20,190	20,055								
Nine Years Later	20,111									
Increase (Decrease) in Estimated										
Incurred Claims From the										
Original Estimate Using										
Re-estimation at the End										
of the Most Recent										
Fiscal Year	(789)	562	4,983	3,210	(3,427)	2,152	2,178	2,186	(2,580)	

SOURCE: Compilation Report

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

Kentucky Public Employees Health Plan									
	2006**	2007	2008	2009	2010	2011 as restated	2012	2013	2014
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	\$ 1,606,978
Administrative Expense	28,998	57,782	68,883	72,836	77,104	81,048	82,088	81,459	87,108
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	1,460,930
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	1,367,500
One Year Later	473,766	1,035,700	1,173,449	1,290,727	1,399,923	1,477,129	1,533,569	1,539,862	
Two Years Later	473,046	1,043,837	1,173,366	1,289,633	1,396,976	1,466,785	1,532,732		
Three Years Later	475,709	1,043,442	1,169,819	1,289,628	1,396,631	1,466,629			
Four Years Later	475,656	1,043,442	1,169,814	1,289,628	1,396,631				
Five Years Later	475,656	1,043,442	1,169,814	1,289,628					
Six Years Later	475,656	1,043,442	1,169,814						
Seven Years Later	475,656	1,043,442							
Eight 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	1,460,930
One Year Later	473,872	1,035,976	1,173,890	1,289,389	1,398,877	1,474,723	1,532,352	1,537,907	
Two Years Later	473,046	1,043,923	1,173,323	1,289,628	1,396,631	1,466,629	1,532,537		
Three Years Later	475,715	1,043,442	1,169,814	1,289,628	1,396,631	1,466,629			
Four Years Later	475,656	1,043,442	1,169,814	1,289,628	1,396,631				
Five Years Later	475,656	1,043,442	1,169,814	1,289,628					
Six Years Later	475,656	1,043,442	1,169,814						
Seven Years Later	475,656	1,043,442							
Eight 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)	699	7,708	

** 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 Funds

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.

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Assets			
Cash and cash equivalents	\$ 6,728	\$	\$ 5,347
Investments, net of amortization			98,771
Invested security collateral			32,884
Receivables, net			61,966
Notes receivable			1,821
Interfund receivables	105,923		16,970
Interfund loan receivable			11,422
Inventories			37
Total Assets	<u>\$ 112,651</u>	<u>\$</u>	<u>\$ 229,218</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,673	\$	\$ 375
Interfund payables			22,831
Obligations under securities lending			32,884
Unearned revenue			48
Total Liabilities	<u>1,673</u>		<u>56,138</u>
Deferred inflows of resources			
Unavailable			<u>46,226</u>
Fund Balances:			
Nonspendable			
Inventories			37
Long-term receivables			1,821
Restricted for:			
General government			3,782
Legislative and judicial			
Commerce			1,753
Education and humanities			9,222
Human resources			74,202
Natural resources and environmental protection			
Public protection and regulation			
Transportation			1,262
Debt service	110,978		
Committed to:			
General government			31,961
Legislative and judicial			28
Education and humanities			
Human resources			703
Justice			
Natural resources and environmental protection			
Assigned to:			
General government			2,083
Education and humanities			
Justice			
Unassigned			
Total Fund Balances	<u>110,978</u>		<u>126,854</u>
Total Liabilities and Fund Balances	<u>\$ 112,651</u>	<u>\$</u>	<u>\$ 229,218</u>

Special Revenue Funds			
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Special Benefits	Total Non-Major Governmental Funds
\$ 119,641	\$ 22,965	\$ 124,615	\$ 279,296
168,759	1,365	81,875	350,770
		64,616	97,500
		80,814	142,780
			1,821
		4,411	127,304
			11,422
			37
<u>\$ 288,400</u>	<u>\$ 24,330</u>	<u>\$ 356,331</u>	<u>\$ 1,010,930</u>
\$ 2,301	\$ 25	\$ 18,000	\$ 22,374
105,923	4,291	11,987	145,032
		64,616	97,500
			48
<u>108,224</u>	<u>4,316</u>	<u>94,603</u>	<u>264,954</u>
		<u>45,502</u>	<u>91,728</u>
			37
			1,821
		36,159	39,941
		916	916
			1,753
	20,014	2,336	31,572
		8,737	82,939
		42,426	42,426
		3,367	3,367
180,176			181,438
			110,978
		68,130	100,091
			28
		12,818	12,818
		21,364	22,067
		23	23
		20,133	20,133
			2,083
		(183)	(183)
<u>180,176</u>	<u>20,014</u>	<u>216,226</u>	<u>654,248</u>
<u>\$ 288,400</u>	<u>\$ 24,330</u>	<u>\$ 356,331</u>	<u>\$ 1,010,930</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Debt Service Funds		Other Special Revenue
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	
Revenues			
Taxes	\$	\$	\$ 45,378
Licenses, fees, and permits			495
Intergovernmental			1
Charges for services			72,746
Fines and forfeits			18,974
Interest and other investment income	1		497
Increase (decrease) in fair value of investments			(96)
Securities lending income			138
Other revenues	3,319		924
Total Revenues	3,320		139,057
Expenditures			
Current:			
General government			128,437
Legislative and judicial			
Commerce			208
Education and humanities		59,234	52,503
Human resources			3,035
Justice			
Natural resources and environmental protection			186
Public protection and regulation			
Transportation			
Debt service:			
Principal retirement	70,335	69,170	
Interest and fiscal charges	69,333	27,422	
Other expenditures		4,433	
Securities lending expense			54
Total Expenditures	139,668	160,259	184,423
Excess (Deficiency) of Revenues over (under) Expenditures	(136,348)	(160,259)	(45,366)
Other Financing Sources (Uses)			
Transfers in	142,371	96,377	388,252
Transfers out			(387,015)
Issuance of bonds:			
New issues		58,777	
Refunding issues		20,306	
Premiums		1,146	
Discounts		(689)	
Payments to refunded bond escrow agent		(15,658)	
Total Other Financing Sources (Uses)	142,371	160,259	1,237
Net Change in Fund Balances	6,023		(44,129)
Fund Balances at July 1, As Restated	104,955		170,995
Increase (Decrease) in Inventory			(12)
Fund Balances at June 30	\$ 110,978	\$	\$ 126,854

Special Revenue Funds			
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Special Benefits	Total Non-Major Governmental Funds
\$	\$	\$	\$
		29,433	74,811
		2,626	3,121
		21	22
		150,281	223,027
		3,391	22,365
1,430	18	3,108	5,054
	(8)	(1,120)	(1,224)
9,574	9,317	272	410
11,004	9,327	177,884	201,018
		365,896	528,604
		65,243	193,680
		1	1
		331	539
	9,499	17,015	138,251
		56,025	59,060
		1,744	1,744
		5,671	5,857
		2,131	2,131
140,445		76,019	216,464
			139,505
			96,755
			4,433
		107	161
140,445	9,499	224,287	858,581
(129,441)	(172)	141,609	(329,977)
139,254	16,727	21,038	804,019
(139,210)	(14,799)	(120,951)	(661,975)
187,625			246,402
121,325			141,631
31,860			33,006
(132,410)			(689)
208,444	1,928	(99,913)	(148,068)
			414,326
79,003	1,756	41,696	84,349
101,173	18,258	174,530	569,911
			(12)
\$ 180,176	\$ 20,014	\$ 216,226	\$ 654,248

SCHEDULE OF FUND ACTIVITIES

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed In Thousands)

Revenues by Source	June 30, 2014
Taxes:	
Sales and gross receipts	\$ 3,930,100
Income:	
Individual	3,760,931
Corporations	453,277
Property	648,887
Coal severance	212,907
Licenses and privileges	1,178
Inheritance and estate	49,179
Miscellaneous	2,707
Total Taxes	<u>9,059,166</u>
Licenses, fees, and permits	33,673
Intergovernmental	12,541
Charges for services	238,974
Fines and forfeits	39,964
Interest and other investment income	805
Increase (decrease) in fair value of investments	(1,049)
Securities lending income	204
Other revenues	46,208
Total Revenues by Source	<u>\$ 9,430,486</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed In Thousands)

	June 30, 2014
General Government:	
Personal services	\$ 260,261
Utilities, rentals, and other services	41,187
Commodities and supplies	28,518
Grants and subsidies	1,223,733
Capital outlay	85
Travel	1,227
Judgments and contingent liabilities	6,286
Other	2,843
Total General Government	<u>1,564,140</u>
Legislative and Judicial:	
Personal services	204,469
Utilities, rentals, and other services	125,019
Commodities and supplies	23,301
Grants and subsidies	13,927
Capital outlay	150
Claims	16
Travel	3,819
Principal retirement	3,050
Total Legislative and Judicial	<u>373,751</u>
Commerce:	
Personal services	11,173
Utilities, rentals, and other services	1,146
Commodities and supplies	933
Grants and subsidies	21,836
Capital Outlay	177
Total Commerce	<u>35,265</u>
Education and Humanities:	
Personal services	84,725
Utilities, rentals, and other services	24,194
Commodities and supplies	3,126
Grants and subsidies	4,050,871
Capital outlay	54
Claims	1
Travel	1,382
Judgments and contingent liabilities	333
Total Education and Humanities	<u>4,164,686</u>
Human Resources:	
Personal services	217,487
Utilities, rentals, and other services	38,724
Commodities and supplies	3,537
Grants and subsidies	2,117,462
Capital Outlay	99
Claims	4
Travel	5,870
Judgments and contingent liabilities	657
Total Human Resources	<u>2,383,840</u>
Justice:	
Personal services	401,132
Utilities, rentals, and other services	45,850
Commodities and supplies	21,097
Grants and subsidies	202,479
Capital outlay	128
Claims	22
Travel	2,877
Total Justice	<u>673,585</u>

	June 30, 2014
Natural Resources and Environmental Protection:	
Personal services	\$ 59,115
Utilities, rentals, and other services	6,037
Commodities and supplies	2,797
Grants and subsidies	1,736
Travel	267
Judgments and contingent liabilities	34
Total Natural Resources and Environmental Protection	69,986
Public Protection and Regulation:	
Personal services	14,846
Utilities, rentals, and other services	1,248
Commodities and supplies	207
Grants and subsidies	200
Travel	209
Total Public Protection and Regulation	16,710
Transportation:	
Personal services	367
Commodities and supplies	92
Grants and subsidies	5,369
Total Transportation	5,828
Securities Lending Expense	80
Total Expenditures	\$ 9,287,871

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES BY TYPE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed In Thousands)

	June 30, 2014
Revenues:	
Taxes	\$ 1,410,369
Licenses, fees and permits	135,580
Charges for services	8,840
Fines and forfeits	19
Interest and other investment income	6,280
Increase (decrease) in fair value of investments	(2,432)
Securities lending income	889
Other revenues	4,246
Total Revenues	<u>1,563,791</u>
Expenditures:	
Transportation:	
General administration and support	76,446
Motor vehicle regulation	37,100
Justice - state police	92,631
Highways	1,239,712
Aviation	1,000
Securities lending expense	349
Other	350
Total Expenditures	<u>\$ 1,447,588</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, 2014
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,786	\$ 13,394	\$ 1,408
Cash with fiscal agents	1,191		
Receivables, net	4	5,611	413
Interfund receivables	53	6,252	227
Inventories	11	458	1,755
Prepaid expenses	2	399	
Total Current Assets	6,047	26,114	3,803
Noncurrent assets:			
Investments, net		3,551	
Receivables, net			
Land			657
Improvements other than buildings			
Buildings		9,498	5,846
Machinery and equipment	79,823	36,636	5,341
Easements and other intangibles		1,675	
Less: Accumulated depreciation	(54,876)	(33,969)	(5,752)
Construction in progress			
Total Capital Assets	24,947	13,840	6,092
Total Noncurrent Assets, Net	24,947	17,391	6,092
Total Assets	30,994	43,505	9,895
Liabilities			
Current liabilities:			
Accounts payable	1,507	5,291	452
Interfund payables	1,358	1,017	20
Interfund loans payable			
Claims liability			
Claims adjustment liability			
Capital lease obligations	5,983	893	
Compensated absences	55	3,139	230
Unearned revenue		119	
Total Current Liabilities	8,903	10,459	702
Noncurrent liabilities:			
Claims liability			
Claims adjustment liability			
Capital lease obligations	10,314	965	
Compensated absences	74	1,621	203
Total Noncurrent Liabilities	10,388	2,586	203
Total Liabilities	19,291	13,045	905
Net Position			
Net investment in capital assets	8,650	11,982	6,092
Restricted for other purposes	11	458	1,755
Unrestricted	3,042	18,020	1,143
Total Net Position	\$ 11,703	\$ 30,460	\$ 8,990

Central Printing	Property Management	Risk Management	Totals June 30, 2014
\$	\$ 18,713	\$ 20,085	\$ 58,386
	40	463	1,191
	93		6,531
35			6,625
	2		2,259
35	18,848	20,548	403
			75,395
	17,046	776	21,373
		289	289
	17,562		18,219
	3,133		3,133
	260,539		275,883
987	2,142		124,929
			1,675
(824)	(166,486)		(261,907)
	78,365		78,365
163	195,255		240,297
163	212,301	1,065	261,959
198	231,149	21,613	337,354
94	1,972	969	10,285
5	2,833	607	5,840
421	2,272		2,693
		21,199	21,199
		910	910
42	722		7,640
82	1,533	72	5,111
			119
644	9,332	23,757	53,797
		181,755	181,755
		5,264	5,264
54	8,596		19,929
25	205	70	2,198
79	8,801	187,089	209,146
723	18,133	210,846	262,943
67	185,937		212,728
35			2,259
(627)	27,079	(189,233)	(140,576)
\$ (525)	\$ 213,016	\$ (189,233)	\$ 74,411

