

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2015



Kentucky 
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Commonwealth of Kentucky Comprehensive Annual Financial
Report for the Fiscal Year Ended June 30, 2015

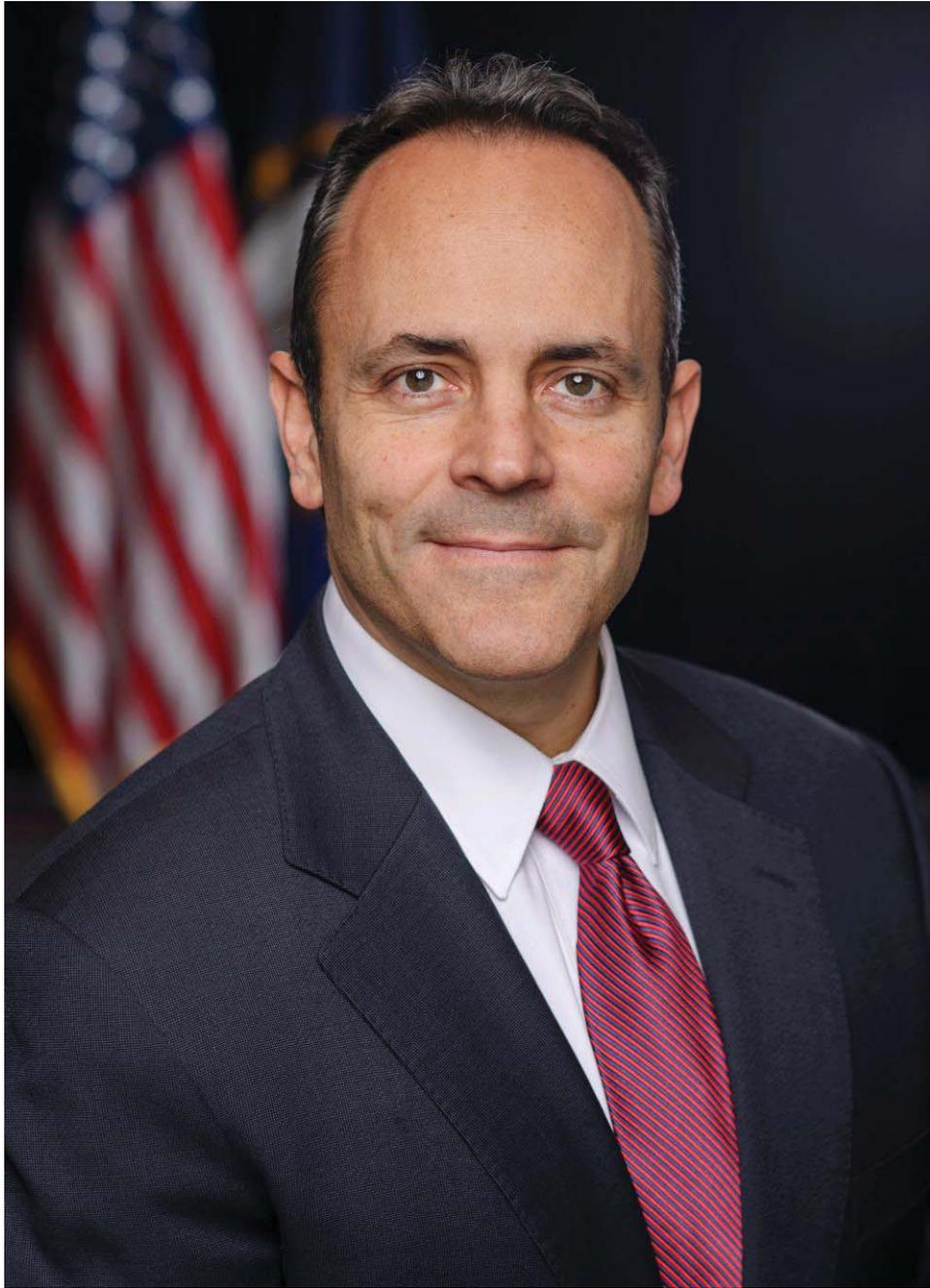
Matthew G. Bevin, Governor



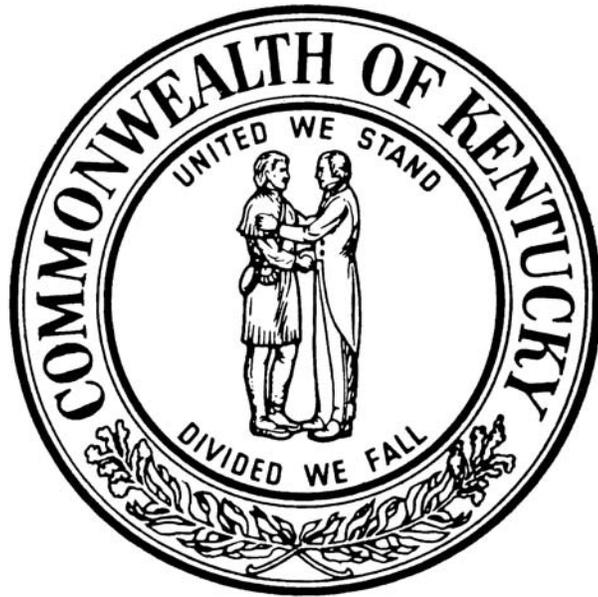
Prepared by:
Finance and Administration Cabinet
William M. Landrum III, Secretary

Office of the Controller
Edgar C. Ross, Controller

Statewide Accounting Services
Donald Sweasy, Executive Director



Matthew G. Bevin
Governor



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INTRODUCTORY SECTION



Commonwealth of Kentucky
Finance and Administration Cabinet
OFFICE OF THE SECRETARY

Matthew G. Bevin
Governor

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William M. Landrum III
Secretary

December 11, 2015

The Honorable Matthew G. Bevin, 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, 2015. 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, 2015, 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 the conclusion of the second quarter of fiscal year 2016 approaches, the economy appears to be moving along at a moderate and steady pace. As of October, unemployment has fallen to 5.0 percent nationwide, half of what it was at its recession peak of 10.0 percent exactly six years prior. Despite the low unemployment, inflationary pressures are all but non-existent as oil prices have fallen under \$45 a barrel. Real GDP growth was a tepid 2.1 percent in the first quarter of FY16, affected by greater imports and slowing manufacturing attributed in large part to the relatively strong US Dollar. The real GDP estimates for the final quarters of FY15 were revised upward, with the third quarter of that fiscal year revised upward from contraction to expansion.

Real average hourly earnings increased 2.4 percent in October 2015 from the previous year, which is decent growth but not outstanding. Real personal consumption expenditures grew at a 1.2 percent annualized rate in the same month. Consumers are taking advantage of low gasoline prices, helping increase overall consumer spending and travel. Hotels are reporting all-time records in occupancy rates and revenue, and automobile sales are at an annualized rate of 18.2 million, a 12-year high.

As a result of the low unemployment and consistent economic growth, the Federal Reserve appears ready to raise its federal funds rate target for the first time since the financial crisis. The bond market is anticipating this change of policy at the Federal Open Market Committee's (FOMC) December meeting, and the dollar has appreciated against most other currencies as well. Despite the FOMC's apparent confidence, it remains far from clear that this is the correct policy decision. The price index for personal consumption expenditures excluding food and energy grew by less than 0.1 percent from September to October, indicating a rate of inflation well below the FOMC's supposed 2 percent target. The labor force participation rate fell in October to a rate not seen since the late 1970s. This is in large part due to the demographics of an aging workforce but also may indicate other underlying economic problems as people give up looking for work or hold out for higher wages. Faster wage growth and better job prospects could help increase participation rates. As such, there appears to be slack remaining in the US economy that makes a shift to more contractionary monetary policy far from being obviously necessary.

Overall, the outlook for the remainder of the fiscal year is positive. Real GDP is forecast to grow over the final two quarters, and growth for FY16 is projected at 2.4 percent over FY15, which is lower than the 2.7 percent growth seen in the prior fiscal year. Growth is projected to be 3.0 percent over FY17, which would be the fastest rate of US economic growth in over a decade. The price of Brent crude oil is projected to move over \$50/barrel in coming months as growth picks up. Personal incomes are projected to grow 4.2 percent in this fiscal year, and grow at faster rates in the future.

Kentucky Economy

Low energy prices are both a blessing and a burden for Kentucky in this fiscal year. Plentiful natural gas at low prices has put coal at a significant disadvantage and mining output and employment have fallen as a result. But low gasoline prices have meant a real increase in consumers' disposable incomes, increasing miles driven on Kentucky interstates, boosting tourism and hotel revenue, and driving greater demand for automobiles which are manufactured in Kentucky.

While the US has seen tepid manufacturing employment growth in recent years, Kentucky's has been more robust as the automobile manufacturers in the state have expanded to meet domestic demand for vehicles. In November, one local automobile plant announced an additional 2,000 jobs as it was awarded production of a new line of light truck. Manufacturing employment growth in FY16 in Kentucky is projected to be eight times the rate of the US as a whole, a trend that is expected to continue into the next two fiscal years.

Economic growth overall in Kentucky is projected to continue through FY16 roughly in line with the national economy. The unemployment rate in October measured at 4.9 percent, just below the US average. Kentuckians' personal incomes are forecast to grow 4.9 percent over this fiscal year, a faster rate than has been seen since 2008. Robust wage and salary growth is forecast to maintain for the coming fiscal years as well. Kentucky's index of leading economic indicators, as reported by the Philadelphia Federal Reserve, has remained high relative to the US average. This suggests that growth will be positive in several areas over the next several months.

The housing market in Kentucky seems to be turning the corner as the rate of growth of new housing permits has increased and construction employment has likewise increased. Single-family building permits increased 13 percent in the first quarter over the previous fiscal year. Home sales in several Kentucky metropolitan statistical areas are also seeing double digit annualized growth.

Besides an unusually harsh winter in the short-term, perhaps the greatest threat to the Kentucky economy in the medium term is a slowdown in manufacturing or an increase in interest rates deterring borrowing and investment. As such, there are concerns locally about the FOMC's probable increase of the federal funds rate target in December. An increase in gasoline prices would also curb the growth in automobile manufacturing, tourism, and hospitality. While there are always risks, the current outlook for Kentucky remains strong.

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 2015 are:

	<u>Debt Service (thousands)</u>	<u>Ratio to Total General Governmental Expenditures</u>	<u>Debt Per Capita</u>
General Bonded Debt	\$1,028,023	4.2 %	\$1,395

No general obligation bonds were authorized or outstanding at June 30, 2015.

A detailed analysis of the Commonwealth's debt issuance during the fiscal year ended 2015 is presented in Note 15.

Major Initiatives

Fiscal year 2015 was the first fiscal year of the Commonwealth's 2014-16 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 2015 budget was enacted in the 2014 Regular Session of the Kentucky General Assembly. General Fund revenue growth was 5.3 percent, resulting in a \$139 million General Fund surplus. Road Fund revenues decreased by 2.2 percent which resulted in a \$6.3 million budget shortfall. In fiscal year 2015, General Fund spending increased by 3.5 percent, and Road Fund spending increased by 6.2 percent. The Road Fund revenue shortfall was resolved primarily through unexpended Road Fund budgets.

The General Fund 3.5 percent spending growth was focused in the three areas: elementary and secondary education (36 percent of the spending growth), public pensions (30 percent of the spending growth), criminal justice (12 percent of the growth), and the Medicaid program (11 percent of the spending growth). Outside those areas, most other areas of spending declined for the seventh consecutive fiscal year. Some areas of the government have incurred up to 41.5 percent in General Fund budget reductions since fiscal year 2008. Despite Road Fund revenue growth of just 2.2 percent, spending from the Road Fund increased by 6 percent primarily due to the schedule of major road project expenditures, which occur over a multi-year period.

Fiscal year 2015 marked the first year of a 30-year financing plan for the unfunded liability of the Kentucky Employees' Retirement System. An additional \$200 million was added to the employer contribution toward that system, about half of which was from the General Fund. This additional spending fully funded the actuarially required contribution. The Commonwealth continued to implement past reforms to address the unfunded liability of its pension systems through the restructuring future employee benefits to a hybrid-cash balance plan was put in place for all new employees which will mitigate the cost of future pension liabilities. Fiscal year 2015 was the fifth 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 173 Kentucky school districts, existing retirees under age 65, and the Commonwealth.

Fiscal year 2015 was the fourth 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 2015. Due to the implementation of reforms in the Corrections area, the inmate population growth since fiscal year 2011-12 has been flat over the four years since reform efforts were enacted.

The Commonwealth's capital program for the 2014-16 biennial period included \$1.5 billion in bond funded projects. That amount is about the average for the previous seven biennial budgets. Almost 80 percent of the new funding was focused on the Commonwealth's nine public postsecondary education institutions. Water and sewer infrastructure projects and local school construction reflected about 16 percent of the new funding. The Kentucky Community and Technical College system, the Commonwealth's two-year degree granting system, received authority to finance \$145.5 million in bond projects for 16 capital projects that will be supplemented by matching funds from the system of another \$48.5 million. This \$194 million capital investment represents the first significant capital investment in the system since the 2006-08 biennial budget, and the first use of fee-supported bonds to finance capital projects for the system.

Fiscal year 2015 was the third year that the Commonwealth implemented 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, and its own Health Benefit Exchange. By the end of fiscal year 2015, over 400,000 Kentuckians were enrolled in the "expanded" Medicaid program.

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, 2014. This is the 28th 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 black ink that reads "William M. Landrum" followed by a horizontal line extending to the right.

William M. Landrum III, Secretary
Finance and Administration Cabinet



MATTHEW G. BEVIN
Governor

Commonwealth of Kentucky
FINANCE AND ADMINISTRATION CABINET
OFFICE OF THE CONTROLLER
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WILLIAM M. LANDRUM III
Secretary

EDGAR C. ROSS
Controller

December 11, 2015

The Honorable William M. Landrum, III
Secretary, Finance and Administration Cabinet
383 New Capitol Annex
Frankfort, Kentucky 40601

Dear Secretary Landrum:

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, 2015, 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,

Edgar C. Ross, Controller



Government Finance Officers Association

**Certificate of
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Presented to

Commonwealth of Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

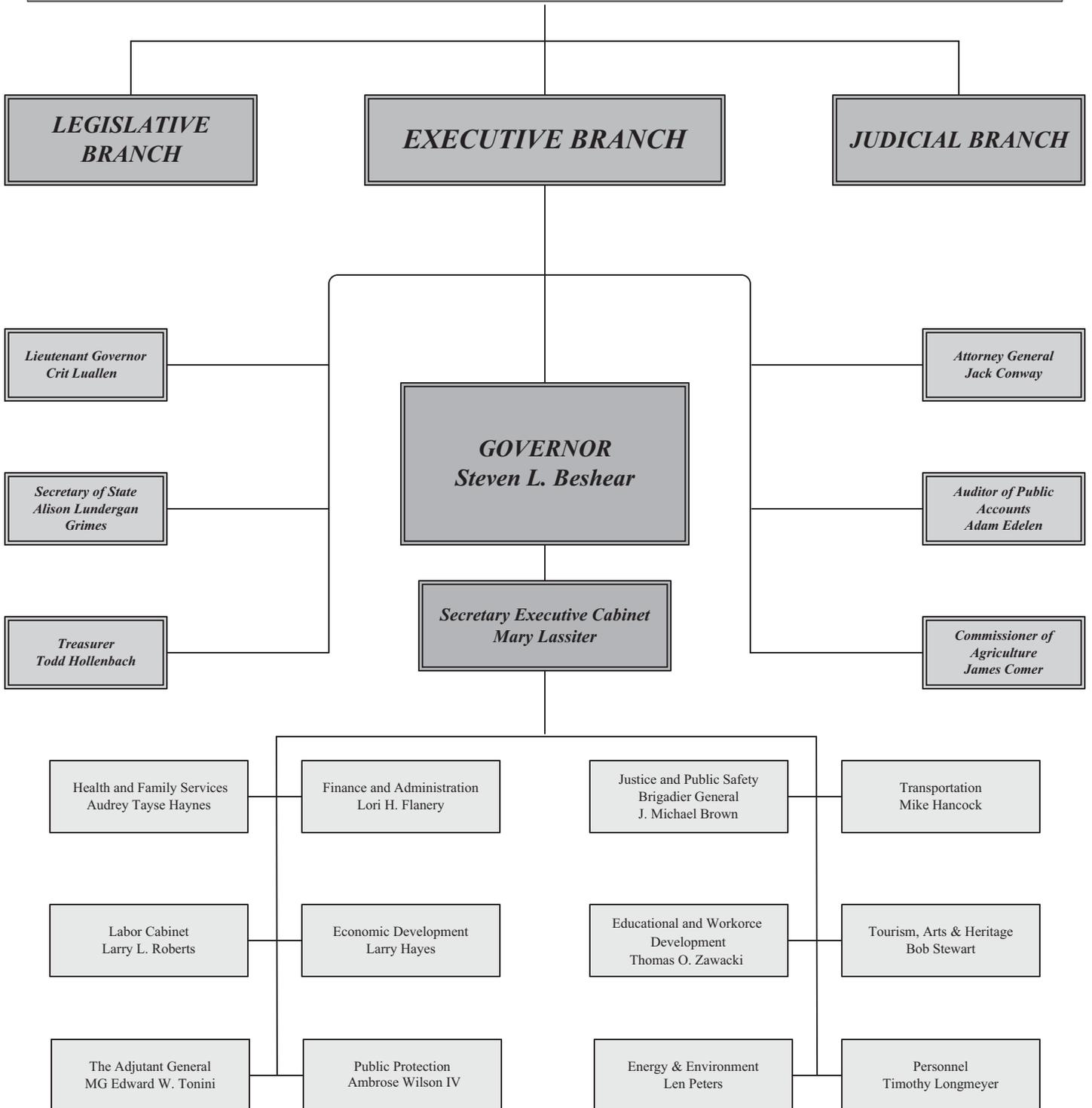
June 30, 2014

Executive Director/CEO

COMMONWEALTH OF KENTUCKY

ELECTORATE OF KENTUCKY

"UNITED WE STAND, DIVIDED WE FALL"



*Principal Officials at June 30, 2015

FINANCIAL SECTION



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, 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, 2015, 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 Teachers' Retirement System
- Judicial Form Retirement System
- Kentucky Public Employees' Deferred Compensation Authority

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AN EQUAL OPPORTUNITY EMPLOYER M/F/D



To the People of Kentucky
 The Honorable Matthew G. Bevin, Governor
 William M. Landrum III, Secretary
 Finance and Administration Cabinet
 Page 2

Component Units:

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

Component Units - Colleges and Universities and related entities:

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

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

Government-Wide Financial Statements:	Percent of Assets	Percent of Revenues
Primary Government - Governmental Activities	1.09 %	.04 %
Primary Government - Business-Type Activities	36.97 %	4.51 %
Component Units	92.32 %	98.58 %
Fund Financial Statements:		
Governmental Funds - Non-Major Funds	33.28 %	.91 %
Proprietary Funds - Business-Type Activities - Enterprise Funds	36.75 %	4.50 %
Proprietary Funds - Governmental Activities - Internal Service Funds	3.80 %	11.38 %
Fiduciary Funds - Pension and Insurance Trust Funds	100 %	100 %
Component Units	92.32 %	98.58 %

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 Matthew G. Bevin, Governor
William M. Landrum III, 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, 2015, 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.