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Operating Revenues:			
Charges for services	\$ 24,461	\$ 98,104	\$ 11,640
Other revenues	174	5	150
Total Operating Revenues	24,635	98,109	11,790
Operating Expenses:			
Personal services	1,665	67,188	3,569
Utilities, rentals, and other services	2,740	11,341	382
Commodities and supplies	14,549	7,322	6,466
Grants and subsidies			665
Depreciation and amortization	5,567	3,034	421
Travel		64	28
Claims expense		7	
Claims adjustment expense			
Total Operating Expenses	24,521	88,956	11,531
Operating Income (Loss)	114	9,153	259
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	758	(977)	
Interest and other investment income			
Interest expense	(200)	(166)	
Other revenues (expenses)			
Total Nonoperating Revenues and Expenses	558	(1,143)	
Income (Loss) before Transfers	672	8,010	259
Capital contributions	85		
Transfers in		16	
Transfers out	(4,350)	(3,509)	(34)
Change in Net Position	(3,593)	4,517	225
Net Position at July 1	15,296	25,943	8,765
Net Position at June 30	\$ 11,703	\$ 30,460	\$ 8,990

Central Printing	Property Management	Risk Management	Totals June 30, 2014
\$ 1,755	\$ 36,786	\$ 41,292	\$ 214,038
	1,371	14,933	16,633
1,755	38,157	56,225	230,671
944	16,853	3,018	93,237
474	13,748	2,996	31,681
13	4,945	19	33,314
			665
226	5,439		14,687
	20	5	117
		50,929	50,936
		1,022	1,022
1,657	41,005	57,989	225,659
98	(2,848)	(1,764)	5,012
	(3)		(222)
		4	4
(1)	(386)		(753)
		68	68
(1)	(389)	72	(903)
97	(3,237)	(1,692)	4,109
	868		85
	(3,758)	(668)	884
			(12,319)
97	(6,127)	(2,360)	(7,241)
(622)	219,143	(186,873)	81,652
\$ (525)	\$ 213,016	\$ (189,233)	\$ 74,411

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Cash Flows from Operating Activities			
Cash received from customers - public	\$ 24,646	\$ 1,202	\$ 3,644
Cash received from customers - state	(1,671)	89,832	7,934
Cash payments to suppliers for goods and services	(15,978)	(18,766)	(6,631)
Cash payments for employee salaries and benefits	174	(67,175)	(3,612)
Cash payments for claims expense		(7)	
Cash payments from other sources		4	150
Cash payments to other sources			(665)
Net Cash Provided (Used) by Operating Activities	<u>7,171</u>	<u>5,090</u>	<u>820</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds		16	
Transfers to other funds	(4,350)	(3,509)	(34)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(4,350)</u>	<u>(3,493)</u>	<u>(34)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(875)	(5,345)	(428)
Principal paid on revenue bond maturities and equipment contracts	(4,607)	(1,137)	
Interest paid on revenue bonds and equipment contracts	(200)	(166)	
Proceeds from the sale of capital assets	758		
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(4,924)</u>	<u>(6,648)</u>	<u>(428)</u>
Cash Flows from Investing Activities			
Proceeds from the sale of investment securities	64	683	9
Interest and dividends on investments			
Net Cash Provided (Used) in Investing Activities	<u>64</u>	<u>683</u>	<u>9</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,039)	(4,368)	367
Cash and Cash Equivalents at July 1	6,825	17,762	1,041
Cash and Cash Equivalents at June 30	<u>\$ 4,786</u>	<u>\$ 13,394</u>	<u>\$ 1,408</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 114	\$ 9,153	\$ 259
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	5,567	3,034	421
Miscellaneous nonoperating income (expense)			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	5	(5,500)	24
Interfund receivables	180	(1,087)	(86)
Inventories	5	(179)	837
Prepaid expenses	(2)	19	
Increase (decrease) in liabilities:			
Accounts payable	(35)	56	(604)
Interfund payables	1,341		(16)
Claims liability			
Claims adjustment liability			
Compensated absences	(4)	76	(15)
Unearned revenue		(482)	
Net Cash Provided by Operating Activities	<u>\$ 7,171</u>	<u>\$ 5,090</u>	<u>\$ 820</u>
Noncash Investing, Capital, and Financing Activities			
Contributions of capital assets	\$ 85	\$	\$
Capital assets acquired through leases	8,000		
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 8,085</u>	<u>\$</u>	<u>\$</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2014
\$	\$	\$	\$
2,346	926	10,979	41,397
(1,158)	35,855	31,434	165,730
(919)	(16,219)	(2,928)	(61,680)
	(16,899)	(2,996)	(91,427)
		(54,337)	(54,344)
		15,587	15,741
	1,371	(1,103)	(397)
269	5,034	(3,364)	15,020
	868		884
	(3,758)	(668)	(12,319)
	(2,890)	(668)	(11,435)
(236)	(276)		(7,160)
(31)	(668)		(6,443)
(2)	(386)		(754)
			758
(269)	(1,330)		(13,599)
	2,565	2,885	6,206
		4	4
	2,565	2,889	6,210
	3,379	(1,143)	(3,804)
	15,334	21,228	62,190
\$	\$	\$	\$
	18,713	20,085	58,386
\$	\$	\$	\$
98	(2,848)	(1,764)	5,012
226	5,439		14,687
		67	67
	15	1,005	(4,451)
591	114	(357)	(645)
(1)			662
	(2)	8	23
(48)	80	(84)	(635)
(621)	2,395	607	3,706
		(2,850)	(2,850)
		14	14
24	(26)	(9)	46
	(133)	(1)	(616)
\$	\$	\$	\$
269	5,034	(3,364)	15,020
\$	\$	\$	\$
127			85
\$	\$	\$	\$
127			8,127
			8,212

CAPITAL ASSETS

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY SOURCE
JUNE 30, 2014
(Expressed In Thousands)

	June 30, 2014
Governmental Funds Capital Assets	
Land	\$ 198,168
Improvements other than buildings	18,262
Buildings	1,112,113
Machinery and equipment	519,356
Other intangibles	41,832
Easements	134,068
Construction in progress	1,769,119
Infrastructure	19,880,500
Total Governmental Funds Capital Assets	\$ 23,673,418
 Investments in Governmental Funds Capital Assets by Source	
General Fund	\$ 112,160
Special Revenue Funds	659,716
Donations	146,329
Other	1,523,349
Capital Projects Fund:	
State appropriations	51,482
Revenue bonds	523,885
Federal grants	367,443
Other	204,420
Infrastructure (A)	19,880,500
Capital assets acquired prior to July 1, 1984 (A)	150,418
Capital assets acquired after July 1, 1984 (A)	53,716
Total Governmental Funds Capital Assets by Source	\$ 23,673,418

(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, 2014
(Expressed in Thousands)

	Land	Improvements Other Than Buildings	Buildings
General Government	\$ 33,563	\$ 7,852	\$ 277,589
Legislative & Judicial	2,032		3,157
Commerce	100,265	3,115	18,269
Education & Humanities	1,298	664	43,176
Human Resources	1,766	1,257	81,566
Justice	4,545	5,273	492,915
Natural Resources and Environmental Protection	37,346	101	1,233
Public Protection and Regulation			
Transportation	17,353		194,208
Total Governmental Funds Capital Assets by Function	<u>\$ 198,168</u>	<u>\$ 18,262</u>	<u>\$ 1,112,113</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.

Machinery and Equipment	Software / Other Intangibles	Easements	Construction in Progress	Infrastructure	Totals June 30, 2014
\$ 30,602	\$ 36,605	\$ 57,687	\$ 68,184	\$	\$ 512,082
11,842			736		17,767
28,344			5,375		155,368
37,132		12,174	2,378		96,822
31,908			293,783		410,280
85,395	5,227		27,630		620,985
36,383		15,200	208		90,471
4,872					4,872
252,878		49,007	1,370,825	19,880,500	21,764,771
\$ 519,356	\$ 41,832	\$ 134,068	\$ 1,769,119	\$ 19,880,500	\$ 23,673,418

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Balance as Restated June 30, 2013	Additions	Deductions	Balance June 30, 2014
General Government	\$ 486,160	\$ 39,118	\$ 13,196	\$ 512,082
Legislative & Judicial	10,378	8,541	1,152	17,767
Commerce	138,316	25,376	8,324	155,368
Education & Humanities	97,798	928	1,904	96,822
Human Resources	348,867	63,342	1,929	410,280
Justice	620,811	8,434	8,260	620,985
Natural Resources and Environmental Protection	86,771	5,577	1,877	90,471
Public Protection and Regulation	4,960	359	447	4,872
Transportation	21,693,679	782,808	711,716	21,764,771
Total Governmental Funds Capital Assets by Function	<u>\$ 23,487,740</u>	<u>\$ 934,483</u>	<u>\$ 748,805</u>	<u>\$ 23,673,418</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, 2014
(Expressed in Thousands)

	Pension Funds	Insurance Funds	Totals June 30, 2014
Assets			
Cash and Short-Term Investments:			
Cash	\$ 81,047	\$ 3,824	\$ 84,871
Medicare drug deposit		101	101
Short-term investments	3,695,404	253,814	3,949,218
Total Cash and Short-Term Investments	3,776,451	257,739	4,034,190
Receivables:			
Investments - accounts receivable	855,853	256,090	1,111,943
Interest receivable	666	217	883
Accounts receivable	250,511	46,923	297,434
Total Receivables	1,107,030	303,230	1,410,260
Investments at Fair Value:			
Corporate and government bonds	7,377,401	1,996,355	9,373,756
Common stocks	18,143,059	2,308,793	20,451,852
Mortgages	286,439	7,998	294,437
Alternatives	643,890	4,251	648,141
Real estate	1,160,152	151,005	1,311,157
Other	1,237,262	95,326	1,332,588
Total Investments at Fair Value	28,848,203	4,563,728	33,411,931
Invested security collateral	1,341,742	293,370	1,635,112
Capital assets, net	22,034		22,034
Prepaid expenses	71	20	91
Total Assets	35,095,531	5,418,087	40,513,618
Liabilities			
Investments - accounts payable	806,719	237,553	1,044,272
Accounts payable	11,333	9,029	20,362
Obligations under securities lending	1,341,742	293,370	1,635,112
Total Liabilities	2,159,794	539,952	2,699,746
Net position held in trust for pension and other post employment benefits	\$ 32,935,737	\$ 4,878,135	\$ 37,813,872

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, 2014
(Expressed in Thousands)

	Pension Funds	Insurance Funds	Totals June 30, 2014
Additions			
Contributions:			
Employer	\$ 880,605	\$ 450,576	\$ 1,331,181
Member	711,724	137,904	849,628
Non-Employer	483,330	106,281	589,611
Total Contributions	2,075,659	694,761	2,770,420
Other Contributions:			
Recovery Income		10,662	10,662
Medicare D Receipts		13	13
Participant fees	496		496
Other receipts	7,127		7,127
Total Other Contributions	7,623	10,675	18,298
Investment Income:			
Net increase (decrease) in fair value of investments	4,131,133	519,659	4,650,792
Interest	547,265	106,972	654,237
Dividends	184,263	1,689	185,952
Real estate operating income, net	29,245		29,245
Securities lending income, net	6,774	1,364	8,138
Total Investment Income	4,898,680	629,684	5,528,364
Less: Investment expense	88,066	16,432	104,498
Less: Securities lending expense	1,054	111	1,165
Net Investment Income	4,809,560	613,141	5,422,701
Total Additions	6,892,842	1,318,577	8,211,419
Deductions			
Benefit payments	3,588,522	296,933	3,885,455
Refunds	59,152	19	59,171
Administrative expenses	49,688	2,873	52,561
Self funding insurance cost		6,170	6,170
Healthcare premium subsidies		2,769	2,769
Other deductions, net		242,111	242,111
Total Deductions	3,697,362	550,875	4,248,237
Change in Net Position	3,195,480	767,702	3,963,182
Net Position Held in Trust			
Net Position at July 1	29,740,257	4,110,433	33,850,690
Net Position at June 30	\$ 32,935,737	\$ 4,878,135	\$ 37,813,872

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 1,408	\$ 117	\$ 1,724	\$ 222
Short-term investments	109,678	21,453	238,111	60,762
Total Cash and Short-Term Investments	<u>111,086</u>	<u>21,570</u>	<u>239,835</u>	<u>60,984</u>
Receivables:				
Investments - accounts receivable	153,768	29,441	334,388	110,363
Interest receivable				
Accounts receivable	36,521	4,398	51,683	12,765
Total Receivables	<u>190,289</u>	<u>33,839</u>	<u>386,071</u>	<u>123,128</u>
Investments at Fair Value:				
Corporate and government bonds	1,004,327	197,019	2,307,266	753,794
Common stocks	1,327,004	316,018	3,678,031	1,179,716
Mortgages				
Alternatives				
Real estate	89,558	22,586	230,961	74,546
Other	811	195	2,233	723
Total Investments at Fair Value	<u>2,421,700</u>	<u>535,818</u>	<u>6,218,491</u>	<u>2,008,779</u>
Invested security collateral	184,071	41,482	482,685	154,899
Capital assets, net	3,575	309	6,096	505
Prepaid expenses				
Total Assets	<u>2,910,721</u>	<u>633,018</u>	<u>7,333,178</u>	<u>2,348,295</u>
Liabilities				
Investments - accounts payable	146,223	28,061	319,007	105,207
Accounts payable	2,138	1,990	3,340	1,185
Obligations under securities lending	184,071	41,482	482,685	154,899
Total Liabilities	<u>332,432</u>	<u>71,533</u>	<u>805,032</u>	<u>261,291</u>
Net position held in trust for pension benefits	<u>\$ 2,578,289</u>	<u>\$ 561,485</u>	<u>\$ 6,528,146</u>	<u>\$ 2,087,004</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2014
\$ 273	\$ 63,163	\$ 73	\$ 14	\$ 14,053	\$ 81,047
10,980	785,463			2,468,957	3,695,404
11,253	848,626	73	14	2,483,010	3,776,451
14,140	213,494	186	73		855,853
2,683	96,982	541	125		666
16,823	310,476	114	10	45,355	250,511
		841	208	45,355	1,107,030
92,093	2,956,443	55,668	10,791		7,377,401
144,977	11,266,394	187,288	43,631		18,143,059
	286,439				286,439
	643,890				643,890
9,455	733,046				1,160,152
89	1,233,211				1,237,262
246,614	17,119,423	242,956	54,422		28,848,203
18,960	459,645				1,341,742
54	11,495				22,034
	71				71
293,704	18,749,736	243,870	54,644	2,528,365	35,095,531
13,488	194,733				806,719
282	1,817			581	11,333
18,960	459,645				1,341,742
32,730	656,195			581	2,159,794
\$ 260,974	\$ 18,093,541	\$ 243,870	\$ 54,644	\$ 2,527,784	\$ 32,935,737

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, 2014
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 301,382	\$ 12,221	\$ 330,340	\$ 116,331
Member	92,941	11,995	122,459	42,631
Non-Employer				
Total Contributions	394,323	24,216	452,799	158,962
Other Contributions:				
Participant fees				
Other receipts				
Total Other Contributions				
Investment Income:				
Net increase (decrease) in fair value of investments	265,388	66,475	757,251	241,913
Interest	80,939	16,335	161,830	54,124
Dividends				
Real estate operating income, net				
Securities lending income, net	852	182	2,244	701
Total Investment Income	347,179	82,992	921,325	296,738
Less: Investment expense	9,153	2,261	25,695	8,220
Less: Securities lending expense	104	7	100	27
Net Investment Income	337,922	80,724	895,530	288,491
Total Additions	732,245	104,940	1,348,329	447,453
Deductions				
Benefit payments	889,937	54,320	582,850	189,635
Refunds	13,627	2,830	14,286	2,664
Administrative expenses	11,145	897	18,615	1,721
Total Deductions	914,709	58,047	615,751	194,020
Change in Net Position	(182,464)	46,893	732,578	253,433
Net Position Held in Trust				
Net Position at July 1	2,760,753	514,592	5,795,568	1,833,571
Net Position at June 30	\$ 2,578,289	\$ 561,485	\$ 6,528,146	\$ 2,087,004

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2014
\$ 20,349	\$ 80,076	\$ 12,405	\$ 1,825	\$ 5,676	\$ 880,605
5,005	304,982	2,758	167	128,786	711,724
	483,330				483,330
<u>25,354</u>	<u>868,388</u>	<u>15,163</u>	<u>1,992</u>	<u>134,462</u>	<u>2,075,659</u>
		396	100		496
		3	1	7,123	7,127
		<u>399</u>	<u>101</u>	<u>7,123</u>	<u>7,623</u>
30,913	2,422,796	27,402	6,635	312,360	4,131,133
10,399	207,306	1,658	371	14,303	547,265
	179,231	4,075	957		184,263
	29,245				29,245
87	2,708				6,774
<u>41,399</u>	<u>2,841,286</u>	<u>33,135</u>	<u>7,963</u>	<u>326,663</u>	<u>4,898,680</u>
1,020	37,178	191		4,348	88,066
4	812				1,054
<u>40,375</u>	<u>2,803,296</u>	<u>32,944</u>	<u>7,963</u>	<u>322,315</u>	<u>4,809,560</u>
<u>65,729</u>	<u>3,671,684</u>	<u>48,506</u>	<u>10,056</u>	<u>463,900</u>	<u>6,892,842</u>
53,025	1,654,503	21,718	3,544	138,990	3,588,522
213	25,462	70			59,152
215	7,957	205	134	8,799	49,688
<u>53,453</u>	<u>1,687,922</u>	<u>21,993</u>	<u>3,678</u>	<u>147,789</u>	<u>3,697,362</u>
12,276	1,983,762	26,513	6,378	316,111	3,195,480
248,698	16,109,779	217,357	48,266	2,211,673	29,740,257
<u>\$ 260,974</u>	<u>\$ 18,093,541</u>	<u>\$ 243,870</u>	<u>\$ 54,644</u>	<u>\$ 2,527,784</u>	<u>\$ 32,935,737</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 101	\$ 50	\$ 101	\$ 2
Medicare drug deposit	20	11	42	23
Short-term investments	31,821	14,787	57,967	28,645
Total Cash and Short-Term Investments	31,942	14,848	58,110	28,670
Receivables:				
Investments - accounts receivable	39,256	27,308	113,965	62,179
Interest receivable				
Accounts receivable	14,398	2,194	13,617	5,222
Total Receivables	53,654	29,502	127,582	67,401
Investments at Fair Value:				
Corporate and government bonds	292,695	195,502	844,542	467,971
Common stocks	283,453	202,797	884,304	485,513
Mortgages				
Alternatives				
Real estate	21,459	16,038	69,293	38,076
Other	112	91	405	225
Total Investments at Fair Value	597,719	414,428	1,798,544	991,785
Invested security collateral	66,345	8,470	169,211	44,714
Prepaid expenses				
Total Assets	749,660	467,248	2,153,447	1,132,570
Liabilities				
Investments - accounts payable	36,401	25,252	105,497	57,547
Accounts payable	9	2	28	6
Obligations under securities lending	66,345	8,470	169,211	44,714
Total Liabilities	102,755	33,724	274,736	102,267
Net position held in trust for other post employment benefits	\$ 646,905	\$ 433,524	\$ 1,878,711	\$ 1,030,303

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2014
\$ 100	\$ 3,442	\$ 19	\$ 9	\$ 3,824
5				101
5,467	115,127			253,814
5,572	118,569	19	9	257,739
9,969	3,319	48	46	256,090
		138	79	217
1,238	10,219	29	6	46,923
11,207	13,538	215	131	303,230
74,728	99,731	14,254	6,932	1,996,355
76,513	300,857	47,863	27,493	2,308,793
	7,998			7,998
	4,251			4,251
6,139				151,005
36	94,457			95,326
157,416	507,294	62,117	34,425	4,563,728
4,630				293,370
	20			20
178,825	639,421	62,351	34,565	5,418,087
9,235	3,621			237,553
2	8,982			9,029
4,630				293,370
13,867	12,603			539,952
\$ 164,958	\$ 626,818	\$ 62,351	\$ 34,565	\$ 4,878,135

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, 2014
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 164,175	\$ 23,336	\$ 121,161	\$ 74,265
Member	917	37	1,449	32
Non-Employer				
Total Contributions	165,092	23,373	122,610	74,297
Other Contributions:				
Recovery Income	2,434	538	2,117	527
Medicare D Receipts	7		6	
Total Other Contributions	2,441	538	2,123	527
Investment Income:				
Net increase (decrease) in fair value of investments	83,783	43,410	195,952	105,345
Interest	14,724	10,293	43,178	23,682
Dividends				
Securities lending income, net	176	144	637	354
Total Investment Income	98,683	53,847	239,767	129,381
Less: Investment expense	1,929	1,622	7,388	4,075
Less: Securities lending expense	16	12	50	29
Net Investment Income	96,738	52,213	232,329	125,277
Total Additions	264,271	76,124	357,062	200,101
Deductions				
Benefit payments	111,051	15,447	92,636	60,522
Refunds				
Administrative expenses	718	77	488	273
Self funding insurance cost	1,620	(42)	4,168	321
Healthcare Premiums Subsidies				
Other deductions, net	17	1	19	2
Total Deductions	113,406	15,483	97,311	61,118
Change in Net Position	150,865	60,641	259,751	138,983
Net Position Held in Trust				
Net Position at July 1	496,040	372,883	1,618,960	891,320
Net Position at June 30	\$ 646,905	\$ 433,524	\$ 1,878,711	\$ 1,030,303

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2014
\$ 14,498	\$ 52,413	\$ 728	\$	\$ 450,576
11	135,191	162	105	137,904
	106,281			106,281
14,509	293,885	890	105	694,761
(4)	4,880	107	63	10,662
(4)	4,880	107	63	13
				10,675
17,169	62,545	7,306	4,149	519,659
3,937	10,484	442	232	106,972
	5	1,086	598	1,689
53				1,364
21,159	73,034	8,834	4,979	629,684
647	720	51		16,432
4				111
20,508	72,314	8,783	4,979	613,141
35,013	371,079	9,780	5,147	1,318,577
12,585	4,692			296,933
57	1,121	19		19
103		55	84	2,873
				6,170
		2,039	730	2,769
1	242,071			242,111
12,746	247,884	2,113	814	550,875
22,267	123,195	7,667	4,333	767,702
142,691	503,623	54,684	30,232	4,110,433
\$ 164,958	\$ 626,818	\$ 62,351	\$ 34,565	\$ 4,878,135

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, 2014
(Expressed in Thousands)

	Commonwealth Choice Program	County Fees Trust Fund	Special Deposit Trust Fund	Totals June 30, 2014
Assets				
Cash and cash equivalents	\$ 520	\$ 219	\$ 241,229	\$ 241,968
Investments, net of amortization			17,086	17,086
Invested security collateral			673,249	673,249
Receivables, net	2,531	12,598	4,479	19,608
Total Assets	<u>\$ 3,051</u>	<u>\$ 12,817</u>	<u>\$ 936,043</u>	<u>\$ 951,911</u>
Liabilities				
Accounts payable	\$ 3,051	\$	\$ 176,690	\$ 179,741
Amounts held in custody for others		12,817	86,104	98,921
Obligations under securities lending			673,249	673,249
Total Liabilities	<u>\$ 3,051</u>	<u>\$ 12,817</u>	<u>\$ 936,043</u>	<u>\$ 951,911</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Balances June 30, 2013	Additions	Deductions	Balances June 30, 2014
<u>COMMONWEALTH CHOICE PROGRAM</u>				
<u>Assets</u>				
Cash & cash equivalents-restricted	\$ 302	\$ 218	\$	\$ 520
Investments-restricted	3		3	
Accounts receivable	861	1,670		2,531
Total Assets	<u>\$ 1,166</u>	<u>\$ 1,888</u>	<u>\$ 3</u>	<u>\$ 3,051</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,166	\$ 1,885	\$	\$ 3,051
Total Liabilities	<u>\$ 1,166</u>	<u>\$ 1,885</u>	<u>\$</u>	<u>\$ 3,051</u>
<u>COUNTY FEES TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 219	\$	\$	\$ 219
Accounts receivable	13,039	128,965	129,406	12,598
Total Assets	<u>\$ 13,258</u>	<u>\$ 128,965</u>	<u>\$ 129,406</u>	<u>\$ 12,817</u>
<u>Liabilities</u>				
Amounts held in custody for others	\$ 13,258	\$ 128,965	\$ 129,406	\$ 12,817
Total Liabilities	<u>\$ 13,258</u>	<u>\$ 128,965</u>	<u>\$ 129,406</u>	<u>\$ 12,817</u>
<u>SPECIAL DEPOSIT TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 230,136	\$ 806,414	\$ 795,321	\$ 241,229
Investments	28,168	6,561	17,643	17,086
Invested security collateral	566,368	106,881		673,249
Accounts receivable	2,120	4,479	2,120	4,479
Total Assets	<u>\$ 826,792</u>	<u>\$ 924,335</u>	<u>\$ 815,084</u>	<u>\$ 936,043</u>
<u>Liabilities</u>				
Accounts payable	\$ 180,986	\$ 796,291	\$ 800,587	\$ 176,690
Amounts held in custody for others	79,438	204,058	197,392	86,104
Obligations under securities lending	566,368	106,881		673,249
Total Liabilities	<u>\$ 826,792</u>	<u>\$ 1,107,230</u>	<u>\$ 997,979</u>	<u>\$ 936,043</u>
<u>ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 230,657	\$ 806,632	\$ 795,321	\$ 241,968
Investments	28,171	6,561	17,646	17,086
Invested security collateral	566,368	106,881		673,249
Accounts receivable	16,020	135,114	131,526	19,608
Total Assets	<u>\$ 841,216</u>	<u>\$ 1,055,188</u>	<u>\$ 944,493</u>	<u>\$ 951,911</u>
<u>Liabilities</u>				
Accounts payable	\$ 182,152	\$ 798,176	\$ 800,587	\$ 179,741
Amounts held in custody for others	92,696	333,023	326,798	98,921
Obligations under securities lending	566,368	106,881		673,249
Total Liabilities	<u>\$ 841,216</u>	<u>\$ 1,238,080</u>	<u>\$ 1,127,385</u>	<u>\$ 951,911</u>