Emphasis-of-Matter

Change in Accounting Principle

As discussed in Note 2, the Commonwealth implemented Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, during fiscal year 2015. The implementation of these standards resulted in a prior period adjustment to the Commonwealth's Net Position at July 1, 2014. Our opinion is not modified with respect to this matter.

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 140 through 155, and information about infrastructure assets reported using the modified approach on pages 156 through 159, claims development information for entity risk pools on pages 160 and 161, Schedule of Contributions on page 162 through 170, and the Proportionate Share of the Net Pension Liability on page 172 and 173, 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, economic, 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 178 through 231 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.

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Page 4

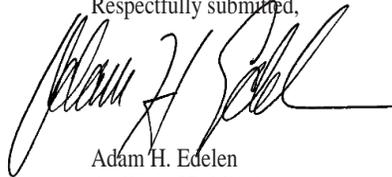
Other Information

The Introductory and Statistical sections presented in this report on pages 2 through 10 and 234 through 255 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.

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,



Adam H. Edelen
Auditor of Public Accounts

December 11, 2015

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, 2015. 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 liabilities of the Commonwealth's governmental activities exceeded its assets at fiscal year ending June 30, 2015, by \$14.1 billion, a decrease in net position of \$5.1 million related to current year activity. Assets of the Commonwealth's business-type activities exceeded liabilities by \$112.2 million, an increase in net position of \$545.6 million related to current year activity. Total net position increased by \$540.4 million to (\$14) billion.

The assets of component units exceeded liabilities at fiscal year ending June 30, 2015, by \$8.2 billion, an increase of \$356.6 million related to current year activity.

This significant decrease in the net position of the governmental activities when the Commonwealth adopted Governmental Accounting Standards Board (GASB) Statement No. 68 and No. 71 (GASB 68 and 71), *Accounting and Financial Reporting for Pensions* the provisions of which require the Commonwealth, as a participating employer in the Kentucky Employees Retirement System, the State Police Retirement System, the Teachers Retirement System, the Judicial Retirement Plan and the Legislators' Retirement Plan (the Plans), to reflect in the Statement of Net Position its proportionate share of the net pension liability of the Plans. The adoption of this pronouncement resulted in a decrease of \$24.6 billion in the Commonwealth's beginning net position.

There was a fluctuation in Governmental Activities concerning Federal Funds expenditures. There was a 14.2% (\$1.3 billion) increase in federal expenditures as compared to FY 14. The Commonwealth had a slight increase in federal expenditures in all agencies except for the Cabinet for Health and Family Services (CHFS). CHFS had a \$1.20 billion dollar increase in federal expenditures, an increase of 17.1% as compared to FY 14. This increase was caused primarily by the Medicaid Expansion under the Affordable Care Act. FY 15 was the first full year of Medicaid Expansion which from its implementation date of January 1, 2014 has added over four hundred thousand (400,000) Medicaid Expansion recipients to the Commonwealth's Medicaid Program. Capitation rates were paid for these new members for FY 15 and were funded one hundred per cent (100%) by federal funds.

Fund Highlights:

As of the close of FY 15, the Commonwealth's governmental funds reported combined ending fund balances of \$2.0 billion, a net decrease of \$184.1 million in comparison with the prior year. Approximately 84.5 percent or \$1.7 billion of the ending fund balance is restricted. There is unrestricted (committed, assigned, or unassigned) fund balance of \$214 million available for spending either at the government's discretion or upon legislative approval.

Enterprise funds reported net position of \$112.2 million, of which \$516.2 million was restricted or invested in capital assets and the balance of (\$404) million was unrestricted.

Long-Term Debt:

The Commonwealth's total long-term debt obligations (bonds and notes payable) decreased by \$537.5 million to \$7.6 billion during the current fiscal year. The decrease 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 principle of \$1.1 billion while new issues for refunding and new projects were \$596.6 million during FY 15. Additional details of these activities can be found in Note 15 beginning on Page 121.

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.

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 (\$14) billion at the end of FY 15, as compared to \$10.1 billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$21.6 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 (\$36.8) 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, 2015 and June 30, 2014, 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	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 5,424,568	\$ 6,213,863	\$ 1,487,121	\$ 1,404,931	\$ 6,911,689	\$ 7,618,794
Capital Assets	23,537,288	23,058,318	315,834	328,198	23,853,122	23,386,516
Other Assets	333	290			333	290
Total Assets	28,962,189	29,272,471	1,802,955	1,733,129	30,765,144	31,005,600
Deferred outflows of resources	954,689	723,294	13,621	4,915	968,310	728,209
Non Current Liabilities	39,567,582	40,883,499	1,363,999	1,744,732	40,931,581	42,628,231
Other Liabilities	2,757,808	3,235,745	337,023	426,625	3,094,831	3,662,370
Total Liabilities	42,325,390	44,119,244	1,701,022	2,171,357	44,026,412	46,290,601
Deferred inflows of resources	1,732,999	12,952	3,311		1,736,310	12,952
Net investment in capital assets	21,288,572	20,908,588	303,571	315,131	21,592,143	21,223,719
Restricted	984,229	1,099,649	212,629	63,847	1,196,858	1,163,496
Unrestricted	(36,414,312)	(36,144,668)	(403,957)	(812,291)	(36,818,269)	(36,956,959)
Total Net Position	\$ (14,141,511)	\$ (14,136,431)	\$ 112,243	\$ (433,313)	\$ (14,029,268)	\$ (14,569,744)

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 15. The Commonwealth received program revenues of \$14.1 billion and general revenues (including transfers) of \$11.8 billion for total revenues of \$25.9 billion during FY 15. Expenses for the Commonwealth during FY 15 were \$25.4 billion, which resulted in a total increase of the Commonwealth's net position in the amount of \$540.4 million, net of contributions, transfers and special items.

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

	2015 Governmental Activities	2014 Governmental Activities	2015 Business-Type Activities	2014 Business-Type Activities	2015 Total	2014 Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,366,738	\$ 1,464,874	\$ 2,639,949	\$ 2,427,436	\$ 4,006,687	\$ 3,892,310
Operating Grants and Contributions	9,270,753	8,211,316	-	174,235	9,270,753	8,385,551
Capital Grants and Contributions	865,320	801,353	149	378	865,469	801,731
General Revenues:						
Income Taxes	4,604,837	4,209,469			4,604,837	4,209,469
Sales Taxes	5,714,300	5,575,312			5,714,300	5,575,312
Property Taxes	570,998	553,339			570,998	553,339
Other Taxes	492,126	508,519			492,126	508,519
Investment Earnings	4,264	(37)	14,971	13,546	19,235	13,509
Other	430,747	520,136	5,693	648,466	436,440	1,168,602
Total Revenues	23,320,083	21,844,281	2,660,762	3,264,061	25,980,845	25,108,342
Expenses:						
Governmental Activities:						
General Government	2,557,827	7,335,594			2,557,827	7,335,594
Legislative and Judicial	433,354	2,959,423			433,354	2,959,423
Commerce	110,041	585,366			110,041	585,366
Education and Humanities	5,822,980	7,288,981			5,822,980	7,288,981
Human Resources	11,098,078	14,917,179			11,098,078	14,917,179
Justice	952,071	6,195,306			952,071	6,195,306
Natural Resources and Environmental Protection	190,532	1,227,825			190,532	1,227,825
Public Protection and Regulation	107,258	713,587			107,258	713,587
Transportation	1,819,570	5,444,954			1,819,570	5,444,954
Interest Expense	341,922	355,842			341,922	355,842
Business-type Activities:						
State Parks			110,220	211,982	110,220	211,982
Kentucky Horse Park			19,278	35,973	19,278	35,973
Kentucky Public Employees Health Plan			1,420,292	1,642,048	1,420,292	1,642,048
Insurance Administration			116,723	172,372	116,723	172,372
Unemployment Compensation			340,223	1,092,231	340,223	1,092,231
Total Expenses	23,433,633	47,024,057	2,006,736	3,154,606	25,440,369	50,178,663
Increase (Decrease) in Net Position Before Transfers						
Position Before Transfers	(113,550)	(25,179,776)	654,026	109,455	540,476	(25,070,321)
Transfers	108,470	(4,214)	(108,470)	4,214		
Change in Net Position	(5,080)	(25,183,990)	545,556	113,669	540,476	(25,070,321)
Net Position, July 1, as restated	(14,136,431)	11,047,559	(433,313)	(546,982)	(14,569,744)	10,500,577
Net Position, June 30	\$ (14,141,511)	\$ (14,136,431)	\$ 112,243	\$ (433,313)	\$ (14,029,268)	\$ (14,569,744)

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 (\$5.1) million or 1 percent. Approximately 48.8 percent of the governmental activities' total revenue came from taxes, while 49.3 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	\$ 2,557,827	\$ 823,158	\$	(1,734,669)
Legislative and Judicial	433,354	29,527		(403,827)
Commerce	110,041	72,557		(37,484)
Education and Humanities	5,822,980	988,530		(4,834,450)
Human Resources	11,098,078	8,275,533		(2,822,545)
Justice	952,071	62,728		(889,343)
Natural Resources and Environmental Protection	190,532	94,318		(96,214)
Public Protection and Regulation	107,258	92,266		(14,992)
Transportation	1,819,570	1,064,194		(755,376)
Totals	\$ 23,091,711	\$ 11,502,811	\$	(11,588,900)

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 \$545.6 million. Program revenues generated by the operations of the State Parks and the Kentucky Horse Park 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, Insurance Administration and Unemployment Compensation were sufficient to cover program expenses.

Table 5 (Expressed in Thousands)

State Programs	Program Expenses	Program Revenues	Net Program (Expenses)	
			Revenue	
State Parks	\$ 110,220	\$ 48,080	\$	(62,140)
Kentucky Horse Park	19,278	12,407		(6,871)
Kentucky Public Employees Health Plan	1,420,292	1,712,136		291,844
Insurance Administration	116,723	124,106		7,383
Unemployment Compensation	340,223	743,369		403,146
Totals	\$ 2,006,736	\$ 2,640,098	\$	633,362

Overall Analysis

Financial highlights for the State as a whole during fiscal year ended June 30, 2014, include the following:

- The liabilities of the State's governmental activities now exceed assets (net position) at the close of the fiscal year. Liabilities exceeded assets by (\$14.1) billion and the State's business-type activities now have assets that exceed liabilities (net position) by \$112.2 million.
- The State's total net position decreased during the year by \$540.4 million. Net position of governmental activities decreased by (\$5.1) million, while net position of business-type activities increased by \$54.6 million
- The primary cause of the increase in business-type activities net position is a decrease in loans payable to the Federal government of (\$350.8) million for unemployment insurance.

FINANCIAL ANALYSIS OF THE COMMONWEALTH'S INDIVIDUAL FUNDS

At June 30, 2015, the Commonwealth's governmental funds reported combined ending fund balances of \$2.0 billion, a net decrease of \$184.1 million in comparison with the prior year. \$99.3 million is nonspendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The \$1.7 billion is restricted for certain purposes and is not available to fund current operations. The \$214 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, 2015, was \$104.4 million. The balance reported reflects an increase of \$235.1 million from the previously reported amount, which represents an increase of 179.8%. The major factor for the increase in fund balance is an increase in revenues of \$580.1 million or 6.2%.

The fund balance is segregated into nonspendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of \$6.2 million represents the nonspendable amount. The unrestricted had a balance of \$98.1 million, therefore is available for spending at the government's discretion or upon legislative approval.

The following governmental funds experienced significant changes during the year:

Major Special Revenue Funds

The major special revenue funds experienced normal cyclical changes in revenues and expenditures, except for the Federal Fund, which experienced an increase in intergovernmental revenues of \$1.3 billion. Expenditures decreased across a majority of all functions, except for CHFS which experienced an increase in expenditures of \$1.2 billion a 13.6% increase in expenditures for total federal expenditures. This increase was caused primarily by the Medicaid Expansion under the Affordable Care Act. FY 2015 was the first full year of Medicaid Expansion which from its implementation date of January 1, 2014 has added over four hundred thousand (400,000) Medicaid Expansion recipients to the Commonwealth's Medicaid Program. Capitation rates were paid for these new members for FY 15 and were funded one hundred per cent (100%) by federal funds. The Transportation Fund experienced a slight decrease in revenues due to decrease tax receipts and an increase in expenditures, resulting in an decrease in fund balance of \$204.3 million.

Proprietary Funds - The Commonwealth's proprietary funds reported net position of \$11.3 million, which included \$112.2 million in the enterprise funds and (\$100.9) million in the internal service funds. This is a total increase in net position of \$152 million from the previous year. This increase was caused primarily by a change in the Commonwealth's economy that resulted in a decrease in unemployment insurance receipts in the Unemployment Compensation Fund of \$637.9 million and a decrease in benefit payments of \$752.2 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 more than the final budgetary estimates by approximately \$165.4 million. Actual expenditures for the year were approximately \$157.4 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, 2015, amounts to \$25.2 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, and 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 1.7 percent in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$647.8 million for the year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$111.5 million. Additional information on the Commonwealth's capital assets can be found in Note 6 of the "Notes to the Financial Statements" of this report.

Infrastructure Assets – The Commonwealth has elected to utilize the "Modified Approach" as it relates to guidelines set forth in the GASB (Government Accounting Standards Board) Statement Number 34. Under this alternative method the Commonwealth expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include nearly 64,187 lane miles of roads and approximately 9,011 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 33.3 million more than the reported estimate of \$1,160.2 million for fiscal year 2015.

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 \$136.7 million to \$6.2 billion, a 2.2% decrease during the current fiscal year. The major factor in this decrease is a result of the refunding of old issues by the FY 15 new issues. Therefore, the remaining liability on the retired bonds plus the FY 15 principle payments on the remaining outstanding bonds were greater than the FY 15 issues for new projects. No general obligation bonds were authorized or outstanding at June 30, 2015. 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 4.9 percent. The October rate is down 0.7 percentage points compared to the October 2014 rate of 5.6 percent. The national unemployment rate has also fallen 0.8 percentage points from 5.8 percent in October 2014 to 5.0 percent in October 2015. Kentucky saw net job growth in eight of ten major sectors over the previous year, a trend that is forecast to continue through the 2017 fiscal year.

Personal incomes in both Kentucky and the nation are improving. Personal income was up 4.8 percent in the first quarter of fiscal year 2016 compared to the same quarter in 2015. This was higher than the 4.3 percent growth the US as a whole saw over the same period. Kentuckians' wages and salaries were up 4.9 percent year-over-year and forecast to grow 4.5 percent over the entire fiscal year.

U.S. real gross domestic product is projected to grow at a rate of 2.4 percent in fiscal year 2016, and three percent in 2017. 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 and Asia, the prospect of another unusually harsh winter, and remaining monetary policy 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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2015

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents (Note 5)	\$ 710,702	\$ 310,615	\$ 1,021,317	\$ 1,632,816
Cash with fiscal agents (Note 5)	78,028		78,028	
Restricted cash (Note 5)	4,238		4,238	
Restricted investments (Note 5)				83,823
Investments, net of amortization (Note 5)	1,494,290		1,494,290	2,182,824
Invested security collateral (Note 5)	557,507	271,457	828,964	
Receivables, net (Note 4)	2,391,352	304,747	2,696,099	3,755,223
Notes receivable	5,568	113	5,681	
Capital lease receivable (Note 4)	149,310		149,310	
Internal balances (Note 7)	(57,788)	57,788		
Inventories	76,096	1,767	77,863	62,270
Prepaid expenses	9,788	277	10,065	26,962
Unamortized cost of issuance	5,477		5,477	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (Note 5)				703,478
Investments (Note 5)		540,357	540,357	1,907,868
Capital assets (Note 6):				
Land	219,501	21,823	241,324	298,641
Improvements other than buildings	25,945	144,933	170,878	508,902
Buildings	1,399,687	339,962	1,739,649	7,225,850
Machinery and equipment	643,321	21,799	665,120	2,085,229
Other capital assets				149,551
Easements and other intangibles	179,613	2,322	181,935	
Less: Accumulated depreciation and amortization	(1,073,440)	(240,881)	(1,314,321)	(4,649,867)
Construction in progress	1,911,871	25,876	1,937,747	1,307,924
Infrastructure	20,230,790		20,230,790	23,421
Total Capital Assets	23,537,288	315,834	23,853,122	6,949,651
Other assets	333		333	230,788
Total Assets	28,962,189	1,802,955	30,765,144	17,535,703
Deferred outflows of resources (Note 15)	954,689	13,621	968,310	131,354
Liabilities				
Accounts payable (Note 4)	1,842,377	62,704	1,905,081	588,543
Tax refunds payable	353,612		353,612	
Unearned revenue	4,312	1,632	5,944	213,007
Other liabilities		1,230	1,230	141,361
Liabilities from restricted assets				6,366
Obligations under securities lending	557,507	271,457	828,964	
Noncurrent liabilities:				
Due within one year (Note 15)	895,381	198,196	1,093,577	329,895
Due in more than one year (Note 15)	38,672,201	1,165,803	39,838,004	7,865,540
Total Liabilities	42,325,390	1,701,022	44,026,412	9,144,712
Deferred inflows of resources (Note 15)	1,732,999	3,311	1,736,310	370,510
Net Position				
Net investment in capital assets	21,288,572	303,571	21,592,143	4,414,076
Restricted for:				
Debt service	138,192		138,192	302,006
Capital projects	302,504		302,504	242,457
Highways	543,533		543,533	
Unemployment benefits		150,855	150,855	
Other purposes (Note 1)		61,774	61,774	3,466,917
Unrestricted	(36,414,312)	(403,957)	(36,818,269)	(273,621)
Total Net Position	\$ (14,141,511)	\$ 112,243	\$ (14,029,268)	\$ 8,151,835

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, 2015
(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	\$ 2,557,827	\$ 626,337	\$ 168,823	\$ 27,998
Legislative and judicial	433,354	25,866	3,661	
Commerce	110,041	58,617	13,940	
Education and humanities	5,822,980	64,776	922,023	1,731
Human resources	11,098,078	164,793	8,039,897	70,843
Justice	952,071	22,755	39,973	
Natural resources and environmental protection	190,532	17,014	77,304	
Public protection and regulation	107,258	87,134	5,132	
Transportation	1,819,570	299,446		764,748
Interest expense	341,922			
Total Governmental Activities	<u>23,433,633</u>	<u>1,366,738</u>	<u>9,270,753</u>	<u>865,320</u>
Business-Type Activities:				
State Parks	110,220	47,931		149
Kentucky Horse Park	19,278	12,407		
Kentucky Public Employees Health Plan	1,420,292	1,712,136		
Insurance Administration	116,723	124,106		
Unemployment Compensation	340,223	743,369		
Total Business-Type Activities	<u>2,006,736</u>	<u>2,639,949</u>		<u>149</u>
Total Primary Government	<u>\$ 25,440,369</u>	<u>\$ 4,006,687</u>	<u>\$ 9,270,753</u>	<u>\$ 865,469</u>
Component Units:				
Authorities:				
Kentucky Housing Corporation	\$ 294,262	\$ 93,745	\$ 208,579	\$
Kentucky Higher Education Student Loan Corporation	33,507	33,532		
Kentucky Lottery Corporation	893,567	886,930		
Kentucky Public Transportation Infrastructure Authority	39,241			91,947
Universities, Colleges, & Related Entities:				
University of Kentucky	2,609,253	2,084,282	407,085	45,872
University of Louisville	1,107,874	681,277	165,833	
Kentucky Community and Technical College System	639,110	104,978	89,343	
Other component units	1,773,060	764,728	368,682	12,107
Total Component Units	<u>\$ 7,389,874</u>	<u>\$ 4,649,472</u>	<u>\$ 1,239,522</u>	<u>\$ 149,926</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	
\$ (1,734,669)	\$	\$ (1,734,669)	
(403,827)		(403,827)	
(37,484)		(37,484)	
(4,834,450)		(4,834,450)	
(2,822,545)		(2,822,545)	
(889,343)		(889,343)	
(96,214)		(96,214)	
(14,992)		(14,992)	
(755,376)		(755,376)	
(341,922)		(341,922)	
<u>(11,930,822)</u>		<u>(11,930,822)</u>	
	(62,140)	(62,140)	
	(6,871)	(6,871)	
	291,844	291,844	
	7,383	7,383	
	403,146	403,146	
	633,362	633,362	
<u>(11,930,822)</u>	<u>633,362</u>	<u>(11,297,460)</u>	
			\$ 8,062
			25
			(6,637)
			52,706
			(72,014)
			(260,764)
			(444,789)
			(627,543)
			<u>(1,350,954)</u>
5,714,300		5,714,300	
4,064,705		4,064,705	
540,132		540,132	
570,998		570,998	
13,742		13,742	
235,068		235,068	
52,616		52,616	
190,700		190,700	
10,348		10,348	669,968
4,264	14,971	19,235	1,544
7,259		7,259	51
413,140	5,693	418,833	1,036,037
108,470	(108,470)		
<u>11,925,742</u>	<u>(87,806)</u>	<u>11,837,936</u>	<u>1,707,600</u>
(5,080)	545,556	540,476	356,646
<u>(14,136,431)</u>	<u>(433,313)</u>	<u>(14,569,744)</u>	<u>7,795,189</u>
<u>\$ (14,141,511)</u>	<u>\$ 112,243</u>	<u>\$ (14,029,268)</u>	<u>\$ 8,151,835</u>

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

Major Funds

General Fund

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

Transportation Fund

The Transportation Fund accounts for 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 page178

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Federal</u>	<u>Agency Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets								
Cash and cash equivalents (Note 5)	\$ 299,060	\$ 17,609	\$ 6	\$ 59,863	\$ 12,313	\$ 48	\$ 265,864	\$ 654,763
Cash with fiscal agents (Note 5)					6,958	18,954		25,912
Restricted cash (Note 5)			2,847	1,391				4,238
Investments, net of amortization (Note 5)	4,136	436,464		463,768	299,866	1,069	271,301	1,476,604
Invested security collateral	110,869	131,101		149,414	90,234		75,889	557,507
Receivables, net (Note 4)	925,176	150,103	1,050,397	60,633	13,176		190,749	2,390,234
Notes receivable			269	2,964			2,097	5,330
Capital lease receivable (Note 4)						149,310		149,310
Interfund receivables (Note 7)	22,793	834	27,721	89,705	1,317	15	124,914	267,299
Interfund loans receivable (Note 7)	92,854	459					13,566	106,879
Inventories	6,230	64,190	277	2,880			37	73,614
Total Assets	<u>\$ 1,461,118</u>	<u>\$ 800,760</u>	<u>\$ 1,081,517</u>	<u>\$ 830,618</u>	<u>\$ 423,864</u>	<u>\$ 169,396</u>	<u>\$ 944,417</u>	<u>\$ 5,711,690</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable (Note 4)	\$ 566,285	\$ 118,582	\$ 975,057	\$ 67,359	\$ 29,835	\$	\$ 14,993	\$ 1,772,111
Tax refunds payable	353,612							353,612
Interfund payables (Note 7)	125,495	1,620	39,064	20,000	455		145,793	332,427
Interfund loans payable (Note 7)	4,873		35,174	6,608			52,744	99,399
Obligations under securities lending	110,869	131,101		149,414	90,234		75,889	557,507
Unearned revenue			343	2,241			1,705	4,289
Total Liabilities	<u>1,161,134</u>	<u>251,303</u>	<u>1,049,638</u>	<u>245,622</u>	<u>120,524</u>		<u>291,124</u>	<u>3,119,345</u>
Deferred inflows of resources								
Unavailable	195,625	5,924	91,283	28,219	836	149,310	101,079	572,276
Fund Balances:								
Nonspendable (Note 1)	6,230	64,190	546	7,235		18,954	2,134	99,289
Restricted for (Note 1)		479,343		504,659	302,504	1,132	419,126	1,706,764
Committed to (Note 1)				32,893			127,911	160,804
Assigned to (Note 1)	27,069			11,990			3,043	42,102
Unassigned (Note 1)	71,060		(59,950)					11,110
Total Fund Balances	<u>104,359</u>	<u>543,533</u>	<u>(59,404)</u>	<u>556,777</u>	<u>302,504</u>	<u>20,086</u>	<u>552,214</u>	<u>2,020,069</u>
Total Liabilities and Fund Balances	<u>\$ 1,461,118</u>	<u>\$ 800,760</u>	<u>\$ 1,081,517</u>	<u>\$ 830,618</u>	<u>\$ 423,864</u>	<u>\$ 169,396</u>	<u>\$ 944,417</u>	<u>\$ 5,711,690</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, 2015**

(Expressed in Thousands)

Total Fund Balances - Governmental Funds		\$ 2,020,069
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	336,734	
Buildings, equipment, and other depreciable assets	1,700,578	
Infrastructure	20,230,790	
Accumulated depreciation	(793,274)	
Construction in progress	<u>1,814,985</u>	23,289,813
Certain revenues are earned but not available, and therefore, are deferred in the funds.		
		572,276
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
		15,592
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.		
		(100,948)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital lease obligations	(38,906)	
Compensated absences	(228,263)	
Pollution remediation obligations	(8,241)	
Judgements and contingencies	(17,469)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	(130,080)	
Net pension obligations and related deferred outflows/inflows	<u>(31,321,087)</u>	(31,744,046)
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	(6,223,517)	
Notes payable	(1,467,573)	
Unamortized premiums and discounts	(358,915)	
Less deferred amounts on refundings	(32,332)	
Accrued interest payable	<u>(111,930)</u>	<u>(8,194,267)</u>
Net Position of Governmental Activities		<u>\$ (14,141,511)</u>

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, 2015
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 9,626,220	\$ 1,361,857	\$	\$ 413,661	\$	\$	\$ 91,181	\$ 11,492,919
Licenses, fees, and permits	47,898	145,649	26	188,620			4,564	386,757
Intergovernmental	10,321	7	9,978,699	46,479	100,087		118	10,135,711
Charges for services	248,409	8,649	1,373	635,838	3	35,617	243,285	1,173,174
Fines and forfeits	36,463	25		7,432			20,835	64,755
Interest and other investment income	4,326	5,506	140	6,794	8,577	645	4,602	30,590
Increase (decrease) in fair value of investments	(581)	(3,317)		(2,897)	(4,850)	(2)	(1,897)	(13,544)
Securities lending income	530	627		714	431		362	2,664
Other revenues	36,958	6,739	94,453	277,791	77	491	103,492	520,001
Total Revenues	10,010,544	1,525,742	10,074,691	1,574,432	104,325	36,751	466,542	23,793,027
Expenditures								
Current:								
General government	1,531,764		130,807	166,868			278,044	2,107,483
Legislative and judicial	390,942		3,671	42,496				437,109
Commerce	30,797		17,937	49,621			471	98,826
Education and humanities	4,246,743		970,638	55,884			73,922	5,347,187
Human resources	2,258,739		8,187,458	964,304			27,372	11,437,873
Justice	703,576		39,633	94,567			1,679	839,455
Natural resources and environmental protection	66,248		67,511	44,927			7,955	186,641
Public protection and regulation	15,531		6,040	79,289			2,588	103,448
Transportation	13,995	1,565,161	691,597	185,457			205,014	2,661,224
Debt service:								
Principal retirement	2,033			8,841		416,435	143,972	571,281
Interest and fiscal charges						253,756	98,802	352,558
Other expenditures						4,032	16,399	20,431
Securities lending	237	280		319	192		162	1,190
Capital outlay:								
Buildings					231,483			231,483
Total Expenditures	9,260,605	1,565,441	10,115,292	1,692,573	231,675	674,223	856,380	24,396,189
Excess (Deficiency) of Revenues over (under) Expenditures	749,939	(39,699)	(40,601)	(118,141)	(127,350)	(637,472)	(389,838)	(603,162)
Other Financing Sources (Uses)								
Transfers in	200,833	1,386	51	436,672	39,541	634,046	745,724	2,058,253
Transfers out	(725,567)	(167,718)	(82,908)	(394,640)	(68,848)	(491)	(568,946)	(2,009,118)
Capitalized leases	10,219	1,707	2,440	2,082	622			17,070
Issuance of bonds:								
New issues					129,620		93,302	222,922
Refunding issues						254,380	119,332	373,712
Premiums					20,380	52,046	4,351	76,777
Discounts							(972)	(972)
Certificates of participation					62,955	5,620		68,575
Premiums						1,621		1,621
Payments to refunded bond escrow agent						(304,418)	(104,987)	(409,405)
Total Other Financing Sources (Uses)	(514,515)	(164,625)	(80,417)	44,114	184,270	642,804	287,804	399,435
Net Change in Fund Balances	235,424	(204,324)	(121,018)	(74,027)	56,920	5,332	(102,034)	(203,727)
Fund Balances at July 1	(130,790)	728,333	61,526	630,535	245,584	14,754	654,248	2,204,190
Increase (decrease) in inventories	(275)	19,524	88	269				19,606
Fund Balances at June 30	\$ 104,359	\$ 543,533	\$ (59,404)	\$ 556,777	\$ 302,504	\$ 20,086	\$ 552,214	\$ 2,020,069

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, 2015**

(Expressed in Thousands)

Net Change in Fund Balances-Total Governmental Funds \$ (203,727)

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	(127,415)	
Donated assets, fair market value	600	
Buildings, equipment, and other depreciable assets	64,351	
Infrastructure	585,936	
Accumulated depreciation	<u>(68,747)</u>	454,725

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 96,107

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	9,783	
Inventories	<u>19,606</u>	29,389

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. 27,944

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	6,037	
Compensated absence payments	(10,655)	
Pollution remediation payments	10,178	
Litigation payments	18,894	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	4,380	
Excess contributions to pension funds	<u>(572,376)</u>	(543,542)

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	(742,635)	
Repayment of bond principal	571,281	
Payment to refunded bond escrow agent	409,405	
Accrued interest	(75,140)	
Loss on refunding	(2,044)	
Unamortized issue costs	<u>(26,843)</u>	134,024

Change in Net Position of Governmental Activities \$ (5,080)

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.

Kentucky Reclamation Guaranty Fund 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 page188

COMMONWEALTH OF KENTUCKY
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	Business-Type Activities-		
	State Parks	Kentucky Horse Park	Insurance Administration
Assets			
Current assets:			
Cash and cash equivalents (Note 5)	\$ 136	\$ 1,176	\$ 59,990
Cash with fiscal agents (Note 5)			
Invested security collateral (Note 5)			271,457
Receivables, net (Note 4)	1,363	464	19,911
Interfunds receivable (Note 7)	41		232
Inventories	1,375	392	
Prepaid expenses	47		
Total Current Assets	2,962	2,032	351,590
Noncurrent assets:			
Investments, net of amortization (Note 5)	2,491	424	377,490
Receivables, net		113	
Capital assets (Note 6):			
Land	17,370	4,453	
Improvements other than buildings	114,135	30,798	
Buildings	239,779	100,183	
Machinery and equipment	14,629	5,412	1,758
Easements and other intangibles	2,322		
Less: Accumulated depreciation and amortization	(202,610)	(37,292)	(979)
Construction in progress	21,836	3,399	641
Total Capital Assets	207,461	106,953	1,420
Total Noncurrent Assets	209,952	107,490	378,910
Total Assets	212,914	109,522	730,500
Deferred outflows of resources (Note 15)	7,651	1,005	4,201
Liabilities			
Current liabilities:			
Accounts payable (Note 4)	7,717	1,470	1,662
Interfunds payable (Note 7)	669	105	1,378
Interfund loans payable (Note 7)	4,936		
Claims liability (Note 15)			77,859
Claims adjustment liability (Note 15)			5,375
Capital lease obligations (Note 10) (Note 15)	726	347	
Compensated absences (Note 15)	3,291	433	990
Unearned revenue	1,576	56	
Loans payable to the federal government (Note 15)			
Obligations under securities lending			271,457
Total Current Liabilities	18,915	2,411	358,721
Noncurrent liabilities:			
Claims liability (Note 15)			861,180
Claims adjustment liability (Note 15)			58,340
Capital lease obligations (Note 10) (Note 15)	9,082	2,107	
Compensated absences (Note 15)	1,947	141	553
Net pension liability (Note 8) (Note 15)	129,773	16,822	73,698
Other liabilities (Note 15)			
Total Noncurrent Liabilities	140,802	19,070	993,771
Total Liabilities	159,717	21,481	1,352,492
Deferred inflows of resources (Note 15)	1,928	280	947
Net Position			
Net investment in capital assets	197,653	104,499	1,419
Restricted for:			
Unemployment benefits			
Other purposes (Note 1)			61,774
Unrestricted	(138,733)	(15,733)	(681,931)
Total Net Position	\$ 58,920	\$ 88,766	\$ (618,738)

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, 2015	Activities- Internal Service Funds
\$ 240,444	\$ 8,869	\$ 310,615	\$ 55,939
		271,457	52,116
66,809	216,200	304,747	1,117
68,500	94	68,867	4,475
		1,767	2,481
230		277	5
<u>375,983</u>	<u>225,163</u>	<u>957,730</u>	<u>116,133</u>
159,952		540,357	17,686
		113	238
		21,823	17,804
		144,933	3,133
		339,962	275,588
		21,799	132,554
		2,322	1,675
		(240,881)	(280,166)
		25,876	96,886
		<u>315,834</u>	<u>247,474</u>
159,952		856,304	265,398
<u>535,935</u>	<u>225,163</u>	<u>1,814,034</u>	<u>381,531</u>
764		<u>13,621</u>	<u>12,603</u>
19,693	32,162	62,704	14,718
	3,991	6,143	2,071
		4,936	2,544
70,697		148,556	26,326
		5,375	800
		1,073	10,394
323		5,037	3,314
		1,632	26
	38,155	38,155	
		271,457	
<u>90,713</u>	<u>74,308</u>	<u>545,068</u>	<u>60,193</u>
		861,180	183,747
		58,340	4,588
		11,189	22,192
49		2,690	4,669
12,111		232,404	216,906
1,230		1,230	
<u>13,390</u>		<u>1,167,033</u>	<u>432,102</u>
<u>104,103</u>	<u>74,308</u>	<u>1,712,101</u>	<u>492,295</u>
156		3,311	2,787
		303,571	214,887
	150,855	150,855	
		61,774	
432,440		(403,957)	(315,835)
<u>\$ 432,440</u>	<u>\$ 150,855</u>	<u>\$ 112,243</u>	<u>\$ (100,948)</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(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	\$ 47,931		
Horse park admissions and sales		12,407	
Insurance receipts			124,106
Unemployment insurance receipts			
Internal service fund receipts			
Other services	1,857	532	3,453
Total Operating Revenues	<u>49,788</u>	<u>12,939</u>	<u>127,559</u>
Operating Expenses:			
Personal services	57,771	8,464	25,159
Utilities, rental, and other services	18,884	3,570	2,580
Commodities and supplies	20,152	3,061	2,090
Grants and subsidies			
Depreciation and amortization	11,835	4,081	204
Travel	220	8	418
Reinsurance expense			
Claims expense			64,612
Claims adjustment expense			10,870
Other expenses	668		188
Total Operating Expenses	<u>109,530</u>	<u>19,184</u>	<u>106,121</u>
Operating Income (Loss)	<u>(59,742)</u>	<u>(6,245)</u>	<u>21,438</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	(51)		(9)
Interest and other investment income	1		14,871
Securities lending income			387
Increase (decrease) in fair value of investments			(588)
Interest expense	(639)	(94)	
Other revenues (expenses)			(10,593)
Total Nonoperating Revenues (Expenses)	<u>(689)</u>	<u>(94)</u>	<u>4,068</u>
Income (Loss) before Capital Contributions and Transfers	(60,431)	(6,339)	25,506
Capital contributions			
Transfers in	34,591	3,047	121
Transfers out	(406)		(18,762)
Change in Net Position	<u>(26,246)</u>	<u>(3,292)</u>	<u>6,865</u>
Net Position at July 1, As Restated (Note 2)	85,166	92,058	(625,603)
Net Position at June 30	<u>\$ 58,920</u>	<u>\$ 88,766</u>	<u>\$ (618,738)</u>