NON-MAJOR COMPONENT UNITS - COMBINING

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2014
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2014
Assets			
Current assets:			
Cash and cash equivalents	\$ 120,622	\$ 309,666	\$ 430,288
Restricted cash	16,180	66,865	83,045
Restricted investments	3,615		3,615
Investments, net of amortization	382,436		382,436
Accounts receivable, net	118,739	89,098	207,837
Interest receivable	2,019	43	2,062
Inventories	1,491	6,130	7,621
Prepaid expenses	590	13,021	13,611
Other current assets	4,525	4,611	9,136
Total Current Assets	650,217	489,434	1,139,651
Noncurrent assets:			
Restricted cash	6,269	146,990	153,259
Long-term investments	87,127	188,638	275,765
Restricted long-term investments	15,878	272,749	288,627
Long-term receivables, net	906,607	25,917	932,524
Land	29,753	70,434	100,187
Improvements other than buildings	1,709	172,975	174,684
Buildings	451,843	2,094,282	2,546,125
Machinery and equipment	80,593	323,386	403,979
Other capital assets	87,632	130,453	218,085
Less: Accumulated depreciation and amortization	(296,241)	(1,254,544)	(1,550,785)
Construction in progress	7,817	128,975	136,792
Total Capital Assets	363,106	1,665,961	2,029,067
Other assets	4,428	6,566	10,994
Total Noncurrent Assets	1,383,415	2,306,821	3,690,236
Total Assets	2,033,632	2,796,255	4,829,887
Deferred outflows of resources	144	6,765	6,909
Liabilities			
Current liabilities:			
Accounts payable and accruals	26,960	74,002	100,962
Current portion of long-term debt:			
Notes payable	197	13,320	13,517
Bonds payable	32,446	29,203	61,649
Capital lease obligations	5,291	5,633	10,924
Compensated absences	1,590	23,825	25,415
Claims liability		2,039	2,039
Unearned revenues	7,241	33,523	40,764
Payable from restricted assets		7,666	7,666
Other current liabilities	60	11,553	11,613
Total Current Liabilities	73,785	200,764	274,549
Noncurrent liabilities:			
Notes payable	3,795	22,277	26,072
Bonds payable	303,349	517,787	821,136
Capital lease obligations	75,165	43,828	118,993
Compensated absences	945	257	1,202
Other long-term liabilities	1,176	67,512	68,688
Total Noncurrent Liabilities	384,430	651,661	1,036,091
Total Liabilities	458,215	852,425	1,310,640
Deferred inflows of resources	7,666	1,522	9,188
Net Position			
Net investment in capital assets	272,314	1,048,733	1,321,047
Restricted for:			
Debt service		1,757	1,757
Capital projects	22,589	64,901	87,490
Other purposes	1,156,750	484,249	1,640,999
Unrestricted	116,242	349,433	465,675
Total Net Position	\$ 1,567,895	\$ 1,949,073	\$ 3,516,968

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2014
Expenses:			
Operating and other expenses	\$ 406,251	\$ 1,322,075	\$ 1,728,326
Total expenses	406,251	1,322,075	1,728,326
Program Revenues:			
Charges for services	119,047	655,768	774,815
Operating grants and contributions	232,569	133,054	365,623
Capital grants and contributions	71,403	1,023	72,426
Total Program Revenues	423,019	789,845	1,212,864
Net Program (Expense) Revenue	16,768	(532,230)	(515,462)
General Revenues:			
Unrestricted grants and contributions	542	188,489	189,031
Unrestricted investment earnings	4,586	35,314	39,900
Gain on sale of capital assets	43	435	478
Miscellaneous general	56,226	370,976	427,202
Total General Revenues	61,397	595,214	656,611
Change in Net Position	78,165	62,984	141,149
Net Position at July 1, As Restated	1,489,730	1,886,089	3,375,819
Net Position at June 30	\$ 1,567,895	\$ 1,949,073	\$ 3,516,968



NON-MAJOR COMPONENT UNITS - AUTHORITIES

Kentucky River Authority – is responsible for the maintenance of the Commonwealth’s locks and dams on the Kentucky River.

Kentucky Higher Education Assistance Authority - was established by KRS 164.742 to improve higher education opportunities by insuring eligible student loans and providing grants and scholarship awards to eligible students.

Bluegrass State Skills Corporation - established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skill, training and education.

Kentucky State Fair Board - accounts for the revenues earned and expenses incurred in the commercial operations of the State Fair Board.

Kentucky Center for the Arts Corporation - established by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The Center has the responsibility of maintaining, operating and insuring the Kentucky Center for the Arts building.

Kentucky Educational Television Authority - established by KRS 168.030 to produce and transmit educational television programming to the citizens of the Commonwealth.

Kentucky Economic Development Finance Authority - established in 1958 under KRS Chapter 154 to promote industrial development, and authorized to issue industrial revenue bonds that do not constitute a legal or moral obligation of the Commonwealth.

Kentucky Artisan Center - established to celebrate Kentucky's artisan heritage and encourage Kentuckians and those traveling in Kentucky to enjoy artisan products and activities.

Kentucky Infrastructure Authority - established in 1988 by KRS 224A.030, and amended, to assume all powers, duties and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority in assisting governmental agencies within the Commonwealth in constructing and acquiring infrastructure projects.

Kentucky Agricultural Finance Corporation - created by the 1984 General Assembly to “improve and promote the health, welfare and prosperity of the people of the Commonwealth through stimulation of existing agricultural ventures.” This corporation helps banks and other financial institutions assist eligible farmers in receiving low interest loans through the issuance of tax-exempt agricultural revenue bonds.

Kentucky Grain Insurance Corporation - provides protection to grain producers in the event of the failure of a grain dealer or grain warehouseman.

Kentucky Local Correctional Facilities Construction Authority - created in 1982 pursuant to Sections 441.605 through 441.695 of the KRS to provide an additional and alternative method for constructing, improving, repairing, and financing regional and local jail facilities.

Kentucky Horse Park Foundation – is a legally separate tax-exempt Kentucky corporation that receives, holds, and administers gifts and grants in the name of the Kentucky Horse Park.

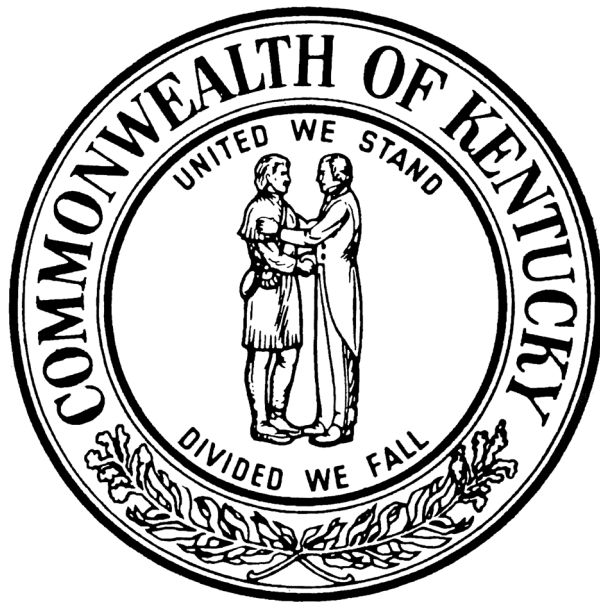
COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - AUTHORITIES
JUNE 30, 2014
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,037	\$ 33,255	\$	\$ 8,128
Restricted cash	16,180			
Restricted investments				
Investments, net of amortization		7,284		
Accounts receivable, net	1,086	22,444	1,687	3,159
Interest receivable		173		
Inventories				
Prepaid expenses				
Other current assets		864		949
Total Current Assets	18,303	64,020	1,687	12,236
Noncurrent assets:				
Restricted cash		1		5,983
Long-term investments		43,952		
Restricted long-term investments				
Long-term receivables, net		15,448		
Land	546			27,835
Improvements other than buildings				1,287
Buildings	432	12,072		383,215
Machinery and equipment	272	2,806		8,975
Other capital assets	51,937			34,202
Less: Accumulated depreciation and amortization	(9,371)	(6,350)		(184,571)
Construction in progress	6,866			951
Total Capital Assets	50,682	8,528		271,894
Other assets				
Total Noncurrent Assets	50,682	67,929		277,877
Total Assets	68,985	131,949	1,687	290,113
Deferred outflows of resources				
Liabilities				
Current liabilities:				
Accounts payable and accruals	1,396	1,108	1,679	11,529
Current portion of long-term debt:				
Notes payable				
Bonds payable				
Capital lease obligations	1,074	550		3,628
Compensated absences	39	654	5	
Unearned revenues				3,986
Other current liabilities				
Total Current Liabilities	2,509	2,312	1,684	19,143
Noncurrent liabilities:				
Notes payable				
Bonds payable				
Capital lease obligations	26,249	3,210		45,580
Compensated absences	39		5	
Other long-term liabilities				
Total Noncurrent Liabilities	26,288	3,210	5	45,580
Total Liabilities	28,797	5,522	1,689	64,723
Deferred inflows of resources				4,336
Net Position				
Net investment in capital assets	22,083	4,768		218,360
Restricted for:				
Capital projects	16,180			5,974
Other purposes		121,659		
Unrestricted	1,925		(2)	(3,280)
Total Net Position	\$ 40,188	\$ 126,427	\$ (2)	\$ 221,054

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
\$ 1,787	\$ 6,242	\$ 23,260	\$ 45	\$ 33,617	\$ 3,953
376	10,381		78	3,615	
185	1,093	985	14	364,317	
7	35	35		54,420	33,096
62	1,102		327	1,750	
251	330				
	125	2,215			
2,668	19,308	26,495	464	457,719	37,049
	285				
16,750		447		21,537	2,071
	6,248			2,481	
	18	20,161		870,980	
129	76		1,167		
31,571	16,607		6,706		
32,658	34,868		963		
	1,493				
(47,744)	(45,410)		(1,550)		
16,614	7,634		7,286		
4,428					
37,792	14,185	20,608	7,286	894,998	2,071
40,460	33,493	47,103	7,750	1,352,717	39,120
	38			67	
973	1,299	160	99	8,588	13
83	114				
39				30,025	
	718	72	80		22
387	2,861				
60					
1,542	4,992	232	179	38,613	35
2,418	1,377				
				303,349	
126					
195	583	91	26		6
2,739	1,960	91	26	303,349	6
4,281	6,952	323	205	341,962	41
	3,067			263	
13,674	6,143		7,286		
	435				
3,037	6,782	7,869		1,004,463	
19,468	10,152	38,911	259	6,096	39,079
\$ 36,179	\$ 23,512	\$ 46,780	\$ 7,545	\$ 1,010,559	\$ 39,079

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - AUTHORITIES
JUNE 30, 2014
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2014
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,146	\$ 5,211	\$ 941	\$ 120,622
Restricted cash				16,180
Restricted investments				3,615
Investments, net of amortization				382,436
Accounts receivable, net		242	328	118,739
Interest receivable		19		2,019
Inventories				1,491
Prepaid expenses			9	590
Other current assets		372		4,525
Total Current Assets	<u>3,146</u>	<u>5,844</u>	<u>1,278</u>	<u>650,217</u>
Noncurrent assets:				
Restricted cash				6,269
Long-term investments	1,647		723	87,127
Restricted long-term investments		2,335	4,814	15,878
Long-term receivables, net				906,607
Land				29,753
Improvements other than buildings			422	1,709
Buildings			1,240	451,843
Machinery and equipment			51	80,593
Other capital assets				87,632
Less: Accumulated depreciation and amortization			(1,245)	(296,241)
Construction in progress				7,817
Total Capital Assets			<u>468</u>	<u>363,106</u>
Other assets				<u>4,428</u>
Total Noncurrent Assets	<u>1,647</u>	<u>2,335</u>	<u>6,005</u>	<u>1,383,415</u>
Total Assets	<u>4,793</u>	<u>8,179</u>	<u>7,283</u>	<u>2,033,632</u>
Deferred outflow of resources		<u>39</u>		<u>144</u>
Liabilities				
Current liabilities:				
Accounts payable and accruals		21	95	26,960
Current portion of long-term debt:				
Notes payable				197
Bonds payable		2,421		32,446
Capital lease obligations				5,291
Compensated absences				1,590
Unearned revenues			7	7,241
Other current liabilities				60
Total Current Liabilities		<u>2,442</u>	<u>102</u>	<u>73,785</u>
Noncurrent liabilities:				
Notes payable				3,795
Bonds payable				303,349
Capital lease obligations				75,165
Compensated absences				945
Other long-term liabilities			1,176	1,176
Total Noncurrent Liabilities			<u>1,176</u>	<u>384,430</u>
Total Liabilities		<u>2,442</u>	<u>1,278</u>	<u>458,215</u>
Deferred inflow of resources				<u>7,666</u>
Net Position				
Net investment in capital assets				272,314
Restricted for:				
Capital projects				22,589
Other purposes	4,793	5,776	2,371	1,156,750
Unrestricted			3,634	116,242
Total Net Position	<u>\$ 4,793</u>	<u>\$ 5,776</u>	<u>\$ 6,005</u>	<u>\$ 1,567,895</u>



COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
Expenses:				
Operating and other expenses	\$ 3,870	\$ 233,262	\$ 2,594	\$ 56,019
Total expenses	<u>3,870</u>	<u>233,262</u>	<u>2,594</u>	<u>56,019</u>
Program Revenues:				
Charges for services	4,203	36,661		43,861
Operating grants and contributions		216,762		
Capital grants and contributions				37,558
Total Program Revenues	<u>4,203</u>	<u>253,423</u>		<u>81,419</u>
Net Program (Expense) Revenue	<u>333</u>	<u>20,161</u>	<u>(2,594)</u>	<u>25,400</u>
General Revenues:				
Unrestricted grants and contributions				
Unrestricted investment earnings	24			(2,031)
Gain on sale of capital assets				
Miscellaneous general	<u>270</u>		<u>2,603</u>	<u>11,611</u>
Total General Revenues	<u>294</u>		<u>2,603</u>	<u>9,580</u>
Change in Net Position	<u>627</u>	<u>20,161</u>	<u>9</u>	<u>34,980</u>
Net Position at July 1, As Restated	39,561	106,266	(11)	186,074
Net Position at June 30	<u>\$ 40,188</u>	<u>\$ 126,427</u>	<u>\$ (2)</u>	<u>\$ 221,054</u>