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

Enterprise Funds		Totals	Governmental
Kentucky Public Employees Health Plan	Unemployment Compensation	June 30, 2015	Activities- Internal Service Funds
\$	\$	\$	\$
1,712,136	743,369	47,931	
		12,407	
		1,836,242	
		743,369	
		5,842	222,789
<u>1,712,136</u>	<u>743,369</u>	<u>2,645,791</u>	<u>13,927</u>
			<u>236,716</u>
7,614	7	99,015	106,582
1,496	38	26,568	41,139
12,666		37,969	42,544
	340,178	340,178	569
		16,120	26,662
11		657	175
			12,987
1,394,712		1,459,324	37,947
77,493		88,363	404
(73,700)		(72,844)	
<u>1,420,292</u>	<u>340,223</u>	<u>1,995,350</u>	<u>269,009</u>
<u>291,844</u>	<u>403,146</u>	<u>650,441</u>	<u>(32,293)</u>
		(60)	(122)
300		15,172	(1)
		387	
		(588)	
		(733)	(798)
		(10,593)	70
<u>300</u>		<u>3,585</u>	<u>(851)</u>
292,144	403,146	654,026	(33,144)
			71
	94	37,853	63,876
(93,000)	(34,155)	(146,323)	(2,859)
<u>199,144</u>	<u>369,085</u>	<u>545,556</u>	<u>27,944</u>
233,296	(218,230)	(433,313)	(128,892)
<u>\$ 432,440</u>	<u>\$ 150,855</u>	<u>\$ 112,243</u>	<u>\$ (100,948)</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Business-Type Activities -		
	State Parks	Kentucky Horse Park	Insurance Administration
Cash Flows from Operating Activities			
Cash received from customers - public	\$ 47,296	\$ 12,352	\$ 123,585
Cash received from customers - state	768	86	1,367
Cash payments to suppliers for goods and services	(30,468)	(6,324)	(6,217)
Cash payments for employee salaries and benefits	(55,725)	(8,209)	(23,498)
Cash payments for claims expense			(85,917)
Cash payments from other sources	1,857	532	3,354
Cash payments to other sources	(668)		(12,466)
Net Cash Provided (Used) by Operating Activities	<u>(36,940)</u>	<u>(1,563)</u>	<u>208</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	34,591	3,047	121
Transfers to other funds	(406)		(18,762)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>34,185</u>	<u>3,047</u>	<u>(18,641)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(2,772)	(478)	(1,148)
Principal paid on revenue bond maturities and equipment contracts	(695)	(367)	
Interest paid on revenue bonds and equipment contracts	(270)	(94)	
Proceeds from the sale of capital assets			
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(3,737)</u>	<u>(939)</u>	<u>(1,148)</u>
Cash Flows from Investing Activities			
Purchase of investment securities			(103,177)
Proceeds from the sale of investment securities	5,513	236	55,377
Interest and dividends on investments	1		15,036
Net Cash Provided (Used) in Investing Activities	<u>5,514</u>	<u>236</u>	<u>(32,764)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(978)	781	(52,345)
Cash and Cash Equivalents at July 1	1,114	395	112,335
Cash and Cash Equivalents at June 30	<u>\$ 136</u>	<u>\$ 1,176</u>	<u>\$ 59,990</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (59,742)	\$ (6,245)	\$ 21,438
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	11,835	4,081	204
Interest and other investment income			(10,263)
Miscellaneous nonoperating income (expense)			
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	(73)	414	(809)
Interfund receivables	20	7	89
Inventories	153	246	
Prepaid expenses	(13)		
(Increase) decrease in deferred outflows	(3,330)	(442)	(1,366)
Increase (decrease) in liabilities:			
Accounts payable	3,635	24	(940)
Interfund payables	4,825	37	(709)
Claims liability			(14,627)
Claims adjustment liability			4,631
Compensated absences	122		156
Unearned revenue	186	(390)	
Pension liability	3,546	425	1,677
Other liabilities	(32)		
Increase (decrease) in deferred inflows	1,928	280	727
Net Cash Provided (Used) by Operating Activities	<u>\$ (36,940)</u>	<u>\$ (1,563)</u>	<u>\$ 208</u>
Noncash Investing, Capital, and Financing Activities			
Change in fair value of investments	\$	\$	\$ (588)
Contributions of capital assets	216		
Capital assets acquired through leases		44	
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 216</u>	<u>\$ 44</u>	<u>\$ (588)</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, 2015	Activities - Internal Service Funds
\$ 189,206	\$ 732,792	\$ 1,105,231	\$ 29,497
1,459,621		1,461,842	214,652
(17,955)		(60,964)	(82,690)
(4,044)	(7)	(91,483)	(102,412)
(1,501,007)		(1,586,924)	(43,668)
49,317		55,060	416
(500)	(693,100)	(706,734)	(2,212)
174,638	39,685	176,028	13,583
	94	37,853	63,876
(93,000)	(34,155)	(146,323)	(2,859)
(93,000)	(34,061)	(108,470)	61,017
		(4,398)	(30,572)
		(1,062)	(8,479)
		(364)	(798)
			662
		(5,824)	(39,187)
(50,043)		(153,220)	
300		61,126	6,575
(49,743)		15,337	6,575
		(76,757)	
31,895	5,624	(15,023)	41,988
208,549	3,245	325,638	58,386
\$ 240,444	\$ 8,869	\$ 310,615	\$ 100,374
\$ 291,844	\$ 403,146	\$ 650,441	\$ (32,293)
		16,120	26,662
(500)		(10,263)	(395)
		(500)	
(2,923)	(13,173)	(16,564)	5,051
(900)	(66)	(850)	2,426
		399	(222)
(200)		(213)	399
(364)		(5,502)	(5,426)
(10,495)	(3,326)	(11,102)	4,426
	3,963	8,116	(3,174)
(23,102)		(37,729)	7,120
(5,556)		(925)	(785)
19		297	673
	(2)	(206)	(94)
359		6,007	6,428
(73,700)	(350,857)	(424,589)	
156		3,091	2,787
\$ 174,638	\$ 39,685	\$ 176,028	\$ 13,583
\$	\$	\$ (588)	\$
		216	71
		44	6,989
\$	\$	\$ (328)	\$ 7,060

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, 2015
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 5)	\$ 1,343,832	\$ 246,010
Investments, net of amortization (Note 5)		33,099
Pension trust fund investments (Note 5):		
Corporate and government bonds	8,136,501	
Common stocks	22,258,669	
Mortgages	234,416	
Alternatives	856,386	
Derivatives	1,284,445	
Real estate	1,682,717	
Other	1,531,965	
Invested security collateral	1,476,630	552,146
Receivables, net	975,907	40,842
Prepaid expenses	130	
Capital assets, net	24,830	
Total Assets	<u>39,806,428</u>	<u>872,097</u>
Liabilities		
Investments - accounts payable	592,911	
Accounts payable	20,516	185,037
Amounts held in custody for others		134,914
Obligations under securities lending	1,476,630	552,146
Unearned revenue	4,914	
Total Liabilities	<u>2,094,971</u>	<u>872,097</u>
Net Position		
Restricted for:		
Pension and other post employment benefits	37,711,457	
Total Net Position	<u>\$ 37,711,457</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, 2015
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds
Additions	
Contributions:	
Employer	\$ 1,534,834
Member	891,607
Non-Employer	548,536
Total Contributions	<u>2,974,977</u>
Other Contributions:	
Recovery income	22,998
Participant fees	7,437
Other receipts	23,531
Total Other Contributions	<u>53,966</u>
Investment income:	
Net increase (decrease) in fair value of investments	576,066
Interest	665,336
Dividends	211,397
Real estate operating income, net	28,785
Securities lending income, net	7,046
Total Investment Income	<u>1,488,630</u>
Less: Investment expense	160,449
Less: Securities lending expense	1,238
Net Investment Income	<u>1,326,943</u>
Total Additions	<u>4,355,886</u>
Deductions	
Benefit payments	3,772,226
Refunds	55,929
Administrative expenses	52,058
Self funding insurance costs	246,496
Healthcare premiums subsidies	331,583
Other deductions, net	9
Total Deductions	<u>4,458,301</u>
Change in Net Position	(102,415)
Net Position at July 1	37,813,872
Net Position at June 30	<u>\$ 37,711,457</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 page214

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2015
(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)	\$ 621,961	\$ 151,868	\$ 190,254	\$ 90,268
Restricted cash (Note 5)				
Restricted investments (Note 5)				
Investments, net of amortization (Note 5)	21,702	18,586		84,561
Accounts receivable, net	290,891	117,714	27,221	10,503
Interest receivable	1,885		58	
Inventories	36,196	947		16,827
Prepaid expenses	8,513	2,015		
Other current assets	2,105	10,507	4,694	39,737
Total Current Assets	983,253	301,637	222,227	241,896
Noncurrent assets:				
Restricted cash (Note 5)	315,522	17,028	26,690	
Long-term investments (Note 5)	57,343	803,325	68,303	496,036
Restricted long-term investments (Note 5)	1,449,215	5,899		
Long-term receivables, net	338,953	61,002	6,209	682,917
Capital assets (Note 6):				
Land	73,347	90,524	32,488	1,089
Improvements other than buildings	220,461	28,673	15,405	
Buildings	2,532,165	1,253,445	751,141	5,161
Machinery and equipment	932,926	478,483	201,351	5,038
Infrastructure				
Other capital assets				
Less: Accumulated depreciation and amortization	(1,689,150)	(832,205)	(451,820)	(7,554)
Construction in progress	266,891	33,604	56,016	
Total Capital Assets	2,336,640	1,052,524	604,581	3,734
Other assets	283	10,402		2,485
Total Noncurrent Assets, Net	4,497,956	1,950,180	705,783	1,185,172
Total Assets	5,481,209	2,251,817	928,010	1,427,068
Deferred outflows of resources (Note 15)	13,755	851	18,390	6,591
Liabilities				
Current liabilities:				
Accounts payable and accruals	293,223	98,961	10,631	39,737
Current portion of long-term debt:				
Notes payable (Note 15)	600	7,883		42,831
Bonds payable (Note 15)	19,067	21,024		32,875
Capital lease obligations (Note 10)(Note15)	35,953	4,814	3,034	
Compensated absences (Note 16)	721		1,214	
Claims liability				
Prize liability				
Unearned revenues	97,861	67,334	9,631	
Payable from restricted assets				
Other current liabilities	25,062	21,841	16,231	56,792
Total Current Liabilities	472,487	221,857	40,741	172,235
Noncurrent liabilities:				
Notes payable (Note 15)	18,929	53,802		
Bonds payable (Note 15)	784,172	278,858		914,520
Capital lease obligations (Note 10)	132,351	21,365	24,252	
Prize liability				
Compensated absences (Note 16)	6,579		10,928	
Net pension liability (Note 8) (Note 15)			383,994	70,519
Other long-term liabilities	382,064	127,432	846	16,514
Total Noncurrent Liabilities	1,324,095	481,457	420,020	1,001,553
Total Liabilities	1,796,582	703,314	460,761	1,173,788
Deferred inflows of resources (Note 15)	241,124	3,671	17,686	906
Net Position				
Net investment in capital assets	1,422,560	670,437	577,295	3,734
Restricted for:				
Debt service	724	16,435		219,745
Capital projects	128,734	30,603	25,871	
Other purposes (Note 1)	907,606	768,143	81,739	25,660
Unrestricted	997,634	60,065	(216,952)	9,826
Total Net Position	\$ 3,457,258	\$ 1,545,683	\$ 467,953	\$ 258,965

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

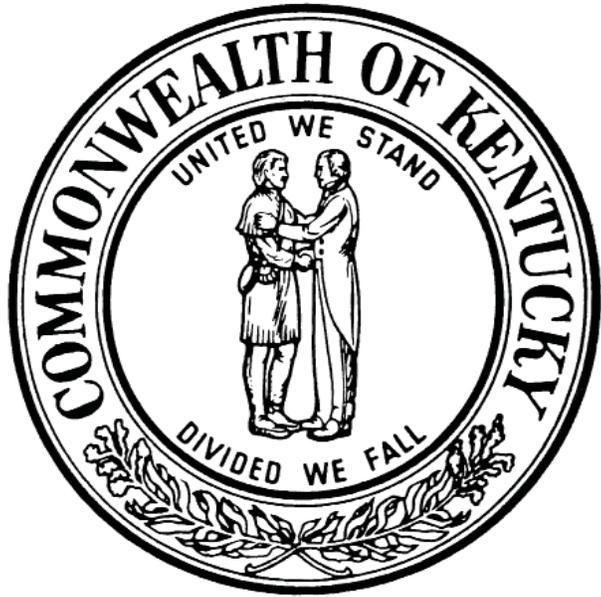
AUTHORITIES				
Kentucky Higher Education Student Loan Corporation	Kentucky Lottery Corporation	Kentucky Public Transportation Infrastructure Authority	Non-Major Component Units	All Component Units Totals June 30, 2015
\$ 13,851	\$ 3,775	\$ 124,653	\$ 436,186	\$ 1,632,816
	2,376		70,076	72,452
		83,823		83,823
	6,538		386,899	518,286
217	35,177		199,192	680,915
12,610		212	2,128	16,893
			8,300	62,270
656	67		15,711	26,962
135,304	711		5,743	198,801
<u>162,638</u>	<u>48,644</u>	<u>208,688</u>	<u>1,124,235</u>	<u>3,293,218</u>
62,804			208,982	631,026
8,360	20,194		210,977	1,664,538
		148,125	304,629	1,907,868
1,031,374			936,960	3,057,415
	442		100,751	298,641
	350		244,013	508,902
	7,647		2,676,291	7,225,850
12,367	22,374		432,690	2,085,229
		23,421		23,421
		7,088	142,463	149,551
(12,053)	(24,124)		(1,632,961)	(4,649,867)
		830,584	120,829	1,307,924
<u>314</u>	<u>6,689</u>	<u>861,093</u>	<u>2,084,076</u>	<u>6,949,651</u>
	247		18,570	31,987
<u>1,102,852</u>	<u>27,130</u>	<u>1,009,218</u>	<u>3,764,194</u>	<u>14,242,485</u>
<u>1,265,490</u>	<u>75,774</u>	<u>1,217,906</u>	<u>4,888,429</u>	<u>17,535,703</u>
<u>4,149</u>			<u>87,618</u>	<u>131,354</u>
13,193	10,240	36,377	86,181	588,543
16,445			15,386	83,145
850			57,367	131,183
			11,900	55,701
2,344	139		25,629	30,047
	27,820		1,999	1,999
			38,181	27,820
			6,366	213,007
			21,435	6,366
<u>32,832</u>	<u>38,199</u>	<u>36,377</u>	<u>264,444</u>	<u>1,279,172</u>
1,064,673		760,715	21,763	94,494
			845,808	4,648,746
	15,697		134,638	312,606
	1,020		932	15,697
71,434			1,662,515	19,459
			59,220	2,188,462
<u>1,136,107</u>	<u>16,717</u>	<u>760,715</u>	<u>2,724,876</u>	<u>586,076</u>
<u>1,168,939</u>	<u>54,916</u>	<u>797,092</u>	<u>2,989,320</u>	<u>7,865,540</u>
<u>20,931</u>			<u>86,192</u>	<u>9,144,712</u>
				<u>370,510</u>
314	6,689	429,760	1,303,287	4,414,076
62,599			2,503	302,006
			57,249	242,457
10,571			1,673,198	3,466,917
6,285	14,169	(8,946)	(1,135,702)	(273,621)
<u>\$ 79,769</u>	<u>\$ 20,858</u>	<u>\$ 420,814</u>	<u>\$ 1,900,535</u>	<u>\$ 8,151,835</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015
(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	\$ 2,609,253	\$ 1,107,874	\$ 639,110	\$ 294,262
Total Expenses	<u>2,609,253</u>	<u>1,107,874</u>	<u>639,110</u>	<u>294,262</u>
Program Revenues:				
Charges for services	2,084,282	681,277	104,978	93,745
Operating grants and contributions	407,085	165,833	89,343	208,579
Capital grants and contributions	45,872			
Total Program Revenues	<u>2,537,239</u>	<u>847,110</u>	<u>194,321</u>	<u>302,324</u>
Net Program (Expense) Revenue	<u>(72,014)</u>	<u>(260,764)</u>	<u>(444,789)</u>	<u>8,062</u>
General Revenues:				
Unrestricted grants and contributions	113,264	111,063	225,963	
Unrestricted investment earnings	15,435	(28,978)	1,775	
Gain on sale of capital assets				
Miscellaneous general	256,721	150,360	202,777	
Total General Revenues	<u>385,420</u>	<u>232,445</u>	<u>430,515</u>	
Change in Net Position	<u>313,406</u>	<u>(28,319)</u>	<u>(14,274)</u>	<u>8,062</u>
Net Position at July 1, As Restated (Note 2)	3,143,852	1,574,002	482,227	250,903
Net Position at June 30	<u>\$ 3,457,258</u>	<u>\$ 1,545,683</u>	<u>\$ 467,953</u>	<u>\$ 258,965</u>

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, 2015
\$ 33,507	\$ 893,567	\$ 39,241	\$ 1,773,060	\$ 7,389,874
33,507	893,567	39,241	1,773,060	7,389,874
33,532	886,930		764,728	4,649,472
			368,682	1,239,522
		91,947	12,107	149,926
33,532	886,930	91,947	1,145,517	6,038,920
25	(6,637)	52,706	(627,543)	(1,350,954)
			219,678	669,968
	716		12,596	1,544
			51	51
		348	425,831	1,036,037
	716	348	658,156	1,707,600
25	(5,921)	53,054	30,613	356,646
79,744	26,779	367,760	1,869,922	7,795,189
\$ 79,769	\$ 20,858	\$ 420,814	\$ 1,900,535	\$ 8,151,835



NOTES TO FINANCIAL STATEMENTS

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Note 1

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

For financial reporting purposes, the Commonwealth of Kentucky includes all fund types, departments, and agencies of the Commonwealth, as well as boards, commissions, authorities, corporations, colleges, and universities. These organizational units comprise the reporting entity of the Commonwealth and are reported in accordance with GASB 14, as amended by GASB 39 and GASB 61. 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 136 and 137 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 Common-

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wealth and 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 authority 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 it will and there also exists a financial benefit/burden relationship.

Kentucky Center for the Arts Corporation (KRS 153.410)

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

Kentucky Educational Television Authority (KET) (KRS 168.030)

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

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

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

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

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

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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. The Kentucky Lottery Corporation provides significant revenues to the Commonwealth creating a financial benefit/burden relationship.

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, 2015 and amounts included are for the year then ended. The Commonwealth provides significant operating support to the Foundation, creating a financial benefit/burden relationship.

Universities, Colleges, and Related Entities (KRS 164.350)

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

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C. Government-Wide Financial Statements

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

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

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

- (1) **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:	<u>Primary Government</u>	Major Component Units
	<u>Business Type Activities</u>	
Loans	\$	\$ 47,981
Education		11,039
Instruction		3,701
Scholarships and Fellowships		1,055,206
Research		666,487
Claims	61,774	
Public Service		9,305
Totals	<u>\$ 61,774</u>	<u>\$ 1,793,719</u>

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

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The Statement of Activities categorizes program revenues into three groups: charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type. The sales and gross receipts taxes reflected on the statement of activities for the governmental activities include various taxes that are computed using sales price or gross receipts of the reporting entity. For fiscal year 2015, the total amount of sales and gross receipts tax reported in the government wide statements was \$5,714,299,000 and comprised of:

**Sales and Gross Receipts Tax
(Expressed in Thousands)**

Sales and Use Tax	\$	3,292,068
Motor Fuels Tax		844,819
Motor Vehicles Usage Tax		433,061
Healthcare Provider Tax		300,322
Tobacco Products Tax		248,834
Insurance Premiums Tax		152,122
Limited Liability Entity Tax		230,632
Alcoholic Beverage Tax		132,671
Telecommunications Tax		65,137
Transient Room Tax		12,393
Parimutuel and Race Track Admission Tax		2,241
Total Sales and Gross Receipts Tax	<u>\$</u>	<u>5,714,300</u>

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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 are restricted or committed to activities related to the preservation and maintenance of roads.

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

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

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

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

Proprietary Funds

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expenses when they occur, regardless of the timing of the cash flows. On the statement of revenues, expenses, and changes in net 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 Kentucky Reclamation Guaranty Fund.

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.

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E. Presentation of Component Units

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

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

- Kentucky Community and Technical College System
- Kentucky Housing Corporation
- Kentucky Higher Education Student Loan Corporation
- Kentucky Lottery Corporation
- 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 2015, the primary government provided \$279,611,300 to the University of Kentucky, \$190,162,300 to the Kentucky Community and Technical College System, \$139,714,688 to the University of Louisville, and \$198,977,887 to the Kentucky Higher Education Assistance Authority. The Commonwealth contributed capital in the amount of \$91,947,020 to the Kentucky Public Transportation Infrastructure Authority. In addition, the State received \$233,067,958 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, 2015 are \$1,363,601,000.

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 2015, 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.

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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, food stamps, disability determinations, mental health services, health insurance for children, physical health services and non-emergency transportation.

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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)

	Major Special Revenue Funds			
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund
Fund Balances:				
Nonspendable:				
Inventories	\$ 6,230	\$ 64,190	\$ 546	\$ 7,235
Cash with fiscal agents				
Restricted for:				
Government administration				98,768
Legislative and Judicial				12,450
Commerce				102,592
Education				47,147
Health and human services				52,245
Environmental and natural resources				21,502
Justice				17,687
Public Protection				63,996
Transportation		479,343		88,272
Debt service				
Committed to:				
Government administration				8,502
Commerce				43
Education				149
Health and human services				7
Environmental and natural resources				1,126
Justice				15
Public Protection				7,479
Transportation				15,572
Assigned to:				
Government administration	8,828			5,997
Legislative and Judicial	15,694			1,628
Commerce	25			353
Education	1,651			1,798
Health and human services				1,771
Environmental and natural resources				168
Justice				250
Public Protection	674			
Transportation	197			25
Unassigned	71,060		(59,950)	
Total Fund Balances	\$ 104,359	\$ 543,533	\$ (59,404)	\$ 556,777

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Capital Projects Fund	Debt Service Fund	Total
\$	\$	\$
	18,954	78,201 18,954
151,878		250,646
7,291		19,741
68,541		171,133
4,343		51,490
15,978		68,223
15,548		37,050
5,893		23,580
1,529		65,525
31,503		599,118
	1,132	1,132
		8,502
		43
		149
		7
		1,126
		15
		7,479
		15,572
		14,825
		17,322
		378
		3,449
		1,771
		168
		250
		674
		222
		11,110
\$ 302,504	\$ 20,086	\$ 1,467,855

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N. Deferred Outflows/Inflows

Deferred Outflows/Inflows - GASB 63, 68, and 71 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 allows 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 \$2,271,570,552 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, 2015, the Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Commonwealth.

GASB Statement No. 72 – Fair Value Measurement and Application. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

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The requirements of this Statement will enhance accounting and financial reporting for Postemployment Benefits Other Than Pensions that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit Postemployment Benefits Other Than Pensions, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit Postemployment Benefits Other Than Pensions will also be addressed.

GASB Statement No. 77 – Tax Abatement Disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

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. 68 – Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.

These standards require the recognition of the entire net pension liability, a more comprehensive measure of pension expense and enhanced disclosures relating to the pension.

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: Governmental Activities restated net position due to the implementation of GASB 68 and 71 and includes a reduction of capital assets of \$77,454,000 for items capitalized in error. The effect on net position is a decrease of \$24,409,540,000

Business Type Activities: Business Type Activities restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$218,166,000.

Enterprise Service Funds:

Kentucky State Parks – Kentucky State Parks restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$121,906,000.

Kentucky Horse Park – Kentucky Horse Park restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$15,834,000.

Insurance Administration – Insurance Administration restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$69,075,000.

Kentucky Public Employees Health Plan – Kentucky Public Employees Health Plan restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$11,351,000.

Internal Service Funds:

Fleet Management – Fleet Management restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$4,552,000.

Computer Services - Computer Services restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$137,703,000.

Prison Industries – Prison Industries restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$12,645,000.

Central Printing – Central Printing restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$3,056,000.

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Property Management – Property Management restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$40,095,000.

Risk Management – Risk Management restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$5,252,000.

Component Units – Authorities:

Kentucky River Authority – Kentucky River Authority restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$2,263,000.

Kentucky Higher Education Assistance Authority – Kentucky Higher Education Assistance Authority restated net position due to a reclassification of an account receivable and the implementation of GASB 68 and 71. The effect on net position is a decrease of \$24,640,000.

Bluegrass State Skills Corporation – Bluegrass State Skills Corporation restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$406,000.

Kentucky State Fair Board – Kentucky State Fair Board restated net position due to a reclassification of an accounts receivable and the implementation of GASB 68 and 71. The effect on net position is a decrease of \$46,328,000.

Kentucky Authority for Educational Television – Kentucky Authority for Educational Television restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$36,100,000.

Kentucky Economic Development Finance Authority – Kentucky Economic Development Finance Authority restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$4,495,000.

Kentucky Artisan Center – Kentucky Artisan Center restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$3,005,000.

Kentucky Infrastructure Authority – Kentucky Infrastructure Authority restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$3,949,000.

Kentucky Agricultural Finance Corporation – Kentucky Agricultural Finance Corporation restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$540,000.

Kentucky Housing Corporation - Kentucky Housing Corporation restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$66,095,000.

Kentucky Higher Education Student Loan Corporation - Kentucky Higher Education Student Loan Corporation restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$66,953,000.

Kentucky Public Transportation Infrastructure Authority - Kentucky Public Transportation Infrastructure Authority restated net position due to a reclassification of Construction in Progress and Contributed Capital. The effect on net position is a decrease of \$75,710,000.

Component Units – Universities, Colleges, and Related Entities:

Kentucky Community and Technical College System – Kentucky Community and Technical College System restated net position due to a change in accounting policy and the implementation of GASB 68 and 71. The effect on net position is a decrease of \$360,581,000.

Eastern Kentucky University – Eastern Kentucky University restated net position due to a reclassification of pledges receivable and the implementation of GASB 68 and 71. The effect on net position is a decrease of \$378,102,000.

Western Kentucky University – Western Kentucky University restated net position due to an investment and the implementation of GASB 68 and 71. The effect on net position is a decrease of \$400,842,000.

Morehead State University – Morehead State University restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$194,218,000.

Murray State University – Murray State University restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$230,675,000.

Northern Kentucky University – Northern Kentucky University restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$210,436,000.

Kentucky State University – Kentucky State University restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$93,363,000.

Kentucky Council on Postsecondary Education – Kentucky Council on Postsecondary Education restated net position due to the implementation of GASB 68 and 71. The effect on net position is a decrease of \$17,684,000.

Restatement of all Component Units - results in an overall decrease in net position of \$2,216,385,000.

Note 3

**STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY**

A. Governmental Activities – The governmental activities has a net position deficit of \$14,141,511,000. The deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71.

B. Federal Fund – The Federal Fund has a net position deficit of \$59,404,000. The deficit is a result of expenditure accruals, which will be funded in future periods.

C. Enterprise Funds – The Insurance Administration Fund has a net position deficit of \$618,738,000. The deficit is a result of accumulated claims liability estimated by actuarial methods for the risk pools, which will be funded in future periods.

D. Internal Service Funds – The Risk Management Fund has a net position deficit of \$207,439,000. 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 \$3,740,000. 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. The Computer Services Fund has a net position deficit of \$120,595,000. This deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71. The Prison Industries Fund has a net position deficit of \$3,796,000. This deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71.

E. Component Units – Authorities – The Bluegrass State Skills Corporation has a net position deficit of \$409,000. This deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71. The Kentucky Authority for Educational Television has a net position deficit of \$11,690,000. This deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71. The Kentucky Council on Postsecondary Education has a net position deficit of \$8,754,000. This deficit is a result of the recognition of the Net Pension Liability net pension liability, in accordance with GASB 68 and 71. Eastern Kentucky University has a net deficit of \$4,977,000. This deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2015

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, 2015. 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, 2015. 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 Governmental Activities	Business-Type Activities	Total Primary Government
	Major Funds	Non-major Funds	Internal Service Funds		Major Funds	
Current Payables						
Personal services	\$ 164,377	\$ 786	\$ 5,529	\$ 170,692	\$ 5,311	\$ 176,003
Utilities, rental and other services	14,087	332	2,217	16,636	1,737	18,373
Commodities and supplies	9,321	162	1,969	11,452	1,631	13,083
Claims	(2,472)		3,046	574	21,654	22,228
Grants and subsidies	1,316,371	13,673	32	1,330,076	32,154	1,362,230
Capital outlay	73,647	2	215	73,864	285	74,149
Travel	1,997	13	9	2,019	34	2,053
Judgements	1,629			1,629	3	1,632
Interest Payable	112,891	7	41	112,939	45	112,984
Other	120,818	18	1,660	122,496	(150)	122,346
Total Current Payables	<u>\$ 1,812,666</u>	<u>\$ 14,993</u>	<u>\$ 14,718</u>	<u>\$ 1,842,377</u>	<u>\$ 62,704</u>	<u>\$ 1,905,081</u>
Current Receivables						
Charges for services	\$ 73,180	\$ 139,647	\$ 766	\$ 213,593	\$ 18,990	\$ 232,583
Taxes receivable	1,882,733	99,067		1,981,800	226	1,982,026
Investment receivable	1,827	830		2,657	36	2,693
Intergovernmental revenue	1,082,341	24		1,082,365	5,309	1,087,674
Other	70,137	61,614	351	132,102	295,753	427,855
Allowances for uncollectibles	(910,732)	(110,433)		(1,021,165)	(15,567)	(1,036,732)
Total Current Receivables	<u>\$ 2,199,486</u>	<u>\$ 190,749</u>	<u>\$ 1,117</u>	<u>\$ 2,391,352</u>	<u>\$ 304,747</u>	<u>\$ 2,696,099</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2015

Taxes Receivable
(Expressed in Thousands)

	Governmental Activities		Total Primary Government
	Major Funds	Non-Major Funds	
Current Taxes Receivable			
Sales and gross receipts	\$ 890,760	\$ 7,134	\$ 897,894
Individual income	717,984		717,984
Corporate	95,220	11	95,231
Property	119,870		119,870
License and privilege	1,165	6,244	7,409
Coal severance	36,234	4,430	40,664
Inheritance and estate	8,913	3,085	11,998
Miscellaneous	12,587	78,163	90,750
Total Current Taxes Receivable	<u>\$ 1,882,733</u>	<u>\$ 99,067</u>	<u>\$ 1,981,800</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, 2015, are as follows (Expressed in Thousands):

	Principal	Interest	Total
2016	\$ 25,140	\$ 6,380	\$ 31,520
2017	20,390	5,372	25,762
2018	21,335	4,421	25,756
2019	16,000	3,564	19,564
2020	13,395	2,919	16,314
2021-2025	38,330	6,995	45,325
2026-2030	8,095	2,810	10,905
2031-2035	6,625	639	7,264
Total leases receivable	<u>\$ 149,310</u>	<u>\$ 33,100</u>	<u>\$ 182,410</u>

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2015

Note 5

EQUITY IN POOLED CASH AND INVESTMENTS, CASH, AND INVESTMENTS

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

PRIMARY GOVERNMENT

Custodial Credit Risk-Deposits – The custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. At year end, the carrying amount of the Commonwealth's deposits for the Primary Government, excluding pension and (OPEB) trust funds, was \$1,141,333,000 and the bank balance was \$1,141,333,000. 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 repurchase agreement. The fair value of securities underlying repurchase agreements fell below this required level on a few occasions during the year; however, no losses were sustained due to the fall in collateralization

levels. The collateralization is monitored on a weekly basis (as specified within 200 KAR 14.081) and at any point where the collateralization falls below 102 percent of the cost of the repurchase agreement, the seller/borrower is contacted and the situation is normally rectified within two business days.

Securities Lending Program – State statutes authorize the Commonwealth to enter into securities lending agreements. The Commonwealth has entered into an agent agreement. The agent lends the Commonwealth's US Treasuries, agencies and corporate bonds in exchange for cash. The cash is invested in short-term securities. After rebate and expenses the Commonwealth receives 85 percent of the profit earned. The securities transferred are a part of the total investments reported above. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. The Commonwealth retains the interest income on the securities being transferred. During the year, the Commonwealth earned \$3,322,912 in securities lending income. On June 30, 2015, the fair value of the securities transferred was \$1,378,283,303 and the fair value of the securities purchased by the Commonwealth was \$1,381,109,208. The collateralization requirements and monitoring procedures in the securities lending program are similar to those requirements in regard to repurchase agreements. The Commonwealth requires 100% 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, 2015, the portfolio had no obligations under option. The Commonwealth also purchases securities that have built in covered calls (callable agency securities). The risk in holding these securities is the risk that the security can be called (bought back) by the issuing agency at par either on or after a specific date.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2015

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, 2015, are presented below. All investments are presented by investment type.

Cash And Investments By Type

Primary Government

(Expressed in Thousands)

I. Cash:

	Carrying Amount	Bank Balance
Cash	\$ 1,059,067	\$ 1,059,067
Cash with Fiscal Agents	82,266	82,266
Total Cash	<u>\$ 1,141,333</u>	<u>\$ 1,141,333</u>

II. Investments:

Investments Managed Based Upon Duration

Debt Securities

	Fair Value	Effective
Cash Equivalents	\$ 872,595	0.078
Fixed Income Mutual Funds	243,614	0.003
U.S. Government & Agency Obligations	705,818	0.880
Mortgage-Backed Securities	215,654	1.486
Corporate Obligations	129,796	1.826
Asset Backed Securities	77,110	0.924
Municipal Obligations	18,439	1.181
Total Debt Securities	<u>2,263,026</u>	
Portfolio Effective Weighted Duration		<u>0.592</u>

Other Investments

Fixed Income Mutual Funds	11,282
Common Stock	1,698
Securities Lending Invest	1,381,110
Total Other Investments	<u>1,394,090</u>
Total Investments	<u>\$ 3,657,116</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2015

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, 2015, and the ratings are presented in the following table.

Investments and Credit Ratings

Primary Government

(Expressed in Thousands)

	<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	\$ 18,674	\$ 378,776	\$ 89,676	\$ 385,469	\$	\$ 872,595
Fixed Income Mutual Funds	243,614				11,282	254,896
U.S. Government &						
Agency Obligations	26,694	679,124				705,818
Mortgage-Backed Securities	215,654					215,654
Corporate Obligations	10,665	36,449	82,682			129,796
Common Stock					1,698	1,698
Asset Backed Securities	77,110					77,110
Municipal Obligations	4,548	11,889	2,002			18,439
Securities Lending					1,381,110	1,381,110
Total Investments	<u>\$ 596,959</u>	<u>\$ 1,106,238</u>	<u>\$ 174,360</u>	<u>\$ 385,469</u>	<u>\$ 1,394,090</u>	<u>\$ 3,657,116</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, 2015, the primary government had no investments which would constitute a concentration of credit risk.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2015

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 \$283,768,000 and the bank balance was \$283,768,000.

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 \$10,387,000 which are uninsured and not registered in the name of the Commonwealth but are held by the counterparty.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2015

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, 2015, are presented below. All investments are presented by investment type.

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

(Expressed in Thousands)

I. Cash

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash	\$ 273,138	\$ 273,138
Money Market	10,630	10,630
Total Cash	<u>\$ 283,768</u>	<u>\$ 283,768</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	<u>Fair Value</u>	<u>< 1 year</u>	<u>1-5 Years</u>	<u>6-15 Years</u>
U.S. Government & Agency Obligations	\$ 29,223	\$ 3,669	\$ 20,369	\$ 5,185
Corporate Obligations	72,561	4,983	39,900	27,678
Municipal Obligations	4,065	510	2,834	721
Total Debt Securities	<u>105,849</u>	<u>\$ 9,162</u>	<u>\$ 63,103</u>	<u>\$ 33,584</u>

Investments Managed Based Upon Duration

Debt Securities	<u>Fair Value</u>	<u>Effective</u>	<u>Modified</u>	<u>Macaulay</u>
Cash Equivalents	650,188	0.010		
Cash Equivalents	456,916		5.374	
Fixed Income Mutual Funds	444,963		0.049	
U.S. Government & Agency Obligations	853,330	7.161		
U.S. Government & Agency Obligations	1,483,227		4.318	
Mortgage-Backed Securities	234,416	17.315		
Mortgage-Backed Securities	74,990		2.467	
Corporate Obligations	2,361,010	7.015		
Corporate Obligations	944,167		6.273	
Asset Backed Securities	82,127	11.014		
Asset Backed Securities	126,693		5.757	
Municipal Obligations	486,444	12.841		
Municipal Obligations	36,304		7.328	
Guaranteed Investment Contract/Annuities	679,266			3.260
Other	471,658		0.078	
Other	528,262			8.109
Total Debt Securities	<u>9,913,961</u>			
Portfolio Weighted Effective Duration		<u>7.260</u>		
Portfolio Weighted Modified Duration			<u>3.967</u>	
Portfolio Weighted Macaulay Duration				<u>5.381</u>

Other Investments

Common Stock	20,095,920
Pooled Investments	11,359
Limited Partnerships	3,380,139
Real Estate	1,682,717
Securities Lending	1,476,630
Other Investments	1,939,865
Total Other Investments	<u>28,586,630</u>
Total Investments	<u>\$ 38,606,440</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2015

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, 2015, and the ratings are presented in the following table.

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

(Expressed in Thousands)

<u>Quality Rating</u>	<u>Amount</u>
AAA	\$ 411,845
AA+	260,703
AA	1,564,801
AA-	60,808
A+	45,793
A	756,712
A-	92,338
BBB+	98,181
BBB	703,012
BBB-	159,827
BB+	181,985
BB	432,503
BB-	127,119
B+	178,210
B	517,854
B-	107,350
CCC+	55,944
CCC	30,009
CCC-	3,373
CC	3,132
D	4,636
Not Rated	2,747,613
Total Credit Risk Debt Securities	8,543,748
Cash Equivalents	650,188
U.S. Government & Agencies	829,261
Common Stock	20,095,920
Pooled Investments	11,359
Limited Partnerships	3,380,139
Real Estate	1,682,717
Securities Lending	1,476,630
Other	1,936,478
Total Investments	\$ 38,606,440

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, 2015.