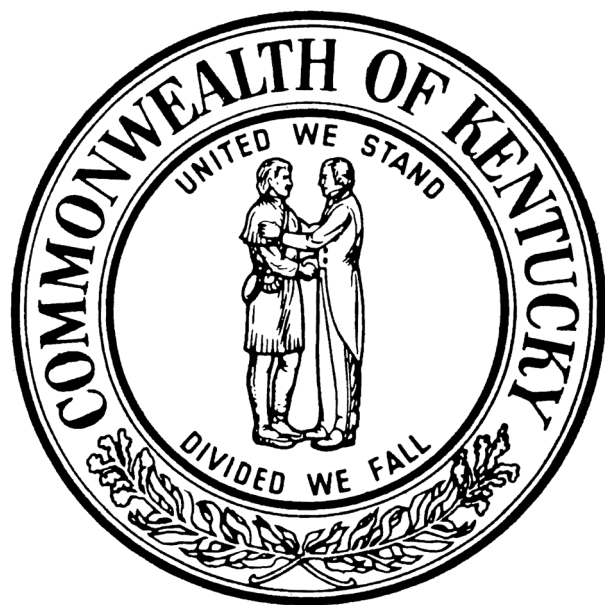
Kentucky Center for the Arts Corporation	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Artisan Center	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation
\$ 15,483	\$ 26,427	\$ 2,556	\$ 2,402	\$ 58,568	\$ 279
15,483	26,427	2,556	2,402	58,568	279
7,179	1,987	857	1,649	19,132	
1,842	8,789		705		3,090
				33,845	
9,021	10,776	857	2,354	52,977	3,090
(6,462)	(15,651)	(1,699)	(48)	(5,591)	2,811
453					
2,822	2,354			722	
43					
3,301	12,386	2		25,971	
6,619	14,740	2		26,693	
157	(911)	(1,697)	(48)	21,102	2,811
36,022	24,423	48,477	7,593	989,457	36,268
\$ 36,179	\$ 23,512	\$ 46,780	\$ 7,545	\$ 1,010,559	\$ 39,079

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2014
Expenses:				
Operating and other expenses	\$ 3	\$ 2,951	\$ 1,837	\$ 406,251
Total expenses	3	2,951	1,837	406,251
Program Revenues:				
Charges for services		3,010	508	119,047
Operating grants and contributions			1,381	232,569
Capital grants and contributions				71,403
Total Program Revenues		3,010	1,889	423,019
Net Program (Expense) Revenue	(3)	59	52	16,768
General Revenues:				
Unrestricted grants and contributions			89	542
Unrestricted investment earnings	4	76	615	4,586
Gain on sale of capital assets				43
Miscellaneous general			82	56,226
Total General Revenues	4	76	786	61,397
Change in Net Position	1	135	838	78,165
Net Position at July 1, As Restated	4,792	5,641	5,167	1,489,730
Net Position at June 30	\$ 4,793	\$ 5,776	\$ 6,005	\$ 1,567,895

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS-AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Totals June 30, 2014
Cash Flows from Operating Activities			
Cash payments to suppliers for goods and services	\$ (105)	\$ (3)	\$ (108)
Cash payments for employee salaries and benefits	(179)		(179)
Cash payments from other sources	1,134		1,134
Net Cash Provided (Used) by Operating Activities	850	(3)	847
Cash Flows from Investing Activities			
Purchase of investment securities	(70)		(70)
Proceeds from the sale of investment securities		206	206
Interest and dividends on investments		4	4
Net Cash Provided (Used) in Investing Activities	(70)	210	140
Net Increase (Decrease) in Cash and Cash Equivalents	780	207	987
Cash and Cash Equivalents at July 1	3,173	2,939	6,112
Cash and Cash Equivalents at June 30	<u>\$ 3,953</u>	<u>\$ 3,146</u>	<u>\$ 7,099</u>
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 2,811	\$ (3)	\$ 2,808
Adjustments to reconcile operating income to			
net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	(1,956)		(1,956)
Increase (decrease) in liabilities:			
Accounts payable	(1)		(1)
Compensated absences	(4)		(4)
Net Cash Provided (Used) by Operating Activities	<u>\$ 850</u>	<u>\$ (3)</u>	<u>\$ 847</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, 2014
(Expressed in Thousands)

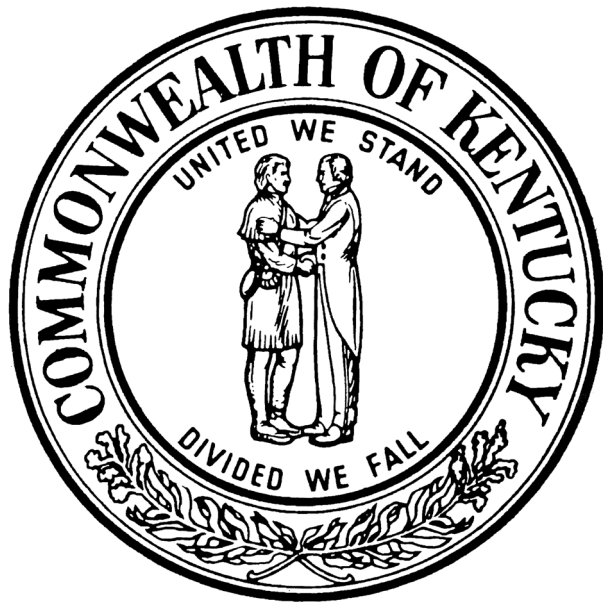
	Eastern Kentucky University	Western Kentucky University	Morehead State University
Assets			
Current assets:			
Cash and cash equivalents	\$ 57,325	\$ 88,404	\$ 20,692
Restricted cash			13,837
Accounts receivable, net	20,021	14,722	10,754
Interest receivable		37	3
Inventories	388	1,584	1,672
Prepaid expenses	1,875	5,543	
Other current assets		439	1,727
Total Current Assets	79,609	110,729	48,685
Noncurrent assets:			
Restricted cash	13,661	25,231	
Long-term investments	62,083	59,438	45,575
Restricted long-term investments		74,745	
Long-term receivables, net	5,232	11,454	3,885
Land	8,088	15,218	22,674
Improvements other than buildings	56,564	62,772	
Buildings	407,440	591,234	274,914
Machinery and equipment	27,668	129,706	23,657
Other capital assets	42,911		33,904
Less: Accumulated depreciation and amortization	(231,118)	(316,146)	(158,664)
Construction in progress	3,968	88,664	6,716
Total Capital Assets	315,521	571,448	203,201
Other assets		2,600	3,846
Total Noncurrent Assets, Net	396,497	744,916	256,507
Total Assets	476,106	855,645	305,192
Deferred outflows of resources	945	2,226	
Liabilities			
Current liabilities:			
Accounts payable and accruals	14,984	20,017	5,295
Current portion of long-term debt:			
Notes payable	259	10,897	
Bonds payable	5,255	10,952	3,340
Capital lease obligations	1,625	447	1,432
Compensated absences	5,762	3,190	3,043
Claims liability		1,210	
Unearned revenues	7,970	10,737	3,752
Payable from restricted assets		120	850
Other current liabilities	694	6,532	991
Total Current Liabilities	36,549	64,102	18,703
Noncurrent liabilities:			
Notes payable	1,114	9,787	
Bonds payable	57,713	218,017	55,275
Capital lease obligations	9,720	17,237	9,912
Compensated absences			
Other long-term liabilities	365	41,289	4,817
Total Noncurrent Liabilities	68,912	286,330	70,004
Total Liabilities	105,461	350,432	88,707
Deferred inflows of resources			
Net Position			
Net investment in capital assets	236,365	271,308	132,585
Restricted for:			
Debt service			
Capital projects	12,031	35,770	
Other purposes	69,542	126,017	59,069
Unrestricted	53,652	74,344	24,831
Total Net Position	\$ 371,590	\$ 507,439	\$ 216,485

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2014
\$ 65,955	\$ 55,475	\$ 21,466	\$ 349	\$ 309,666
	46,796		6,232	66,865
6,966	13,094	17,710	5,831	89,098
	3			43
2,190	296			6,130
2,091	1,884	158	1,470	13,021
2,445				4,611
79,647	117,548	39,334	13,882	489,434
50,731	57,367			146,990
	2,212	15,303	4,027	188,638
97,868	96,826		3,310	272,749
3,544	1,561	241		25,917
12,479	9,687	2,288		70,434
14,699	34,953	3,987		172,975
270,176	395,712	154,806		2,094,282
28,906	86,745	26,153	551	323,386
32,317	4,622	16,699		130,453
(194,122)	(229,989)	(124,194)	(311)	(1,254,544)
14,636	14,021	970		128,975
179,091	315,751	80,709	240	1,665,961
	85	35		6,566
331,234	473,802	96,288	7,577	2,306,821
410,881	591,350	135,622	21,459	2,796,255
2,515	1,079			6,765
8,829	12,054	3,422	9,401	74,002
1,168	946	50		13,320
3,152	6,298	206		29,203
55	1,577	497		5,633
6,377	3,283	1,558	612	23,825
660		169		2,039
3,423	6,099	1,299	243	33,523
	6,696			7,666
3,052	192	92		11,553
26,716	37,145	7,293	10,256	200,764
10,592	584	200		22,277
53,698	129,935	3,149		517,787
834	2,825	3,300		43,828
			257	257
4,730	15,776	535		67,512
69,854	149,120	7,184	257	651,661
96,570	186,265	14,477	10,513	852,425
	1,522			1,522
121,682	213,246	73,307	240	1,048,733
1,553	204			1,757
15,839	1,261			64,901
94,715	102,884	25,258	6,764	484,249
83,037	87,047	22,580	3,942	349,433
\$ 316,826	\$ 404,642	\$ 121,145	\$ 10,946	\$ 1,949,073

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Expenses:			
Operating and other expenses	\$ 272,501	\$ 348,705	\$ 154,422
Total Expenses	272,501	348,705	154,422
Program Revenues:			
Charges for services	127,958	194,549	63,996
Operating grants and contributions	48,070	13,436	21,441
Capital grants and contributions			
Total Program Revenues	176,028	207,985	85,437
Net Program (Expense) Revenue	(96,473)	(140,720)	(68,985)
General Revenues:			
Unrestricted grants and contributions	41,084	63,932	25,493
Unrestricted investment earnings	1,746	16,442	62
Gain on sale of capital assets		435	
Miscellaneous general	67,248	77,548	47,314
Total General Revenues	110,078	158,357	72,869
Change in Net Position	13,605	17,637	3,884
Net Position at July 1, As Restated	357,985	489,802	212,601
Net Position at June 30	\$ 371,590	\$ 507,439	\$ 216,485

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2014
\$ 183,169	\$ 226,793	\$ 75,019	\$ 61,466	\$ 1,322,075
183,169	226,793	75,019	61,466	1,322,075
108,409	134,787	23,764	2,305	655,768
6,117	11,245	14,947	17,798	133,054
	390		633	1,023
114,526	146,422	38,711	20,736	789,845
(68,643)	(80,371)	(36,308)	(40,730)	(532,230)
22,713	28,181	7,086		188,489
13,733	533	2,798		35,314
48,006	61,707	23,536	45,617	435
84,452	90,421	33,420	45,617	370,976
				595,214
15,809	10,050	(2,888)	4,887	62,984
301,017	394,592	124,033	6,059	1,886,089
\$ 316,826	\$ 404,642	\$ 121,145	\$ 10,946	\$ 1,949,073



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)

	2014	2013	2012	2011
General Fund				
Nonspendable:				
Inventories	\$ 6,505	\$ 7,299	\$ 5,515	\$ 6,099
Assigned		34,700	35,563	57,456
Unassigned	(137,295)	159,198	54,035	249,482
Total General Fund	<u>(130,790)</u>	<u>201,197</u>	<u>95,113</u>	<u>313,037</u>
All Other Governmental Funds				
Nonspendable:				
Inventories	54,006	81,264	86,240	49,078
Cash with Fiscal Agents	13,503	17,918	29,045	67,469
Restricted	2,068,293	2,373,349	2,452,952	2,165,308
Committed	188,706	175,676	183,414	148,636
Assigned	13,054	7,019	13,157	27,034
Unassigned	(2,582)	(596,756)	(420,183)	(120,235)
Total All Other Governmental Funds	<u>2,334,980</u>	<u>2,058,470</u>	<u>2,344,625</u>	<u>2,337,290</u>
Total Fund Balances - Governmental Funds	<u>\$ 2,204,190</u>	<u>\$ 2,259,667</u>	<u>\$ 2,439,738</u>	<u>\$ 2,650,327</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.

<u>2010</u>	
\$	5,079
	71,975
	9,150
	<u>86,204</u>
	54,290
	80,576
	1,833,356
	161,548
	15,641
	(65,628)
	<u>2,079,783</u>
\$	<u>2,165,987</u>

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

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

	2014	2013	2012	2011
Revenues				
Taxes	\$ 10,954,839	\$ 10,813,909	\$ 10,403,782	\$ 10,113,502
Licenses, fees, and permits	350,454	337,431	339,642	330,263
Intergovernmental	9,008,083	7,143,403	7,098,675	8,016,458
Charges for services	1,276,821	1,175,388	1,117,177	911,202
Fines and forfeits	69,531	80,227	80,132	82,856
Interest and other investment income	27,671	13,403	30,822	29,092
Increase (decrease) in fair value of investments	(9,410)	(7,661)	(18,705)	795
Securities lending income	1,810	4,198	3,121	1,966
Other revenues	627,647	678,358	562,394	822,936
Total Revenues	22,307,446	20,238,656	19,617,040	20,309,070
Expenditures				
Current:				
General government	2,065,163	2,282,198	2,390,204	2,302,228
Legislative and judicial	419,461	406,800	409,685	392,791
Commerce	97,811	92,312	112,139	86,506
Education and humanities	5,317,501	5,384,681	5,322,439	6,125,603
Human resources	10,399,966	7,963,372	7,984,895	8,088,667
Justice	804,747	825,194	802,108	789,602
Natural resources and environmental protection	185,547	201,048	213,283	200,899
Public protection and regulation	92,600	158,617	157,846	163,438
Transportation	2,566,382	2,263,175	2,109,125	1,959,030
Debt Service:				
Principal retirement	547,610	534,078	306,504	308,484
Interest and fiscal charges	358,143	354,688	367,966	351,539
Other expenditures	9,858	12,763	55,983	8,002
Securities lending expense	1,058	2,362	1,593	1,163
Capital outlay:				
Buildings	203,514	330,795	253,894	466,335
Total Expenditures	23,069,361	20,812,083	20,487,664	21,244,287
Excess (Deficiency) of Revenues over (under) Expenditures	(761,915)	(573,427)	(870,624)	(935,217)
Other Financing Sources (Uses)				
Transfers in	2,021,428	1,810,448	1,539,696	1,852,945
Transfers from component units				
Transfers out	(2,013,769)	(1,833,096)	(1,530,423)	(1,675,200)
Transfers to component units				
Capitalized leases	27	10,007	9,546	6,864
Insurance proceeds				
Issuance of bonds:				
New issues	256,887	221,310	419,700	472,123
Refunding issues	141,631	127,644	527,118	240,590
Premiums	80,767	27,295	74,049	34,035
Discounts	(689)	(408)	(927)	(2,022)
Issuance of notes:				
New issues	383,700	163,290	82,717	737,370
Refunding issues	39,765			
Other financing sources				
Payments to refunded bond escrow agent	(189,883)	(127,035)	(455,473)	(233,642)
Total Other Financing Sources (Uses)	719,864	399,455	666,003	1,433,063
Net Change in Fund Balances	\$ (42,051)	\$ (173,972)	\$ (204,621)	\$ 497,846
Debt service as a percentage of noncapital expenditures	3.92%	4.29%	3.31%	3.11%

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

2010	2009	2008	2007	2006	2005
\$ 9,366,175	\$ 9,560,283	\$ 9,871,590	\$ 9,668,573	\$ 9,465,785	\$ 8,745,358
330,387	323,012	309,413	303,849	294,575	287,045
8,381,546	7,055,624	6,169,116	5,810,270	5,662,112	5,351,830
803,961	774,553	758,805	752,532	781,105	728,998
86,980	90,812	97,898	80,741	90,118	86,771
45,214	67,076	149,833	163,833	111,894	84,006
(150)	(4)	6,529	11,241	(5,799)	9,408
1,711	11,060	31,576	36,673	39,918	16,831
492,508	461,824	474,555	517,266	597,088	611,966
19,508,332	18,344,240	17,869,315	17,344,978	17,036,796	15,922,213
2,592,283	2,472,452	2,702,730	2,591,176	2,444,023	2,131,008
378,475	359,666	338,839	303,799	302,303	277,792
92,437	94,989	100,535	96,572	81,037	66,609
5,104,048	4,860,442	4,800,460	4,554,565	4,395,948	4,091,135
8,124,836	7,919,632	7,301,114	6,764,174	6,602,797	6,188,350
782,443	737,997	767,270	727,178	710,142	633,662
193,111	188,039	192,957	195,980	171,407	161,899
115,857	120,406	97,482	98,517	67,329	73,868
2,014,490	1,977,924	2,090,584	1,825,318	1,661,585	1,520,371
386,212	299,940	341,733	285,809	246,404	247,290
306,139	252,466	210,331	200,297	174,972	190,225
27,335	25,036	21,025	15,960	26,649	26,574
933	6,080	26,774	35,318	38,144	15,619
609,309	442,315	582,550	583,302	446,855	279,953
20,727,908	19,757,384	19,574,384	18,277,965	17,369,595	15,904,355
(1,219,576)	(1,413,144)	(1,705,069)	(932,987)	(332,799)	17,858
1,955,274	2,157,662	2,357,766	2,216,889	2,124,893	1,791,143
(1,776,171)	(1,880,360)	(2,258,283)	(2,041,824)	(1,969,206)	(1,645,143)
10,182	4,456	3,280	7,364	6,079	18,905
9,876					
873,326	655,350	372,135	159,140	445,350	213,750
347,835	508,520	100,000	105,085		257,685
37,442	35,905	46,322	16,610	21,416	53,484
(2,619)	(4,193)				
89,710		750,085	520,354	(58)	232,760
(186,602)	(508,320)	(100,000)	(330,193)		(258,550)
1,358,253	969,020	1,271,305	653,425	628,474	664,034
\$ 138,677	\$ (444,124)	\$ (433,764)	\$ (279,562)	\$ 295,675	\$ 681,892
3.34%	2.89%	2.94%	2.57%	2.49%	2.82%

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

	2014	2013	2012	2011
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 20,986,040	\$ 20,195,976	\$ 19,616,044	\$ 19,153,511
Restricted	1,099,649	1,167,435	1,480,299	1,286,431
Unrestricted	(11,812,580)	(10,315,863)	(9,731,379)	(8,071,118)
Total Governmental Activities Net Position	10,273,109	11,047,548	11,364,964	12,368,824
Business-type Activities:				
Invested in Capital Assets, net of related debt	315,131	328,382	334,611	350,505
Restricted	63,847	913	729	326
Unrestricted	(594,125)	(876,277)	(1,014,186)	(1,199,294)
Total Business-Type Activities Net Position	(215,147)	(546,982)	(678,846)	(848,463)
Primary Government:				
Invested in capital assets, net of related debt	21,301,171	20,524,358	19,950,655	19,504,016
Restricted	1,163,496	1,168,348	1,481,028	1,286,757
Unrestricted	(12,406,705)	(11,192,140)	(10,745,565)	(9,270,412)
Total Primary Government Net Position	\$ 10,057,962	\$ 10,500,566	\$ 10,686,118	\$ 11,520,361

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

2010	2009	2008	2007	2006	2005
\$ 18,418,874	\$ 19,547,435	\$ 19,911,942	\$ 17,947,656	\$ 17,633,886	\$ 17,188,142
1,206,293	1,094,433	1,139,727	1,237,151	1,376,301	1,081,388
(6,803,987)	(5,861,735)	(4,816,142)	(1,807,615)	(1,191,204)	(819,692)
12,821,180	14,780,133	16,235,527	17,377,192	17,818,983	17,449,838
341,172	330,078	290,365	267,144	254,623	249,728
9,646	5,615	310,216	359,605	392,318	375,488
(1,151,091)	(859,772)	(553,995)	(634,297)	(612,782)	(633,046)
(800,273)	(524,079)	46,586	(7,548)	34,159	(7,830)
18,760,046	19,877,513	20,202,307	18,214,800	17,888,509	17,437,870
1,215,939	1,100,048	1,449,943	1,596,756	1,768,619	1,456,876
(7,955,078)	(6,721,507)	(5,370,137)	(2,441,912)	(1,803,986)	(1,452,738)
\$ 12,020,907	\$ 14,256,054	\$ 16,282,113	\$ 17,369,644	\$ 17,853,142	\$ 17,442,008

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

	2014	2013	2012	2011
Function/Program Revenues				
Primary Government:				
Governmental Activities:				
Charges for Services:				
General government	\$ 699,518	\$ 681,819	\$ 668,709	\$ 438,993
Legislative and judicial	25,584	25,676	21,750	21,177
Commerce	44,538	41,337	53,375	36,774
Education and humanities	43,192	67,290	66,246	78,996
Human Resources	230,057		16,593	484,958
Justice	23,434	27,369	21,500	22,121
Natural resources and environmental protection	45,334	308,890	12,451	43,338
Public protection and regulation	83,516	93,172	92,806	83,816
Transportation	269,701	238,296	249,231	218,846
Operating Grants and Contributions	8,211,316	6,294,292	6,381,991	7,071,327
Capital Grants and Contributions	801,353	806,675	836,370	697,927
Total Governmental Activities	<u>10,477,543</u>	<u>8,584,816</u>	<u>8,421,022</u>	<u>9,198,273</u>
Business-Type Activities:				
Charges for Services:				
State Parks	49,016	48,774	50,064	49,437
Kentucky Lottery Corporation				772,349
Kentucky Horse Park	10,679	9,981	9,161	7,798
Insurance Administration	113,248	112,177	122,962	110,829
Kentucky Public Employees' Health Plan	1,692,801	1,680,011	1,681,642	1,752,908
Unemployment Compensation	561,692	532,298	521,893	471,876
Operating Grants and Contributions	174,235	408,125	705,465	953,112
Capital Grants and Contributions	378	155	1,032	2,326
Total Business-Type Activities	<u>2,602,049</u>	<u>2,791,521</u>	<u>3,092,219</u>	<u>4,120,635</u>
Total Primary Government	<u>\$ 13,079,592</u>	<u>\$ 11,376,337</u>	<u>\$ 11,513,241</u>	<u>\$ 13,318,908</u>
Expenses				
Primary Government:				
Governmental Activities:				
General government	\$ 2,840,370	\$ 3,333,535	\$ 3,002,882	\$ 3,212,093
Legislative and judicial	420,929	406,949	411,579	400,786
Commerce	112,067	112,296	132,078	113,156
Education and humanities	5,539,119	5,214,551	5,818,383	6,036,864
Human Resources	10,000,356	7,618,717	7,623,348	7,652,130
Justice	933,126	936,118	923,628	887,611
Natural resources and environmental protection	192,059	229,245	221,822	198,067
Public protection and regulation	92,798	160,071	156,755	164,052
Transportation	2,127,851	1,720,513	1,496,753	1,340,012
Interest expense	355,842	369,773	403,534	377,725
Total Governmental Activities	<u>22,614,517</u>	<u>20,101,768</u>	<u>20,190,762</u>	<u>20,382,496</u>
Business-Type Activities:				
State Parks	96,587	92,724	93,925	92,777
Kentucky Lottery Corporation				566,117
Kentucky Horse Park	19,511	15,856	13,970	14,804
Insurance Administration	86,063	93,876	38,081	232,100
Kentucky Public Employees' Health Plan	1,642,048	1,677,143	1,687,322	1,624,444
Unemployment Compensation	1,092,231	1,287,408	1,193,572	1,521,994
Total Business-Type Activities	<u>2,936,440</u>	<u>3,167,007</u>	<u>3,026,870</u>	<u>4,052,236</u>
Total Primary Government	<u>\$ 25,550,957</u>	<u>\$ 23,268,775</u>	<u>\$ 23,217,632</u>	<u>\$ 24,434,732</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (12,136,974)	\$ (11,516,952)	\$ (11,769,740)	\$ (11,184,223)
Business-Type Activities	(334,391)	(375,486)	65,349	68,399
Total Primary Government Net Expense	<u>\$ (12,471,365)</u>	<u>\$ (11,892,438)</u>	<u>\$ (11,704,391)</u>	<u>\$ (11,115,824)</u>