<u>Asset Description</u>	<u>Amount</u>
Fixed Contract Fund	\$679,266,000
T Rowe Price Mid Cap Growth	327,596,000
Fidelity Contrafund	256,496,000
Vanguard Wellington	257,486,000
Fidelity Growth Co	213,080,000
Vanguard Institutional Index Fund	144,361,000

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2015

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, 2015, are presented in the following table.

Foreign Currency Risk

Pension and (OPEB) Trust Funds (Expressed in Thousands)

Foreign Currency	Short Term	Equity	Debt	None Designated	Total
Australian Dollar	\$ 100	\$ 146,629	\$ 49,552	\$	\$ 196,281
Bermudian Dollar		102,755	3,445		106,200
Brazilian Real		63,052	2,020		65,072
British Pound Sterling	1,031	888,162	50,493		939,686
Canadian Dollar	236	293,734	136,815		430,785
Cayman Islands Dollar		74,601	8,990		83,591
Chilean Peso		7,482			7,482
Chinese Yuan		184,342			184,342
Columbian Peso		721			721
Czech Crown		303			303
Danish Krone		103,980	834		104,814
Dominican Peso			155		155
Egyptian Pound		2,140			2,140
Euro	264	1,740,174	135,475		1,875,913
German Mark		209			209
Hong Kong Dollar	52	201,937			201,989
Hungarian Forint		3,013			3,013
Indian Rupee		99,893	611		100,504
Indonesian Rupiah		33,727	584		34,311
Israeli New Shekel		45,558	10		45,568
Japanese Yen	136	740,320	11,430		751,886
Jersey Pound		89,974	5,465		95,439
Jordanian Dinar			6,039		6,039
Liberian Dollar		1,876	1,424		3,300
Malaysian Ringgit		4,532	380		4,912
Mexican Peso	136	60,335	11,570		72,041
Moroccan Dirham			2,961		2,961
Netherlands Antillean Guilder		52,125			52,125
New Taiwan dollar		2,324			2,324
New Zealand Dollar	7	12,162	299		12,468
Norwegian Krone	10	46,447	8,709		55,166
Panamanian Balboa		14,765			14,765
Peruvian Nuevo Sol		5,961			5,961
Philippine Peso		17,207			17,207
Polish Zloty		3,615	647		4,262
Riyal		1,218			1,218
Russian Ruble		27,898	(12)		27,886
Singapore Dollar	1	64,274			64,275
South African Rand	19	39,292	229		39,540
South Korean Won		75,451	7,901		83,352
Swedish Krona	32	154,213	23,119		177,364
Swiss Franc		287,808	12,764		300,572
Taiwan Dollar		77,612			77,612
Thai Bhat		25,767			25,767
Turkish Lira		19,447	2,183		21,630
UAE Dirham		10,250			10,250
Various		12,177	656		12,833
American Funds Euro Pacific Growth Fund		83,007			83,007
Dodge & Cox International Stock Fund		27,677			27,677
DFA International Small Cap		19,275			19,275
Vanguard Total International Stock Fund		3,512			3,512
Total Securities Subject To Foreign Currency Risk	2,024	5,972,933	484,748		6,459,705
USD (Securities Held By Intl Investment Mgrs)				14,194,998	14,194,998
Total International Investment Securities	\$ 2,024	\$ 5,972,933	\$ 484,748	\$ 14,194,998	\$ 20,654,703

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, 2015, 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, 2015. More detail on those individual investment derivatives may be found in the audited financial statements of Kentucky Retirement Systems.

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Notes to the Financial Statements
June 30, 2015

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 \$1,621,050,000 and bank balance was \$1,574,579,000.

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, 2015.

Custodial Risk

Discretely Presented Major Component Units

(Expressed in Thousands)

I. Deposits

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

Deposits are uninsured and

a) uncollateralized;	\$	4,963
b) collateralized with securities held by the pledging financial institution; or		26,680
Total Deposits Subject To Custodial Credit Risk	<u>\$</u>	<u>31,643</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	\$	1,519,269
(b) the counterparty's trust department or agent but not in the Commonwealth's name.		184,322
Total Non-Current Cash And Investments Subject To Custodial Credit Risk	<u>\$</u>	<u>1,703,591</u>

Investment Types:

	<u>Type A (counterparty)</u>	<u>Type B (trust or agent)</u>
Debt Securities		
Cash Equivalents	\$	\$ 61,485
Fixed Income Mutual Funds	735,968	21,059
U.S. Government & Agency Obligations	10,108	2,589
Corporate Obligations	2,859	
Municipal Obligations	12,487	
Total Debt Securities	<u>761,422</u>	<u>85,133</u>
Other Investments		
Cash Equivalents	499	386
Fixed Income Mutual Funds	80,615	
Common Stock	38,837	44,057
Alternatives	472,893	
Real Estate	1,178	287
Funds Held In Trust By Others		51,945
Other Various	163,825	2,514
Total Other Investments	<u>757,847</u>	<u>99,189</u>
Total Type A	<u>1,519,269</u>	<u>184,322</u>
Total Non-Current Cash And Investments Subject To Custodial Credit Risk		<u>\$ 1,703,591</u>

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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, 2015.

Cash And Investments By Type
Discretely Presented Major Component Units

(Expressed in Thousands)

I. Cash

	Carrying Amount	Bank Balance
Cash	\$ 595,750	\$ 549,279
Money Market	267,291	267,291
Other	758,009	758,009
Total Cash	<u>\$ 1,621,050</u>	<u>\$ 1,574,579</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	Fair Value	< 1 year	1-5 Years	6-10 Years	> 10 Years
Cash Equivalents	\$ 68,861	\$ 62,041	\$ 1,127	\$ 978	\$ 4,715
U.S. Government & Agency Obligations	229,509	53,389	162,282	13,331	507
Corporate Obligations	52,767	2,410	38,527	7,009	4,821
Guaranteed Investment Contract/Annuities	3,786		56	159	3,571
Total Debt Securities	<u>354,923</u>	<u>\$ 117,840</u>	<u>\$ 201,992</u>	<u>\$ 21,477</u>	<u>\$ 13,614</u>

Investments Managed Based Upon Duration

Debt Securities	Fair Value	Effective	Modified
Cash Equivalents	70,467		
Fixed Income Mutual Funds	21,059	4.800	
Fixed Income Mutual Funds	216,841		0.340
U.S. Government & Agency Obligations	151,064	4.425	
U.S. Government & Agency Obligations	11,503		2.577
Mortgage Backed Securities	363,215	2.420	
Corporate Debt	4,211	2.480	
Corporate Debt	8,050		0.660
Total Debt Securities	<u>846,410</u>		
Portfolio Effective Weighted Duration		<u>2.720</u>	
Portfolio Modified Weighted Duration			<u>0.460</u>

Other Investments

Fixed Income Mutual Funds	77,691
Common Stock	624,155
Corporate Bonds	2,859
Mortgage Loans	287
Alternatives	1,096,815
Real Estate	106,886
Funds Held In Trust By Others	51,945
Other	110,039
Total Other Investments	<u>2,070,677</u>
Total Investments	<u>\$ 3,272,010</u>

COMMONWEALTH OF KENTUCKY
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Credit Risk of Debt Securities

The major discretely presented component units, investments as of June 30, 2015, and the ratings are presented in the following table.

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.

Investments and Credit Ratings
Discretely Presented Major Component Units

(Expressed in Thousands)

	<u>Standard & Poor's/Moody's Credit Ratings</u>						Total Fair Value of Investments	
	<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>
Cash Equivalents	\$	\$	\$	\$	\$	\$ 138,841	\$ 487	\$ 139,328
Fixed Income Mutual Funds			21,059			80,615	215,666	317,340
U.S. Government & Agency Obligations	255,757	187,005		195	863	25,184	9,046	478,050
Mortgage Backed Securities	363,215							363,215
Corporate Obligations	9,611	5,243	19,569	23,335	8,054	3,250		69,062
Common Stock						82,894	541,262	624,156
Municipal Obligations	1,834	11,133						12,967
Guaranteed Investment Contracts/Annuities		159					3,627	3,786
Alternatives						611,542	485,274	1,096,816
Real Estate						1,178	105,708	106,886
Funds Held In Trust								
By Others						51,945		51,945
Other						8,313	146	8,459
Total Investments	\$ 630,417	\$ 203,540	\$ 40,628	\$ 23,530	\$ 8,917	\$ 1,003,762	\$ 1,361,216	\$ 3,272,010

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

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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 16%, 46%, 23% and 12%, 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, 2015. The university has \$6,971,000 in a pooled private equity fund, \$5,174,000 in a pooled real estate fund, \$38,289,000 in common stock and \$720,000 in cash equivalents.

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Notes to the Financial Statements
June 30, 2015

Note 6

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015
(Expressed in Thousands):

	Primary Government			Ending Balance
	Beginning Balance Restated	Additions	Decreases	
Primary Government:				
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 216,387	\$ 3,938	\$ (824)	\$ 219,501
Construction in progress	1,770,030	619,545	(477,704)	1,911,871
Infrastructure	19,880,500	463,903	(113,613)	20,230,790
Easements and Other Intangibles	132,999	2,038		135,037
Total capital assets not being depreciated	<u>21,999,916</u>	<u>1,089,424</u>	<u>(592,141)</u>	<u>22,497,199</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	21,395	4,550		25,945
Buildings	1,387,996	24,635	(12,944)	1,399,687
Machinery and Equipment	644,285	62,133	(63,097)	643,321
Easements and Other Intangibles	44,576			44,576
Total capital assets, being depreciated/amortized	<u>2,098,252</u>	<u>91,318</u>	<u>(76,041)</u>	<u>2,113,529</u>
<i>Less accumulated depreciation/amortization:</i>				
Improvements other than buildings	(9,789)	(814)		(10,603)
Buildings	(589,854)	(32,875)	10,196	(612,533)
Machinery and Equipment	(423,200)	(57,694)	51,631	(429,263)
Easements and Other Intangibles	(17,009)	(4,032)		(21,041)
Total accumulated depreciation	<u>(1,039,852)</u>	<u>(95,415)</u>	<u>61,827</u>	<u>(1,073,440)</u>
Total capital assets, being depreciated/amortized, net	<u>1,058,400</u>	<u>(4,097)</u>	<u>(14,214)</u>	<u>1,040,089</u>
Governmental activities capital assets, net	<u>\$ 23,058,316</u>	<u>\$ 1,085,327</u>	<u>\$ (606,355)</u>	<u>\$ 23,537,288</u>
Business-type activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,583	\$ 240	\$ (89)	\$ 21,823
Construction in progress	23,720	2,245	(89)	25,876
Total capital assets, not being depreciated	<u>45,303</u>	<u>2,485</u>	<u>(89)</u>	<u>47,699</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	144,933			144,933
Buildings	339,873	89		339,962
Machinery and Equipment	21,094	1,352	(647)	21,799
Easements and Other Intangibles	2,322			2,322
Total capital assets, being depreciated/amortized	<u>508,222</u>	<u>1,441</u>	<u>(647)</u>	<u>509,016</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(71,145)	(4,082)		(75,227)
Buildings	(139,686)	(10,964)		(150,650)
Machinery and Equipment	(13,041)	(957)	565	(13,433)
Easements and Other Intangibles	(1,455)	(116)		(1,571)
Total accumulated depreciation	<u>(225,327)</u>	<u>(16,119)</u>	<u>565</u>	<u>(240,881)</u>
Total capital assets, being depreciated/amortized, net	<u>282,895</u>	<u>(14,678)</u>	<u>(82)</u>	<u>268,135</u>
Business-type activities capital assets, net	<u>\$ 328,198</u>	<u>\$ (12,193)</u>	<u>\$ (171)</u>	<u>\$ 315,834</u>

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

(Expressed in Thousands)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Government	\$ 12,111	\$
Legislative and Judicial	1,253	
Commerce	2,179	
Education and Humanities	2,159	
Human Resources	3,780	
Justice	20,395	
Natural Resources and Environmental Protection	1,758	
Public Protection and Regulation	257	
Transportation	24,855	
Capital assets held by government's internal service funds are charged to the various functions based on usage of the assets	26,668	
State Parks		11,835
Horse Park		4,081
Insurance Administration		203
Total depreciation expense by activities	<u>\$ 95,415</u>	<u>\$ 16,119</u>

Discretely presented major component units

Capital asset activity for the year ended June 30, 2015

(Expressed in Thousands):

	<u>Component Units</u>			
	<u>Beginning Balance Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 199,019	\$ 2,806	\$ (3,935)	\$ 197,890
Construction in progress	758,134	558,750	(129,789)	1,187,095
Totals, capital assets not being depreciated	<u>957,153</u>	<u>561,556</u>	<u>(133,724)</u>	<u>1,384,985</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	242,161	23,041	(313)	264,889
Buildings	4,219,484	357,742	(27,667)	4,549,559
Machinery and Equipment	1,618,065	109,074	(67,512)	1,659,627
Total capital assets, being depreciated/amortized	<u>6,079,710</u>	<u>489,857</u>	<u>(95,492)</u>	<u>6,474,075</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(97,031)	(7,528)	28	(104,531)
Buildings	(1,609,440)	(122,412)	17,161	(1,714,691)
Machinery and Equipment	(1,146,154)	(100,864)	49,334	(1,197,684)
Total accumulated depreciation	<u>(2,852,625)</u>	<u>(230,804)</u>	<u>66,523</u>	<u>(3,016,906)</u>
Total capital assets, being depreciated/amortized, net	<u>3,227,085</u>	<u>259,053</u>	<u>(28,969)</u>	<u>3,457,169</u>
Component units capital assets, net	<u>\$ 4,184,238</u>	<u>\$ 820,609</u>	<u>\$ (162,693)</u>	<u>\$ 4,842,154</u>

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

(Expressed in Thousands)

Kentucky Housing Corporation	\$ 445
Kentucky Higher Education Student Loan Corporation	105
University of Kentucky	134,374
University of Louisville	62,567
Kentucky Community and Technical College System	31,987
Kentucky Lottery Corporation	1,326
Total depreciation expense by functions/programs	<u>\$ 230,804</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
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Note 7

INTERFUND TRANSACTIONS

Interfund Transfers In and Out

The table below shows the interfund operating transfers for fiscal year 2015
(Expressed in Thousands):

Transfers In	Transfers Out				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$	\$ 1,340	\$ 74,010	\$
Transportation Fund				993	220
Federal Fund					51
Agency Revenue Fund	36,431		9,138		4,603
Capital Projects Fund	4,566	6,752	666	22,496	
Debt Service	527,547	11,370	64,214	1,741	155
Non-Major Governmental Funds	119,507	149,596	7,250	295,383	
State Parks Fund	34,047		270		274
Kentucky Horse Park Fund	2,472				575
Insurance Administration Fund	91		30		
Unemployment Compensation Fund					
Internal Service Funds	906				62,970
Fiduciary Funds				17	
Total	\$ 725,567	\$ 167,718	\$ 82,908	\$ 394,640	\$ 68,848

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 2015
(Expressed in Thousands):

Interfund Receivables	Interfund Payables				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$	\$ 38,005	\$ 11,796	\$ 4
Transportation Fund			155	379	272
Federal Fund	22,222			5,246	
Agency Revenue Fund	32,260	110	34,326		10
Capital Projects Fund	5		12	400	
Debt Service					
Non-Major Governmental Funds	8,386	11	294	6,838	60
State Parks Fund	40				
Kentucky Public Employees Health Plan	63,181	1,489	1,446	1,704	1
Insurance Administration Fund	93			30	108
Unemployment Insurance Fund					
Internal Service Funds	4,181	10		215	
Total	\$ 130,368	\$ 1,620	\$ 74,238	\$ 26,608	\$ 455

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

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Transfers Out

Debt Service Fund	Non-Major Governmental Funds	State Parks Fund	Kentucky Public Employees Health Plan	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Fiduciary Funds	Total
\$	\$ 16,948	\$ 30	\$ 93,000	\$ 11,011	\$	\$ 2,000	\$ 2,524	\$ 200,833
							143	1,386
								51
491	347,453			3,799	34,155	570	32	436,672
	2,109			2,952				39,541
	28,354	376				289		634,046
	173,988							745,724
								34,591
								3,047
								121
	94							94
								63,876
				1,000				1,017
<u>\$ 491</u>	<u>\$ 568,946</u>	<u>\$ 406</u>	<u>\$ 93,000</u>	<u>\$ 18,762</u>	<u>\$ 34,155</u>	<u>\$ 2,859</u>	<u>\$ 2,699</u>	<u>\$ 2,160,999</u>

Interfund Payables

Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Total
\$ 58,338	\$ 5,212	\$ 36	\$ 534	\$	\$ 1,722	\$ 115,647
					487	1,293
253						27,721
18,950		45	12	3,991	1	89,705
900						1,317
15						15
119,978	68		707		2,138	138,480
			1			41
9	256	23	124		267	68,500
		1				232
94						94
	69					4,475
<u>\$ 198,537</u>	<u>\$ 5,605</u>	<u>\$ 105</u>	<u>\$ 1,378</u>	<u>\$ 3,991</u>	<u>\$ 4,615</u>	<u>\$ 447,520</u>

Note 8

**PENSION PLANS AND OTHER POST
EMPLOYMENT BENEFITS**

Kentucky Retirement Systems

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.

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.

The financial statements are prepared using the accrual basis of accounting which is the same method used by all retirement plans of the Commonwealth. 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.

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 or online at www.kyret.ky.gov.

Kentucky Judicial Form Retirement System

The Judicial Retirement Plan is governed by KRS Chapter 21 Section 345 through Section 580. A single employer defined benefit plan, which provides retirement, disability and death benefits to plan members and their beneficiaries

The Legislators' Retirement Plan is a single employer defined benefit plan providing retirement, disability, and death benefits to plan members and their beneficiaries.

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 or online at www.finance.ky.gov.

Kentucky Teachers' Retirement System

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 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.

The Kentucky Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601, or by telephone at (502) 848-8500 or online at www.ktrs.ky.gov.