	2010	2009	2008	2007	2006	2005
\$	384,050	\$ 366,634	\$ 494,587	\$ 375,662	\$ 374,655	\$ 355,890
	20,226	28,561	15,225	14,558	13,667	11,314
	40,657	47,770	41,821	42,267	34,390	35,002
	55,926	50,988	68,609	85,538	102,783	106,059
	103,025	121,752	200,913	197,556	106,238	181,921
	21,641	20,611	24,096	22,189	33,185	22,790
	41,123	35,959	42,511	39,412	33,205	31,094
	73,066	71,078	66,495	64,260	63,341	53,629
	230,918	238,110	16,849	215,869	202,569	227,700
	7,621,275	6,575,144	5,554,089	5,261,989	5,139,428	4,915,115
	773,661	550,416	750,184	658,132	597,282	520,194
	<u>9,365,568</u>	<u>8,107,023</u>	<u>7,275,379</u>	<u>6,977,432</u>	<u>6,700,743</u>	<u>6,460,708</u>
	50,802	52,439	57,605	56,208	52,751	50,655
	772,497	810,544	778,211	744,222	742,312	707,260
	6,880	6,423	6,763	6,632	6,010	5,791
	121,445	93,438	129,870	130,994	178,305	133,380
	1,548,458	1,392,971	1,270,899	1,158,078	595,435	
	1,556,290	412,430	381,410	357,396	377,265	371,099
	3,849	363,028	53,838	46,798	45,573	49,509
		4,633	1,735	476	112	33
	<u>4,060,221</u>	<u>3,135,906</u>	<u>2,680,331</u>	<u>2,500,804</u>	<u>1,997,763</u>	<u>1,317,727</u>
\$	<u>13,425,789</u>	<u>\$ 11,242,929</u>	<u>\$ 9,955,710</u>	<u>\$ 9,478,236</u>	<u>\$ 8,698,506</u>	<u>\$ 7,778,435</u>
\$	4,377,373	\$ 3,837,639	\$ 4,370,883	\$ 3,708,700	\$ 2,714,165	\$ 2,234,111
	376,743	360,872	335,635	313,010	305,466	282,389
	124,263	112,825	107,774	96,486	103,996	81,639
	5,148,482	4,887,919	4,852,742	4,608,914	4,421,812	4,092,896
	7,725,161	7,611,725	6,904,568	6,468,225	6,259,383	5,897,619
	876,065	822,301	845,153	803,120	794,698	702,796
	192,518	197,086	197,265	191,052	207,369	164,498
	113,558	121,952	97,360	116,770	68,108	68,956
	1,175,210	1,331,764	1,170,102	1,123,493	1,263,891	1,191,512
	332,639	265,984	254,488	266,388	250,622	201,564
	<u>20,442,012</u>	<u>19,550,067</u>	<u>19,135,970</u>	<u>17,696,158</u>	<u>16,389,510</u>	<u>14,917,980</u>
	101,861	98,795	104,672	111,973	90,283	92,193
	568,183	619,902	599,490	563,549	558,435	552,410
	13,521	11,411	12,799	10,624	9,690	9,387
	107,286	(18,953)	117,817	176,338	70,683	101,312
	1,497,656	1,434,951	1,288,981	1,152,794	507,282	
	1,958,414	1,317,067	493,397	450,629	396,052	429,007
	<u>4,246,921</u>	<u>3,463,173</u>	<u>2,617,156</u>	<u>2,465,907</u>	<u>1,632,425</u>	<u>1,184,309</u>
\$	<u>24,688,933</u>	<u>\$ 23,013,240</u>	<u>\$ 21,753,126</u>	<u>\$ 20,162,065</u>	<u>\$ 18,021,935</u>	<u>\$ 16,102,289</u>
\$	(11,076,444)	\$ (11,443,044)	\$ (11,860,591)	\$ (10,718,726)	\$ (9,688,767)	\$ (8,457,272)
	(186,700)	(327,267)	63,175	34,897	365,338	133,418
\$	<u>(11,263,144)</u>	<u>\$ (11,770,311)</u>	<u>\$ (11,797,416)</u>	<u>\$ (10,683,829)</u>	<u>\$ (9,323,429)</u>	<u>\$ (8,323,854)</u>

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

	2014	2013	2012	2011
General Revenues and				
Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Sales and gross receipt	\$ 5,575,312	\$ 5,292,465	\$ 5,505,336	\$ 5,152,345
Individual income	3,752,868	3,748,008	3,474,027	3,451,268
Corporate income	456,601	423,093	370,485	317,578
Property	553,339	556,986	534,189	509,961
License and privilege	21,170	21,091	26,792	29,690
Severance	251,231	461,866	170,980	366,633
Inheritance and estate	51,513	20,503	68,119	45,144
Miscellaneous taxes	184,605	203,467	148,305	168,847
Unrestricted grants and contributions	12,663	16,332	14,640	14,071
Unrestricted investment earnings	(37)	2,179	(21,439)	7,146
Gain on sale of capital assets	10,969	8,885	10,363	9,727
Miscellaneous general	496,504	544,186	493,133	444,309
Transfers	(4,214)	(22,093)	(12,293)	206,078
Total General Revenues and Transfers	<u>11362524</u>	<u>11,276,968</u>	<u>10,782,637</u>	<u>10,722,797</u>
Change in Net Position	<u>(774,450)</u>	<u>(239,984)</u>	<u>(987,103)</u>	<u>(461,426)</u>
Net Position at July 1, as Restated	<u>11,047,559</u>	<u>11,287,532</u>	<u>12,352,067</u>	<u>12,830,250</u>
Net Position at June 30	<u>\$ 10,273,109</u>	<u>\$ 11,047,548</u>	<u>\$ 11,364,964</u>	<u>\$ 12,368,824</u>
 Business-Type Activities:				
Unrestricted grants and contributions	\$	\$	\$	\$ 208
Unrestricted investment earnings	13,546	(16,154)		56,203
Gain on sale of capital assets	32		55,123	597
Miscellaneous general	648,434	501,411		21,902
Transfers	4,214	22,093		(206,078)
Total General Revenues and Transfers	<u>666,226</u>	<u>507,350</u>	<u>55,123</u>	<u>(127,168)</u>
Change in Net Position	<u>331,835</u>	<u>131,864</u>	<u>192,756</u>	<u>(58,769)</u>
Net Position at July 1, as Restated	<u>(546,982)</u>	<u>(678,846)</u>	<u>(871,602)</u>	<u>(789,694)</u>
Net Position at June 30	<u>\$ (215,147)</u>	<u>\$ (546,982)</u>	<u>\$ (678,846)</u>	<u>\$ (848,463)</u>
 Change in Net Position				
Governmental Activities	\$ (774,450)	\$ (239,984)	\$ (987,103)	\$ (461,426)
Business-Type Activities	<u>331,835</u>	<u>131,864</u>	<u>192,756</u>	<u>(58,769)</u>
Total Primary Government Changes in Net Position	<u>\$ (442,615)</u>	<u>\$ (108,120)</u>	<u>\$ (794,347)</u>	<u>\$ (520,195)</u>

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

2010	2009	2008	2007	2006	2005
\$ 4,880,831	\$ 4,777,321	\$ 4,828,223	\$ 4,623,126	\$ 4,433,893	\$ 4,031,452
3,125,824	3,359,471	3,512,908	2,975,875	2,863,269	3,060,274
235,654	278,103	397,842	961,204	1,013,768	476,524
504,189	534,441	497,326	503,853	492,532	479,815
29,198	37,442	33,049	42,738	73,679	142,962
325,077	362,965	310,294	279,924	290,203	237,512
38,058	43,237	51,423	49,574	40,498	66,766
152,016	146,977	163,842	164,715	161,663	180,045
9,365	10,263	11,923	731	723	1,836
9,531	(9,977)	31,335	57,070	58,428	31,858
22,682	12,730	10,123	3,288	4,637	
388,144	319,408	596,079	421,772	499,657	456,736
172,007	264,032	126,716	169,150	187,101	141,338
9,892,576	10,136,413	10,571,083	10,253,020	10,120,051	9,307,118
(1,183,868)	(1,306,631)	(1,289,508)	(465,706)	431,284	849,846
14,005,048	16,086,764	17,525,035	17,842,898	17,387,699	16,599,992
\$ 12,821,180	\$ 14,780,133	\$ 16,235,527	\$ 17,377,192	\$ 17,818,983	\$ 17,449,838
\$ 47,657	\$ (28,261)	\$ 16,531	\$ 83,846	\$ 26,793	\$ 36,782
1,844	38	59	72	30	61
35,792	48,894	18,746	8,628	25,900	47,820
(172,007)	(264,032)	(126,716)	(169,150)	(187,101)	(141,338)
(86,714)	(243,361)	(91,380)	(76,604)	(134,378)	(56,675)
(273,414)	(570,628)	(28,205)	(41,707)	230,960	76,743
(526,859)	46,549	74,791	34,159	(196,801)	(84,573)
\$ (800,273)	\$ (524,079)	\$ 46,586	\$ (7,548)	\$ 34,159	\$ (7,830)
\$ (1,183,868)	\$ (1,306,631)	\$ (1,289,508)	\$ (465,706)	\$ 431,284	\$ 849,846
(273,414)	(570,628)	(28,205)	(41,707)	230,960	76,743
\$ (1,457,282)	\$ (1,877,259)	\$ (1,317,713)	\$ (507,413)	\$ 662,244	\$ 926,589

COMMONWEALTH OF KENTUCKY
PERSONAL INCOME TAX INFORMATION
CALENDAR YEARS 2003 and 2012

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

Ky Federal AGI (from Ky form 740) Income Level	Calendar Year 2012			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Resident Taxpayer				
less than \$25,001	742,576	42.76%	\$ 229,066,212	6.67%
\$25,001-\$50,000	415,439	23.93%	530,244,584	15.46%
\$50,001-\$100,000	388,287	22.36%	1,005,120,867	29.31%
\$100,001-\$200,000	152,071	8.76%	802,918,816	23.41%
\$200,001-\$500,000	30,668	1.77%	413,236,173	12.05%
Greater than \$500,000	7,377	0.42%	449,150,606	13.10%
Total Resident	1,736,418	100.00%	3,429,737,258	100.00%
Non-Resident Taxpayer				
less than \$25,001	48,440	35.33%	5,423,321	2.83%
\$25,001-\$50,000	23,414	17.08%	12,499,362	6.51%
\$50,001-\$100,000	26,032	18.99%	24,221,247	12.62%
\$100,001-\$200,000	17,595	12.83%	28,032,294	14.61%
\$200,001-\$500,000	10,433	7.61%	25,755,738	13.42%
Greater than \$500,000	11,189	8.16%	95,929,236	50.00%
Total Non-Resident	137,103	100.00%	191,861,198	100.00%
Totals	1,873,521		\$ 3,621,598,456	

Personal Income Tax Rates

Tax Years 2003 - 2012

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

	2012		2003
Personal Income Tax Revenue	\$ 3,621,598,456	(A)	\$ 2,710,717,678
Personal Income	108,036,000,000	(B)	80,127,750,000
Average Effective Rate	3.4%		3.4%

Source of Tax Information:

(A) Kentucky Department of Revenue

(B) See Schedule of Personal Income

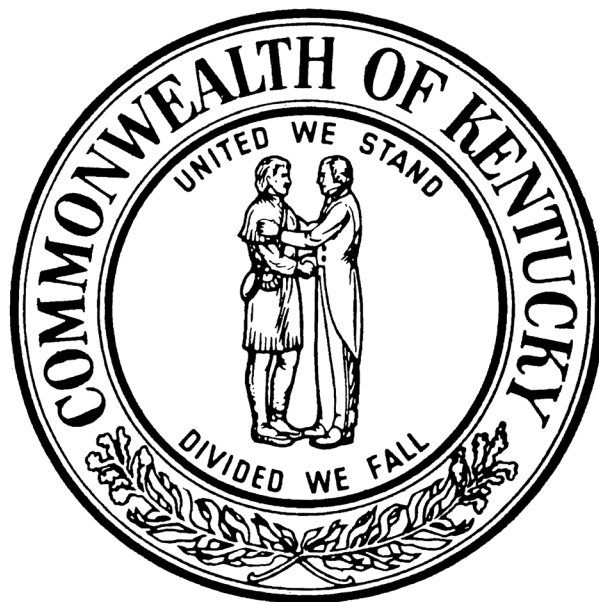
(C) This information is presented on a cash basis.

Calendar Year 2003

Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
791,882	48.65%	\$ 245,502,934	9.41%
410,848	25.24%	547,551,668	20.99%
327,749	20.13%	901,165,702	34.54%
77,020	4.73%	443,621,654	17.00%
16,524	1.02%	244,203,905	9.36%
3,778	0.23%	226,950,899	8.70%
1,627,801	100.00%	2,608,996,762	100.00%

Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
48,404	42.72%	5,580,740	5.49%
21,299	18.80%	11,492,158	11.30%
19,909	17.57%	19,300,266	18.97%
10,539	9.30%	17,176,137	16.89%
6,467	5.71%	14,277,243	14.04%
6,691	5.91%	33,894,372	33.32%
113,309	100.00%	101,720,916	100.00%
1,741,110		\$ 2,710,717,678	

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 2004-2013
(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	
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%
2013	233,534,113	248,440,546	173,138,368	173,138,368	406,672,481	421,578,914	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 2004-2013
(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 **
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
2013	566,500	541,152	95.5%	21,277	562,429	99.3%	64.98

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)

	2014	2013	2012	2011
Governmental Activities Debt				
Revenue Bonds (2)	\$ 6,291,646	\$ 6,427,591	\$ 6,555,730	\$ 6,241,628
Notes (2)	1,868,377	1,648,642	1,669,372	1,715,915
Capital Leases (2)	55,444	211,963	46,069	30,877
Total Government Activities Debt	<u>8,215,467</u>	<u>8,288,196</u>	<u>8,271,171</u>	<u>7,988,420</u>
Business-Type Activities Debt				
Notes (2)			1,172	
Capital Leases (2)	13,065	1,153,410	14,119	3,542
Total Business-Type Activities Debt	<u>13,065</u>	<u>1,153,410</u>	<u>15,291</u>	<u>3,542</u>
Total Primary Government Debt	<u>\$ 8,228,532</u>	<u>\$ 9,441,606</u>	<u>\$ 8,286,462</u>	<u>\$ 7,991,962</u>
Total Debt Ratios				
Ratio of Total Debt to Personal Income	<u>7.35%</u>	<u>8.74%</u>	<u>7.97%</u>	<u>7.81%</u>
Total Debt Per Capita (1)	<u>\$ 1,872.12</u>	<u>\$ 2,160.87</u>	<u>\$ 1,896.50</u>	<u>\$ 1,838.81</u>
Net Bonded Debt				
Gross Bonded Debt	\$ 6,291,646	\$ 6,427,591	\$ 6,555,730	\$ 6,241,628
Less: Debt Service Funds	125,732	124,951	120,304	137,921
Net Bonded Debt	<u>\$ 6,165,914</u>	<u>\$ 6,302,640</u>	<u>\$ 6,435,426</u>	<u>\$ 6,103,707</u>
Net Bonded Debt Ratios				
Ratio of Net Bonded Debt to				
Governmental Funds Revenues	<u>27.64%</u>	<u>31.14%</u>	<u>32.81%</u>	<u>31.11%</u>
Net Bonded Debt Per Capita (1)	<u>\$ 1,407.61</u>	<u>\$ 1,438.82</u>	<u>\$ 1,472.85</u>	<u>\$ 1,404.36</u>

(1) Per Capita calculations are based on the population figures for the prior year. (See Demographics Schedule on page 216)

(2) See Note 15 for Debt Amounts

2010	2009	2008	2007	2006	2005
\$ 5,959,846	\$ 4,429,520	\$ 3,617,080	\$ 3,442,634	\$ 3,546,468	\$ 3,236,766
1,089,740	1,059,520	1,516,350	910,310	554,790	373,990
32,341	26,638	30,968	39,079	28,450	32,518
7,081,927	5,515,678	5,164,398	4,392,023	4,129,708	3,643,274
127	211	212	197	307	275
127	211	212	197	307	275
\$ 7,082,054	\$ 5,515,889	\$ 5,164,610	\$ 4,392,220	\$ 4,130,015	\$ 3,643,549
7.09%	5.45%	5.21%	4.64%	4.54%	4.26%
\$ 1,641.60	\$ 1,292.01	\$ 1,217.65	\$ 1,044.26	\$ 989.60	\$ 878.83
\$ 5,959,846	\$ 4,429,520	\$ 3,617,080	\$ 3,442,634	\$ 3,546,468	\$ 3,236,766
197,802	353,391	405,028	415,386	403,002	314,554
\$ 5,762,044	\$ 4,076,129	\$ 3,212,052	\$ 3,027,248	\$ 3,143,466	\$ 2,922,212
29.54%	22.22%	17.97%	17.77%	18.45%	18.35%
\$ 1,335.63	\$ 954.77	\$ 757.30	\$ 719.73	\$ 753.21	\$ 704.84

**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
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
2014	4,235,184 **	1,777,303	2.38

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	2014			2005		
	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%	10,788	1	0.58%
Toyota Motor Corp.	12,051	2	0.64%	8,574	3	0.46%
Humana Inc.	11,459	3	0.61%	4,800	7	0.26%
Ford Motor Co.	8,491	4	0.45%	10,054	2	0.54%
General Electric Co.	7,001	5	0.37%	7,691	4	0.41%
Amazon.com	6,807	6	0.36%			
FMR LLC	3,900	7	0.21%			
Xerox Coporation	3,851	8	0.20%			
Berkshire Hathaway Inc.	3,154	9	0.17%			
Citigroup	2,994	10	0.16%	3,700	9	0.20%
Lexmark International Inc.				3,600	10	0.19%
Johnson Controls, Inc.				4,547	8	0.24%
Dana Corp.				4,919	5	0.26%
Delta Air Lines, Inc				4,900	6	0.26%
	<u>72,225</u>		<u>3.83%</u>	<u>63,573</u>		<u>3.40%</u>

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

**DEMOGRAPHIC STATISTICS
FOR CALENDAR YEARS 2004-2013**

For the Year Ended December 31	Estimated Population	Per Capita Income	Unemployment Rate
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%
2013	4,395,295	36,214	7.1%

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

COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR CALENDAR YEARS 2004-2013
(Expressed in Thousands, Except Percent Data)

Source	2004**		2005**		2006**		2007**		2008**	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 580,000	0.7%	\$ 1,520,500	1.7%	\$ 532,750	0.6%	\$ 1,040,750	1.0%	\$ 932,500	0.9%
Agriculture services, forestry, fisheries and others	359,250	0.4%	369,750	0.4%	422,500	0.4%	407,250	0.4%	421,500	0.4%
Mining	1,495,250	1.7%	1,879,750	2.1%	2,128,750	2.3%	2,227,000	2.2%	2,475,000	2.4%
Manufacturing	16,142,000	18.9%	16,364,000	18.0%	17,033,000	18.0%	17,069,000	17.2%	16,305,750	16.1%
Construction	4,819,750	5.6%	5,133,750	5.6%	5,225,750	5.5%	5,292,750	5.3%	5,356,750	5.3%
Wholesale and retail trade	10,475,250	12.3%	10,857,250	11.9%	11,430,750	12.1%	11,726,500	11.8%	11,870,500	11.8%
Finance, insurance and real estate	5,274,250	6.2%	5,487,250	6.0%	5,922,750	6.3%	6,345,250	6.4%	6,390,750	6.3%
Transportation and public utilities	5,386,750	6.3%	5,452,500	6.0%	5,653,750	6.0%	6,237,000	6.3%	6,008,000	5.9%
Services	24,756,000	29.0%	26,222,250	28.9%	27,810,500	29.3%	29,033,250	29.4%	30,718,250	30.4%
Government and government enterprises	16,196,000	18.9%	17,594,750	19.4%	18,420,500	19.5%	19,826,000	20.0%	20,809,250	20.5%
Earnings by Place of Work	\$ 85,484,500	100.0%	\$ 90,881,750	100.0%	\$ 94,581,000	100.0%	\$ 99,204,750	100.0%	\$ 101,288,250	100.0%

Source	2009**		2010**		2011**		2012**		2013**	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,364,000	1.4%	\$ 1,208,000	1.2%	\$ 811,000	0.8%	\$ 1,062,000	1.0%	1,954,000	1.7%
Agriculture services, forestry, fisheries and others	319,250	0.3%	316,000	0.3%	280,000	0.3%	330,000	0.3%	346,000	0.3%
Mining	2,121,000	2.1%	2,353,000	2.3%	2,256,000	1.3%	2,224,000	1.3%	1,853,000	1.7%
Manufacturing	13,446,500	13.5%	14,293,000	14.0%	12,563,000	12.2%	15,736,000	15.4%	15,937,000	14.2%
Construction	5,045,000	5.1%	4,726,000	4.6%	5,101,000	5.0%	5,568,000	5.4%	5,938,000	5.3%
Wholesale and retail trade	11,548,500	11.6%	11,456,000	11.2%	12,021,000	11.7%	12,306,000	12.0%	12,328,000	11.0%
Finance, insurance and real estate	5,979,500	6.0%	5,956,000	5.8%	6,507,000	6.3%	6,931,000	6.8%	7,269,000	6.5%
Transportation and public utilities	6,062,250	6.1%	6,130,000	6.0%	6,199,000	6.1%	6,529,000	6.4%	6,402,000	5.7%
Services	31,714,500	31.6%	32,939,000	32.1%	34,521,000	33.1%	34,471,000	33.1%	36,784,000	32.9%
Government and government enterprises	22,249,500	22.3%	23,014,000	22.5%	23,727,000	23.2%	22,879,000	22.3%	23,180,000	20.7%
Earnings by Place of Work	\$ 99,850,000	100.0%	\$ 102,391,000	100.0%	\$ 103,986,000	100.0%	\$ 108,036,000	100.0%	\$ 111,991,000	100.0%

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis (<http://www.bea.gov>)

NOTE: Percentages may not add to 100% due to rounding.

** 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
FY 2006-2014**

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Personnel									
Number of Full Time Employees- Executive Branch	31,819	31,961	32,270	32,365	32,309	31,334	33,851	33,204	34,947
Health Insurance Expenditures - Percentage Increase/(decrease)	2.0%	7.4%	(3.5%)	4.5%	18.7%	(1.3%)	6.1%	(1.8%)	29%
Education									
K-12 Enrollment	678,884	677,394	647,827	644,963	636,188	671,147	671,542	668,337	664,606
K-12 Attendance Rate	94.60%	94.52%	94.05%	94.05%	94.18%	94.17%	94.18%	94.60%	94.31%
K-12 Graduation Rate	87.40%	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	19.9	19.6	19.8	19.6	19.4	19.4**	20.9	20.7	20.6
GED Graduates	7,083	8,890	9,469	10,294	9,357	9,382	10,307	9,757	9,054
College Going Rate for 9th Graders	47%	39%	42%	42%	42%	44%	38%	38%	37%
Postsecondary Education Enrollment	220,963	225,415	235,833	232,318	223,893	211,179	212,994	206,419	202,197
Bachelor's and Higher Degrees Awarded	32,374	32,237	30,034	29,911	28,798	27,983	27,246	27,042	26,544
Justice and Public Safety									
Incarcerated Population-Daily Average	20,814	21,785	21,471	20,785	20,798	21,470	22,219	20,772	19,943
Probation and Parole Population - Daily Average	45,755	43,196	41,790	41,534	39,364	38,933	39,206	33,642	33,643
Health and Family Services									
Medicaid Enrollment-Average	997,556	829,826	825,648	815,460	788,236	748,296	722,559	710,000	699,595
Food Stamp Recipients-Monthly Average	843,164	869,035	843,939	814,176	761,654	680,087	623,997	595,366	598,486
Temporary Assistance for Needy Families (TANF)-Monthly Average	47,996	49,148	48,817	50,583	48,894	48,368	48,743	68,260	69,696
Children with substantiated incidences	15,193	17,884	15,699	15,721	15,092	14,475	15,196	15,500	15,526
Environmental and Public Protection									
Air Pollution Source Inspections	3,939	3,919	3,355	3,390	5,910	3,085	4,310	4,000	4,600
Waste Management Inspections	6,484	6,239	6,062	6,155	7,060	6,731	6,443	7,500	7,200
Acres of Land Reforested	3,573	8,309	10,396	4,827	4,520	5,580	5,105	2,000	1,600
Mine Permits Issued	515	606	719	691	608	688	848	954	1,025
Mine Reclamation and Enforcement Inspections	21,450	23,003	26,942	25,392	25,686	24,890	26,062	22,898	22,001
Mine Safety-Completed Inspections	3,023	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%	19%	15%	18%	14%	15%	15%	14%
Statewide Road Maintainance Rating (Target Score = 80)	82.5	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)	(2.09%)	(1.98%)	0.17%	0.20%	(0.1%)	0.0%	(0.5%)	0.1%	(0.3%)
State-Maintained Lane Miles- Annual Percent Change	0.33%	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)	43.6%	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 NINE FISCAL YEARS**

	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>General Government</u>									
Number of Buildings	312	313	310	292	326	309	558	566	297
Number of Vehicles	303	305	377	394	365	356	411	487	258
Land (Acres)	15,263	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	17
Number of Recreation Parks	21	21	21	23	23	24	24	24	24
Number of Historic Sites	11	11	9	10	10	11	11	11	10
Area of State Parks (Acres)	45,180	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	65	66	73	72	70	69	70
Number of Vehicles	68	83	89	105	101	113	123	134	209
Land (Acres)	387	387	387	388	388	388.4	372	388.4	388
<u>Human Resources</u>									
Number of Buildings	182	182	182	182	200	196	196	193	190
Number of Vehicles	18	24	23	45	46	40	150	165	215
Land (Acres)	1,206	1,206	1,206	1,206	1,206	1,206	1,007	1,206	1,206
<u>Justice</u>									
Number of Buildings	449	452	459	465	508	479	482	449	440
Number of Vehicles	1,715	1,753	2,043	2,102	1,863	1,861	1,696	1,668	3,911
Land (Acres)	8,735	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	20	21	26	26	26	27	25
Number of Vehicles	797	793	847	827	916	815	847	1,319	2,622
Land (Acres)	65,609	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	140	149	132	118	121	90	76	86	44
<u>Transportation</u>									
Number of Lane Miles -State									
Maintained Highways	63,407	63,196	63,175	63,135	62,913	62,823	62,419	62,071	62,193
Number of State maintained Bridge:	9,000	8,976	8,972	8,957	8,933	8,870	8,842	8,974	8,974
Land (Acres)	1,700	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**

	2014	2013	2012	2011
<u>FULL-TIME EMPLOYEES</u>				
FUNCTION				
General government	4,775	5,089	4,669	4,738
Legislative and judicial	3,540	4,159	3,503	3,502
Commerce	1,699	1,520	1,914	1,972
Education and humanities	2,671	2,671	2,701	2,696
Human resources	7,523	7,470	7,481	7,517
Justice	7,896	8,054	8,070	8,016
Natural resources and environmental protection	1,445	1,608	1,614	1,648
Public protection and regulation	1,120	1,034	1,097	1,113
Transportation	4,650	4,690	4,682	4,670
Total full-time employees	35,319	36,295	35,731	35,872
<u>PART-TIME and TEMPORARY EMPLOYEES</u>				
FUNCTION				
General government	662	649	663	657
Legislative and judicial	445	426	484	476
Commerce	494	488	498	384
Education and humanities	212	211	227	198
Human resources	137	126	119	108
Justice	19	21	24	26
Natural resources and environmental protection	13	18	26	31
Public protection and regulation	14	18	20	30
Transportation	68	88	40	138
Total part-time and temporary employees	2,064	2,045	2,101	2,048
Total Employees	37,383	38,340	37,832	37,920

2010	2009	2008	2007	2006	2005
4,841	4,706	4,855	4,984	5,004	5,150
3,597	3,759	3,730	3,626	3,445	3,332
2,023	2,038	2,141	2,155	2,212	2,206
2,712	2,760	2,967	2,984	2,906	2,923
7,482	7,182	7,387	7,751	8,411	8,861
7,938	7,955	8,090	7,967	7,932	7,693
1,675	1,649	1,601	1,673	1,659	1,681
1,127	1,102	1,208	1,194	1,199	1,164
4,713	4,467	4,549	4,711	4,715	5,082
36,108	35,618	36,528	37,045	37,483	38,092
662	659	649	757	781	787
483	539	574	554	583	751
1,376	1,496	1,506	1,548	1,516	1,522
306	219	228	281	306	265
124	91	71	165	114	97
39	27	58	33	50	49
56	31	27	67	54	51
31	14	15	54	34	35
133	129	156	202	165	126
3,210	3,205	3,284	3,661	3,603	3,683
39,318	38,823	39,812	40,706	41,086	41,775

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