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Kentucky Employees' Retirement System
Governance KRS 61.510 through KRS 61.705
Cost Sharing Multiple Employer Defined Benefit
Non-Hazardous

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	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.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

COMMONWEALTH OF KENTUCKY
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Kentucky Employees' Retirement System
Governance KRS 61.510 through KRS 61.705
Cost Sharing Multiple Employer Defined Benefit
Hazardous

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	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.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	Average of the highest 3 fiscal years; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	2.49%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. 25 years and greater = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 60 months of service. Money Purchase for age 55 with less than 60 months based on contributions and interest.	Any age with 25 years of service. Money Purchase calculations.	Age 60 with 5 years of service. No Money Purchase calculations.
Reduced Retirement Benefit:	Age 50 with 15 years of service.	Age 50 with 15 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

State Police Retirement System
Governance KRS 16.505 through KRS 16.652
Single Employer Defined Benefit

	Tier 1 Participation before 9/1/2008	Tier 2 Participation on or between 9/1/2008 and 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	All full-time state trooper employed in a hazardous duty position by the Kentucky State Police.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service	Final Average Compensation X Years of Service	No benefit formula. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	Average of the highest 3 fiscal years; each year must contain 12 months. Lump sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	2.50%	10 years or less = 1.30%. Greater then 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. 25 years and greater = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 60 months of service. Money purchase for age 55 with less than 60 months based on contributions and interest.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.	
Reduced Retirement Benefit:	6.50% for each year fewer than 20 years or age 55.	6.50% for each year fewer than 25 years or age 60.	No reduced retirement benefit

Judicial Retirement Plan
Governance KRS 21.345 through KRS 21.580
Single Employer Defined Benefit

	Tier 1	Tier 2	Tier 3	Tier 4
	Participation prior to 7/1/1978	Participation between 7/1/1978 and 6/30/1980	Participation between 7/1/1980 and 1/1/2014	Participation on or after 1/1/2014
Covered Employees:	District, Circuit, Court of Appeals, and Supreme Court Judges may, within 30 days after taking office, elect to make monthly contributions, and thereby become eligible for membership in the plan.			
Benefit Formula:	Final Average Compensation X Years of Service			Cash Balance Plan
Final Compensation:	Average of 36 months of service immediately preceding retirement before 1/1/2009. Average of 60 months of service immediately preceding			No Final Compensation
Benefit Factor:	5.0% if service continued without interruption; not to exceed 100% of final average compensation.	4.15%, not to exceed 100% of final average compensation.	2.75%, not to exceed 100% of final average compensation.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on the member's accumulated account balance.
Cost of Living Adjustment (COLA):	1.5% yearly on July 1 if the funding level is 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for increase and the Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.			Any cost of living adjustment will be granted providing the following requirements are met: the funding level of Judicial Hybrid Cash Balance Plan is 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase and the Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.
Unreduced Retirement Benefit:	8 years of service and age 65. The age 65 requirement shall be reduced by 1 year for each 5 years of service and 1 year for each year beyond the years of service needed to accrue a benefit of 100%. The age requirement			None
Reduced Retirement Benefit:	5% per year for each year under normal retirement age.			None

Legislators' Retirement Plan
Governance KRS 6.500 through KRS 6.577
Single Employer Defined Benefit

Tier 1	Tier 2	Tier 3	Tier 4
Participation prior to 7/1/1978	Participation between 7/1/1978 and 6/30/1980	Participation between 7/1/1980 and 12/31/2013	Participation on or after 1/1/2014

Covered Employees:	Members of the General Assembly may elect to make monthly contributions within 30 (thirty) days of taking office, and thereby become eligible for membership in the plan. Individuals commencing participation on or after January 1, 2014, will participate in the hybrid plan .		
Benefit Formula:	Final Average Compensation X Years of Service		Cash Balance Plan
Final Compensation:	The average compensation for the highest 36 months of state salary.		No Final Compensation
Benefit Factor:	5.0% for all service that continues without interruption thereafter, not to exceed 100% of final average compensation; 2.75% for all other service .	4.15% for all service that continues without interruption thereafter not to exceed 100% of final average compensation; 2.75% for all other service.	3.5% for all service that continues without interruption thereafter, not to exceed 100% of final average compensation; 2.75% for all other service.
Cost of Living Adjustment(COLA):	1.5% yearly on July 1 if the funding level is 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for increase and the Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.		Any cost of living adjustment will be granted providing the following requirements are met: the funding level of Legislative Hybrid Cash Balance Plan is 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase and The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.
Unreduced Retirement Benefit:	Members who have attained age 65 and completed at least 5 years of legislative service or have service under other state authorized system when added to Legislative service will equal at least 8 years of service. The age 65 requirement shall be reduced by 1 year for each 5 years of service and 1 year for each year beyond the years of service needed to accrue a benefit of 100%.		None
Reduced Retirement Benefit:	5% per year for each year under normal retirement age.		None

Kentucky Teachers' Retirement System
Governance KRS 161.220 through KRS 161.990
Cost Sharing Multiple Employer Defined Benefit with Special Funding

	Tier 1 Participation prior to 7/1/2008	Tier 2 Participation on or after 7/1/2008
Covered Employees:	Provides pension plan coverage for local school districts and other educational agencies in the state.	
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service	
Final Compensation:	Average of the highest 5 annual salaries reduced 5% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.	Average of the highest 5 annual salaries reduced 6% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.
Benefit Factor:	Non-University members: 2.00% for service prior to 7/1/1983; 2.50% for service after 7/1/1983; 2.00% if participation after 7/1/2002 and less than 10 years; 2.50% if participation after 7/1/2002 and more than 10 years; 3.00% if retire after 7/1/2004 with more than 30 years. University members: 2.0% for each year of service.	Non-University members: 1.70% if less than 10 years; 2.00% if greater than 10 years, but no more than 20 years; 2.30% if greater than 20 years, but no more than 26 years; 2.50% if greater than 26 years, but no more than 30 years; 3.00% for service greater than 30 years. University members: 1.50% if less than 10 years; 1.70% if greater than 10 years, but less than 20 years; 1.85% if greater than 20 years, but less than 27 years; 2.00% if greater than 27 years.
Cost of Living Adjustment (COLA):	1.5% annually additional ad hoc increases must be authorized by the General Assembly.	
Unreduced Retirement Benefit:	Any age with 27 years of Kentucky service. Age 55 with 5 years of Kentucky service.	Any age with 27 years of Kentucky service. Age 60 with 5 years of Kentucky service. Age 55 with 10 years of Kentucky service.
Reduced Retirement Benefit:	Must be retired for service or disability to be eligible. Retired members are given a supplement based upon a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement.	



COMMONWEALTH OF KENTUCKY

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	Kentucky Employees' Retirement System		State Police Retirement System
	Non-Hazardous	Hazardous	
Employer Contribution	17.29%	14.89%	39.5%
State Contribution as a percentage of nonemployer special funding situation			
Member Contribution	5.00%	8.00%	8.00%
Contributions made in thousands	\$202,891	\$11,670	\$20,279
Actuarial Valuation Date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry age	Entry age	Entry age
Amortization Method	Level percent closed	Level percent closed	Level percentage of payroll closed
Remaining amortization period	29 years	29 years	29 Years
Asset valuation method	Five-year smoothed Market	Five-year smoothed Market	Five-year smoothed Market
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	7.75%
Inflation Rate	3.50%	3.50%	3.50%
Projected salary increases	4.5% , average , including inflation	4.5% , average , including inflation	4.5% , average , including inflation
Mortality Tables	1983 Group Annuity Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members.		1983 Group Annuity Mortality Table for retired members and beneficiaries as of June 30,2006. 1994 Group Mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.
Date of Experience Study	The period July1, 2005 - June 30, 2008	The period July1, 2005 - June 30, 2008	The period July1, 2005 - June 30, 2008
Update procedures applied	No update procedures were required.	No update procedures were required.	No update procedures were required.
Membership Information			
Retirees and beneficiaries receiving benefits	38,022	2,467	1,413
Inactive members	41,213	3,318	408
Active plan members	40,500	4,094	855
Total	<u>119,735</u>	<u>9,879</u>	<u>2,676</u>
Number of participating employers	354	354	1

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Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Teachers' Retirement System
33%	37%	10.875% - 13.355%
		11.56% - 13%
Members entering the plan prior to September 1, 2008, must contribute 5%. Members entering the plan on or after September 1, 2008, contribute 6% of official salary. Members joining July 1, 2014, or later contribute 5% to a hybrid cash account.		7.625% - 9.105%
\$10,805	\$1,825	\$563,326
July 1, 2013	July 1, 2013	June 30, 2013
Entry age normal funding method	Entry age normal funding method	Entry age
Interest + 1% Unfunded past liability	Interest + 1% Unfunded past liability	Level percent closed
25 Years	25 Years	30 Years
Market Value	Market Value	Five-year smoothed Market
6.15%	6.50%	7.50%
3.00%	3.00%	3.50%
1% for the next five years, thereafter 3.5%	1% for the next five years, thereafter 3.5%	4.00-8.2%, including inflation

IRS Mortality Tables without collar adjustment with Pre- and Post-Commencement Rates with projected mortality improvements after year 2000 under Project Scale AA (males and female scales.)

RP-2000 Combined Mortality Table projected to 2020 using scale AA (set back one year for females) is used for death after service retirement and beneficiaries. The RP-2000 Disability Mortality Table (set back seven years for males and set forward five years for females) is used for death after disability retirement. Mortality improvement is anticipated under these assumptions as recent mortality experience shows actual deaths are approximately 4% greater for the healthy lives and 5% greater for disabled lives than expected under the selected tables.

Information not available

Information not available

July 1, 2005- June 30, 2010

The actuarial valuation was last performed as of July 1, 2013, and is roll-forward for July 1, 2014. The roll forward method employs generally accepted actuarial techniques. The results in this report have been developed with full reliance on the July 1, 2013, Actuarial Valuation Report and does not include any hybrid plan liabilities. At the measurement date, the hybrid plan had one member.

The actuarial valuation was last performed as of June 30, 2013, and is roll-forward for June 30, 2014, using roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payment and refunds for the plan year and then applies the assumed index rate increase from 4.27% to 4.35%, resulting in a change in the SEIR from 5.16% to 5.23%. The impact of this change in the discount rate is a change in assumptions that is added to the expected TPL Total Pension Liability) to determine the final TPL as of June 30, 2014.

308	186	48,576
18	42	35,451
276	119	73,407
<u>602</u>	<u>347</u>	<u>157,434</u>
1	1	208

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Kentucky Judicial Retirement System

The long-term expected rate of return on Judicial and Legislators' Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Judicial and Legislators' Plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	5.05%
International Equity	5.45%
Fixed Income	0.55%
Cash	(1.85%)

The discount used to measure the total pension liability was 6.15%, a decrease from the 7.00% discount rate used as of July 1, 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be made at the current statutory contribution rate. Based on those assumptions, the Judicial Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2046. The long-term expected rate of return on the Judicial Pension Plan's investments was applied to periods of projected benefit payments through this date, and the municipal bond rate, determined by using the 20-year municipal AA bond yield at July 1, 2014, for the periods thereafter to determine the total pension liability. The discount used to measure the total pension liability on the second bases was 7.00% for 32 years, and 3.80% thereafter. This is equivalent to an average assumed rate of return of approximately 6.15%.

The following presents the net pension liability of the Judicial Plan, calculated using the discount rate of 6.15%, as well as what the Judicial Plan's pension liability would be if it was calculated using a discount rate that is 1% point lower (5.15%) or 1% point higher (7.15%) than the current rate:

Kentucky Judicial Retirement System			
(Expressed in Thousands)			
	1% Decrease (5.15%)	Current Discount Rate (6.15%)	1% Increase (7.15%)
Net Pension Liability	\$ 161,338	\$ 122,422	\$ 89,738

Kentucky Legislators' Retirement System

The discount used to measure the total pension liability was 6.50%, a decrease from the 7.00% discount rate used as of July 1, 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be made at the current statutory contribution rate. Based on those assumptions, the Legislative Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2053. The long-term expected rate of return on the Legislative Pension Plan's investments was applied to periods of projected benefit payments through this date, and the municipal bond rate, determined by using the 20-year municipal AA bond yield at July 1, 2014, for the periods thereafter to determine the total pension liability. The discount used to measure the total pension liability on the second bases was 7.00% for 39 years, and 3.80% thereafter. This is equivalent to an average assumed rate of return of approximately 6.50%.

The following presents the net pension liability of the Legislators Plan, calculated using the discount rate of 6.50%, as well as what the Legislative Plan's pension liability would be if it was calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

Kentucky Legislators' Retirement System			
(Expressed in Thousands)			
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 32,371	\$ 24,103	\$ 17,197

Kentucky State Police Retirement System and Kentucky Employee Non-Hazardous and Hazardous Retirement System

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log – normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended

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for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Asset Class	Kentucky Retirement Systems	
	Target Allocation	Long-Term Nominal Rate of Return
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.5%
Private Equity	7%	11.25%
Real Estate	5%	7%
Core U.S. Fixed Income	10%	5.25%
High Yield U.S. Fixed Income	5%	7.25%
Non U.S. Fixed Income	5%	5.5%
Commodities	5%	7.75%
TIPS	5%	5%
Cash	1%	3.25%
Total	100%	

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flow used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year of amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2116. The following presents the net pension liability of SPRS, and KERS calculated using the discount rate of 7.75%, as well as what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate for non-hazardous and (6.75%) or one percentage point higher (8.75%) than the current rate for hazardous:

State Police Retirement System - Hazardous			
(Expressed in Thousands)			
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$ 489,185	\$ 420,144	\$ 361,457

Kentucky Employees' Retirement System Non-Hazardous			
(Expressed in Thousands)			
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$ 6,898,708	\$ 6,132,337	\$ 5,441,387

Kentucky Employees' Retirement System - Hazardous			
(Expressed in Thousands)			
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$ 335,585	\$ 250,075	\$ 106,321

Kentucky Teachers' Retirement System

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Kentucky Teachers' Retirement System		
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	100%	

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The discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

The following table presents the net pension liability of the System, calculated using the discount rate of 5.23%, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.23%) or 1-percentage-point higher (6.23%) than the current rate:

Kentucky Teachers' Retirement System			
(Expressed in Thousands)			
	1% Decrease (4.23%)	Current Discount Rate (5.23%)	1% Increase (6.23%)
State as employer	\$ 461,724	\$ 367,576	\$ 289,877
State as a nonemployer special funding situation	25,299,258	20,140,619	17,027,992
Total Net Pension Liability	\$ 25,760,982	\$ 20,508,195	\$ 17,317,869



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For the Year Ended June 30, 2015, the Commonwealth of Kentucky recognized pension expenses of \$497,779,000 as an employer and \$986,931,000 as a Governmental Nonemployer Contributing Entity to Kentucky Teachers Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

	Primary Government (Expressed in Thousands) Governmental Activities			
	Employer		Nonemployer Special Funding Situation	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$	\$	\$	\$
Changes in assumptions	23,495	4,106		275,029
Net difference between projected and actual earnings on investments		167,662		1,223,913
Change in proportionate share				
Contributions subsequent to the measurement date	429,744		471,493	
Total	<u>\$ 453,239</u>	<u>\$ 171,768</u>	<u>\$ 471,493</u>	<u>\$ 1,498,942</u>

For the Year Ended June 30, 2015, The Commonwealth of Kentucky recognized pension expenses of \$17,794,000 and deferred outflows and deferred inflows related to pensions from the following sources:

	Business-Type Activities (Expressed in Thousands)	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$	\$
Changes in assumptions		3,311
Net difference between projected and actual earnings on investments		
Change in proportionate share		
Contributions subsequent to the measurement date	13,621	
Total	<u>\$ 13,621</u>	<u>\$ 3,311</u>

Major Component Units recognized pension expenses of \$34,192,000 and deferred outflows and deferred inflows related to pensions from the following sources:

	Major Component Units (Expressed in Thousands)	
	as Employer	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$	\$ 14,856
Changes in assumptions		
Net difference between projected and actual earnings on investments		4,654
Change in proportionate share		
Contributions subsequent to the measurement date	26,242	
Total	<u>\$ 26,242</u>	<u>\$ 19,510</u>

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Primary Government reports \$902,253,000 and Major Component Units report 26,242,000 as deferred outflows resulting from contributions made subsequent to the measurement date. Outflows from deferred contributions will reduce the net pension liability for the year end June 30, 2016, as reflected below. Other amounts reported as deferred outflows will be recognized in pension expense as follows:

Year ended June 30: (Expressed in Thousands)	Primary Government			
	Governmental Activities	Nonemployer Special Funding Situation	Business-Type Activities	Component Units Majors
2016	\$ (32,292)	\$ (266,025)	\$ (707)	\$ (4,646)
2017	(32,308)	(266,025)	(706)	(4,646)
2018	(36,806)	(266,025)	(706)	(4,648)
2019	(41,634)	(266,025)	(706)	(4,648)
2020	(4,667)	(266,025)	(487)	(922)
Thereafter	(566)	(168,817)		

Schedule of Retiree Health Insurance Benefit and Eligibility

Judicial Retirement System

Tier 1	Tier 2	Tier 3
Participation before 7/1/2003	Participation on or after 7/1/2003	Participation on or after 1/1/2014
Based on years of service and type of service, JRS pays a percentage of the monthly contribution rate as follows: 20 or more years of service, 100% paid; 15 to 19 years 11 months of service, 75% paid; 10 to 14 years 11 months of service, 50% paid; 4 to 9 years 11 months of service, 25% paid; Less than 4 years of service, 0% paid.	10 years for eligibility. Benefit of \$10 per month for each year of earned service without regard to maximum dollar amount; adjusted by 1.5% annually.	15 years for eligibility. Benefit of \$10 per month for each year of earned service without regard to maximum dollar amount; adjusted by 1.5% annually.

Kentucky Retirement Systems

Tier 1	Tier 2	Tier 3
Non-Hazardous		
Participation before 7/1/2003	Participation on or after 7/1/2003	Participation on or after 1/1/2014
Based on years of service and type of service, KRS pays a percentage of the monthly contribution rate as follows: 20 or more years of service, 100% paid; 15 to 19 years of service, 75% paid; 10 to 14 years of service, 50% paid; 4 to 9 years of service, 25% paid; Less than 4 years of service, 0% paid.	10 years for eligibility. Benefit of \$10 per month for each year of earned service without regard to maximum dollar amount; adjusted by 1.5% annually.	15 years for eligibility. Benefit of \$10 per month for each year of earned service without regard to maximum dollar amount; adjusted by 1.5% annually.

Hazardous (includes State Police)

Based on years of service and type of service, KRS pays a percentage of the monthly contribution rate as follows: 20 or more years of service, 100% paid; 15 to 19 years of service, 75% paid; 10 to 14 years of service, 50% paid; 4 to 9 years of service, 25% paid; less than 4 years of service, 0% paid.	10 years for eligibility. Benefit of \$15 per month for each year of earned service without regard to maximum dollar amount; adjusted by 1.5% annually. \$10 per month for each year of hazardous service for surviving spouse of deceased member.	15 years for eligibility. Benefit of \$15 per month for each year of earned service without regard to maximum dollar amount; adjusted by 1.5% annually. \$10 per month for each year of hazardous service for surviving spouse of deceased member.
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Legislators' Retirement System

Tier 1 Participation before 7/1/2003	Tier 2 Participation on or after 7/1/2003	Tier 3 Participation on or after 1/1/2014
<p>Based on years of service, LRS pays a percentage of the monthly contribution rate as follows: 20 or more years of service, 100% paid; 19 to 19 years 11 months, 95% paid; 18 years to 18 years 11 months, 90% paid; 17 years to 17 years 11 months, 85% paid; 16 years to 16 years 11 months, 80% paid; 15 years to 15 years 11 months, 75% paid; 14 years to 14 years 11 months, 70% paid; 13 years to 13 years 11 months, 65% paid; 12 years to 12 years 11 months, 60% paid; 11 years to 11 years 11 months, 55% paid; 10 years to 10 years 11 months, 50% paid; 4 to 9 years 11 months of service, 25% paid; less than 4 years of service, 0% paid.</p>	<p>10 years of earned service at retirement to be eligible for insurance benefits. Benefit of \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted annually.</p>	<p>15 years of earned service at retirement to be eligible for insurance benefits. Benefit of \$15 per month for each year of earned service without regard to a maximum dollar amount; adjusted annually.</p>

Kentucky Teachers' Retirement System

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS medical plan offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the Kentucky Employees Health Plan. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

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Schedule of Insurance Actuarial Information
(Expressed in Thousands)

	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan
Contribution rates:		
State	2.00%	
Plan members	1.00%	
Annual required contribution (ARC)	\$1,274	
Contributions made	\$1,274	
Actuarial valuation date	July 1, 2015	July 1, 2015
Actuarial cost method	Entry age normal funding method Interest + 1% Unfunded Past Liability open	Entry age normal funding method Interest + 1% Unfunded Past Liability open
Amortization method		
Remaining amortization period	25 years	25 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	6.41%	6.85%
Inflation Rate	3%	3%
Projected salary increases	1%	1%
Increases in Health Insurance Cost	11%	11%
Actuarial Required Contribution (ARC)	\$ 1,274	\$
Interest on NOPEBO	72	(20)
Adjustment to ARC	(90)	(23)
Annual pension cost	1,256	(43)
Contributions made	1,274	
Increase (Decrease) in NOPEBO	(18)	(43)
NOPEBO beginning of year	1,118	(290)
NOPEBO as of 6/30/15	\$ 1,100	\$ (333)
Percentage APC contributed	101.4%	
June 30, 2014		
Annual Pension Cost	\$ 884	\$ 5
Percentage APC Contributed	72%	
NOPEBO as of 6/30/14	\$ 1,118	\$ (290)
June 30, 2013		
Annual Pension Cost	\$ 886	\$ 3
Percentage APC Contributed	68.9%	
NOPEBO as of 6/30/13	\$ 868	\$ (295)

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State Police Retirement System	Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System
	Non-Hazardous	Hazardous	
21.86%	7.93%	9.97%	0.78%
1.00%	1.00%	1.00%	3.00%
\$9,890	\$130,455	\$13,152	\$107,656
\$10,382	\$135,940	\$14,882	\$169,103
June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
Entry age	Entry age	Entry age	Entry age
Level percent closed	Level percent closed	Level percent closed	Level percent open
28 years	28 years	28 years	30 years
Five-year smoothed Market	Five-year smoothed Market	Five-year smoothed Market	Market value of assets
7.50%	7.50%	7.50%	7.5%-8.00%
3.25%	3.25%	3.25%	3.50%
4.00%	4.00%	4.00%	
5.00% - 7.50%	5.0% - 7.50%	5.0% - 7.50%	5.00% - 7.50%
\$ 9,890	\$ 130,455	\$ 13,152	\$ 107,656
12,812	137,534	7,226	119,701
(13,765)	(147,767)	(5,293)	(81,770)
8,937	120,222	15,085	145,587
10,382	135,940	14,882	169,105
(1,445)	(15,718)	203	(23,518)
170,827	1,833,788	96,351	1,495,738
\$ 169,382	\$ 1,818,070	\$ 96,554	\$ 1,472,220
116.2%	113.1%	98.7%	116.2%
\$ 27,057	\$ 276,191	\$ 17,935	\$ 197,693
54%	60%	133%	83%
\$ 170,827	\$ 1,833,788	\$ 96,351	\$ 1,495,738
\$ 32,789	\$ 346,385	\$ 28,497	\$ 224,115
51.3%	47.7%	90.1%	74.9%
\$ 158,263	\$ 1,724,207	\$ 102,290	\$ 1,461,619

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2015

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>Judicial Retirement Plan</u>						
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
June 30, 2015	61,046,752	61,195,047	148,295	99.8	30,009,326	.5
<u>Legislators' Retirement Plan</u>						
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)
June 30, 2015	33,194,900	26,955,434	(6,239,466)	123.1	4,467,419	(139.7)
<u>State Police Retirement System</u>						
June 30, 2013	\$ 136,321,060	\$ 222,326,743	\$ 86,005,683	61.3	\$ 45,256,202	190.0
June 30, 2014	155,594,760	234,271,127	78,676,367	66.4	44,616,885	176.3
June 30, 2015*	167,774,940	254,838,710	87,063,770	65.8	45,764,515	190.2
<u>Kentucky Employees' Retirement System</u>						
<u>Non-Hazardous</u>						
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
June 30, 2015*	695,018,262	2,413,705,252	1,718,686,990	28.8	1,544,234,409	111.3
<u>Hazardous</u>						
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)
June 30, 2015*	451,514,191	374,904,234	(76,609,957)	120.4	128,680,130	(59.5)
<u>Kentucky Teachers' Retirement System</u>						
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
June 30, 2015	735,025,000	3,624,323,000	2,889,298,000	20.3	3,515,113,000	82.2

* Discount rate changed from 7.75% to 7.50%

COMMONWEALTH OF KENTUCKY
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June 30, 2015

Three year trend for contributions - Insurance Funds

(Expressed in thousands):

	<u>Insurance</u>	
	<u>Annual</u>	
	<u>Required</u>	<u>Percentage</u>
	<u>Contribution</u>	<u>Contributed</u>
<u>Judicial Retirement Plan</u>		
2013	\$ 893	68.3%
2014	893	71.0%
2015	1,274	100.0%
<u>Legislators' Retirement Plan</u>		
2013		
2014		
2015		
<u>State Police Retirement System</u>		
2013	\$ 27,234	61.8%
2014	20,879	69.4%
2015	9,890	105.0%
<u>Kentucky Employees' Retirement System</u>		
<u>Non-Hazardous</u>		
2013	\$ 286,143	57.8%
2014	208,881	79.8%
2015	130,455	104.2%
<u>Hazardous</u>		
2013	\$ 26,253	97.8%
2014	15,627	152.8%
2015	13,152	113.2%
<u>Kentucky Teachers' Retirement System</u>		
2013	\$ 188,466	92.9%
2014	160,628	101.9%
2015	107,656	157.7%

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 \$933,261,820 in the 457 Plan at June 30, 2015, \$437,353,061 was applicable to the Commonwealth, while the remaining \$495,908,759 represents assets of the other jurisdictions participating in the Plan. The 401(k) Plan had total plan assets of \$1,688,038,086 at June 30, 2015, of which \$612,287,658 was applicable to the Commonwealth, while the remaining \$1,075,750,428 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 major component units is applicable to leases with the Commonwealth.

Changes in leases payable for the year ended June 30, 2015, are summarized in Note 15, Long-Term Obligations.

COMMONWEALTH OF KENTUCKY
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At June 30, 2015, 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.

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units-Major</u>
Buildings	\$ 52,029	\$ 14,611	\$ 485,683
Equipment	61,166	679	125,794
Other			75,513
Total	<u>113,195</u>	<u>15,290</u>	<u>686,990</u>
Less: Accumulated depreciation	(32,499)	(8,554)	(280,013)
Total Net of Depreciation	<u>\$ 80,696</u>	<u>\$ 6,736</u>	<u>\$ 406,977</u>

Future minimum rental commitments for capitalizable leases as of June 30, 2015, are as follows (Expressed in Thousands):

	<u>Primary Government</u>				<u>Component Units - Major</u>	
	<u>Governmental</u>		<u>Business-Type</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2016	\$ 16,510	\$ 2,139	\$ 1,073	\$ 323	\$ 43,801	\$ 6,880
2017	13,707	1,675	1,080	294	35,390	6,270
2018	11,205	1,236	1,110	264	31,948	4,875
2019	8,245	868	1,138	235	19,778	3,927
2020	3,981	452	1,145	204	16,129	3,437
2021-2025	13,534	2,268	4,895	577	57,778	13,288
2026-2030	4,310	196	1,821	56	15,745	1,350
2031-2035					1,200	1,263
Present value of future minimum lease payments	<u>\$ 71,492</u>	<u>\$ 8,834</u>	<u>\$ 12,262</u>	<u>\$ 1,953</u>	<u>\$ 221,769</u>	<u>\$ 41,290</u>

Note 11

RISK MANAGEMENT

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

Fire and Tornado Insurance:

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

The claims liability of \$9,572,000 reported in the Program at June 30, 2015, 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 2015 and 2014 were:

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>
Beginning of fiscal year liability	\$ 4,720,620	\$ 10,465,735
Incurred claims	16,396,225	17,718,658
Changes in estimates		
Claims payments	(11,544,845)	(23,463,773)
Balance at Fiscal Year End	<u>\$ 9,572,000</u>	<u>\$ 4,720,620</u>

Self-Insured Workers' Compensation:

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

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

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The actuarially determined aggregate claims liability of \$176,883,414 reported in the Program at June 30, 2015, 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 2015 and 2014 were:

	Fiscal Year 2015	Fiscal Year 2014
Beginning of fiscal year liability	\$ 175,694,730	\$ 173,408,609
Claims and claims adjustments incurred:		
Current year	24,846,571	25,619,119
Increase (Decrease) in Prior year	(2,421,815)	(1,458,433)
Total Claims and Claims Adjustments Incurred	22,424,756	24,160,686
Claims and claims adjustment payments:		
Current year	(6,220,653)	(7,313,960)
Increase (Decrease) in Prior year	(15,015,419)	(14,560,605)
Total Claims and Claims Adjustment Payments	(21,236,072)	(21,874,565)
Balance at Fiscal Year End	<u>\$ 176,883,414</u>	<u>\$ 175,694,730</u>

Transportation Cabinet Workers' Compensation:

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

The claims liability of \$29,005,422 reported in the Program at June 30, 2015, 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 2015 and 2014 were:

	Fiscal Year 2015	Fiscal Year 2014
Beginning of fiscal year liability	\$ 28,711,821	\$ 28,088,590
Claims and claims adjustments incurred	3,648,294	4,336,572
Changes in estimates		(390,765)
Claims and claims adjustment payments	(3,354,693)	(3,322,576)
Balance at Fiscal Year End	<u>\$ 29,005,422</u>	<u>\$ 28,711,821</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 \$739,431,744, as reported in the financial statements, is the present value of the aggregate actuarially determined claims liability of \$977,431,000, discounted at 2.7 percent, and net of the estimated realizable value of reimbursements. The claims adjusted liability of \$26,349,203, as reported in the financial statements is the present value of the aggregate actuarially determined liability of \$30,910,000, discounted at 2.7 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, 2015. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years were:

	Fiscal Year 2015	Fiscal Year 2014
Beginning of fiscal year liability	\$ 1,092,540,000	\$ 1,159,021,000
Claims and claims adjustments incurred	6,204,000	7,293,000
Changes in estimates	(29,008,000)	(9,827,000)
Claims and claims adjustment payments	(61,395,000)	(63,947,000)
Balance at Fiscal Year End	<u>\$ 1,008,341,000</u>	<u>\$ 1,092,540,000</u>

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

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Coal Workers' Pneumoconiosis Fund:

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

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

The Coal Workers' Pneumoconiosis Fund establishes claims liability based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$42,271,362, as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$48,360,000, discounted at 3.5 percent. The claims adjustment liability of \$1,167,000, as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$1,335,000, 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.

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>
Beginning of fiscal year liability	\$ 34,703,000	\$ 22,533,000
Claims and claims adjustments incurred	6,688,000	3,643,000
Changes in estimates	15,377,000	11,852,000
Claims and claims adjustment payments	<u>(7,073,000)</u>	<u>(3,325,000)</u>
Balance at Fiscal Year End	<u>\$ 49,695,000</u>	<u>\$ 34,703,000</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 \$193,345,123 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:

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>
Beginning of fiscal year liability	\$ 181,143,394	\$ 194,025,718
Claims and claims adjustments incurred	5,953,264	6,054,551
Changes in estimates	23,795,409	
Claims and claims adjustment payments	<u>(17,546,944)</u>	<u>(18,936,875)</u>
Balance at Fiscal Year End	<u>\$ 193,345,123</u>	<u>\$ 181,143,394</u>

Kentucky Reclamation Guaranty Fund:

The Kentucky Reclamation Guaranty Fund was established in 2013 to provide additional monies for the reclamation of forfeited coal mining operations where the permit specific performance bonds are insufficient for the Commonwealth to complete reclamation to program standards. Participation in the fund is mandatory for all companies mining coal in the Commonwealth, with certain exclusions.

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On the date of the establishment of the fund, each entity (member) holding a permit will be assessed a start-up assessment of \$1,500 and an assessment of \$10 per active acre. Entities entering after the date of establishment of the fund shall pay a onetime assessment \$10,000 to the fund. Additionally, members pay tonnage fees of \$.0757 per ton of surface mined coal and \$.0357 per ton for underground mined coal. All permits previously subject to the voluntary bond pool at the time of its repeal shall be excluded from the start-up assessments but will be subject to the tonnage fees. Member entities shall be given the option to provide full-cost bonds based on a reclamation cost estimate that reflects reclamation costs to the cabinet and certified by a professional engineer in lieu of participation in the fund.

Permits which are used exclusively for coal preparation, processing operations, loading activities, disposal of refuse operations, coal haulage, access roads, mine maintenance areas, support facilities, and other permits are exempt to the provisions of the previous paragraph as determined by the Commission. Exempt members shall pay an annual fee of \$10 per acre.

As determined by the Commission any permits, or expired permits, not subject to the above paragraphs shall pay an annual fee of \$6 per surface acre to the fund. This fee shall not apply to those permits specified in KRS 350.518(2)(f).

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 Kentucky Reclamation Guaranty Fund in turn provides coverage for reclamation costs that exceed the permit specific bond. The Fund will 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

	Fiscal Year 2015	Fiscal Year 2014
Beginning of fiscal year liability	\$ 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 claims liability of \$5,131 at June 30, 2015. Changes in the Program's aggregate liabilities for the claims and claims adjustments for the past two years were:

	Fiscal Year 2015	Fiscal Year 2014
Beginning of fiscal year liability	\$	\$
Claims and claims adjustments incurred	5,131	
Changes in estimates		
Claims and claims adjustment payments		
Balance at Fiscal Year End	<u>\$ 5,131</u>	<u>\$</u>

Kentucky Employees Health Plan:

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

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

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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.

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 \$70,696,529 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 2015	Fiscal Year 2014
Beginning of fiscal year liability	\$ 99,354,848	\$ 102,811,050
Claims and claims adjustments incurred	1,460,101,994	1,585,494,571
Changes in estimates	12,103,085	7,893,093
Claims and claims adjustment payments	<u>(1,500,863,398)</u>	<u>(1,596,843,866)</u>
Balance at Fiscal Year End	<u>\$ 70,696,529</u>	<u>\$ 99,354,848</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.

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. There were no cash payments for claims expenses during 2015 or 2014; and, there was not a claims liability for FY 2015 or FY 2014.

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, 2015 the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated March 24, 2015, were issued for the Allen County School District Finance Corporation to refund a 2004 and 2005 issue. The Commission's portion of the refunding issue was \$798,768 maturing December 1, 2015, through December 1, 2023, and carrying an interest rate of 2.00%.

Revenue refunding bonds dated February 18, 2015, were issued for the Anderson County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$622,669 maturing June 1, 2015, through December 1, 2026, and carrying interest rates of 2.000% to 2.250%.

Revenue refunding bonds dated August 6, 2014, were issued for the Ashland Independent District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$518,180 maturing February 1, 2015, through August 1, 2029, and carrying interest rates from 1.00% to 3.125%.

Revenue refunding bonds dated February 26, 2015, were issued for the Ashland Independent District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$482,980 maturing August 1, 2015, through August 1, 2026, and carrying interest rates from 2.000% to 2.150%.

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Revenue refunding bonds dated March 20, 2015, were issued for the Ballard County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$59,695 maturing March 1, 2016, through March 1, 2030, and carrying interest rates of 2.000% to 3.000%.

Revenue refunding bonds dated April 6, 2015, were issued for the Bardstown Independent District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$71,205 maturing August 1, 2015, through August 1, 2030, and carrying an interest rate of 2.550%.

Revenue refunding bonds dated February 25, 2015, were issued for the Barren County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$1,027,773 maturing August 1, 2017, through August 1, 2026, and carrying an interest rate of 5.000%.

Revenue refunding bonds dated August 4, 2014, were issued for the Beechwood Independent School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$868,943 maturing February 1, 2015, through August 1, 2029, and carrying interest rates from 1.650% to 3.125%.

Revenue refunding bonds dated March 18, 2015, were issued for the Boone County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$663,069 maturing August 1, 2015, through August 1, 2026, and carrying interest rates of 2.000% to 3.000%.

Revenue refunding bonds dated June 25, 2015, were issued for the Bourbon County School District Finance Corporation to refund a 2005 issue. The Commission's portion of the refunding issue was \$596,749 maturing March 1, 2016, through March 1, 2020, and carrying interest rates of 1.000% to 1.550%.

Revenue refunding bonds dated November 12, 2014, were issued for the Bowling Green Independent School District Finance Corporation to refund a 2005 issue. The Commission's portion of the refunding issue was \$731,949 maturing June 1, 2015, through December 1, 2019, and carrying interest rates from 2.00% to 4.00%

Revenue refunding bonds dated August 4, 2014, were issued for the Boyd County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$3,793,055 maturing February 1, 2015, through February 1, 2031, and carrying interest rates from 2.00% to 3.50%.

Revenue refunding bonds dated April 1, 2015, were issued for the Boyle School District Finance Corporation to refund a 2007 issue. The Commission's portion of the refunding issue was \$538,122 maturing October 1, 2015, through April 1, 2027, and carrying an interest rate of 2.350%.

Revenue refunding bonds dated July 30, 2014, were issued for the Bullitt County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$213,785 maturing September 1, 2014, through September 1, 2029, and carrying interest rates from 3.000% to 5.000%.

Revenue refunding bonds dated November 26, 2014, were issued for the Calloway County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$48,133 maturing May 1, 2015, through May 1, 2021, and carrying interest rates from 0.900% to 2.000%.

Revenue refunding bonds dated December 11, 2014, were issued for the Campbell County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$706,684 maturing February 1, 2015, through August 1, 2026, and carrying interest rates from 2.00% to 3.00%.

Revenue refunding bonds dated December 4, 2014, were issued for the Carroll County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$959,488 maturing February 1, 2015, through February 1, 2030, and carrying interest rates from 2.50% to 3.00%.

Revenue refunding bonds dated February 20, 2015, were issued for the Carter County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$1,722,784 maturing February 1, 2016, through February 1, 2026, and carrying interest rates from 2.000% to 2.250%.

Revenue refunding bonds dated March 18, 2015, were issued for the Casey County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$6,060,252 maturing August 1, 2015, through August 1, 2026, and carrying interest rates from 2.000% to 2.350%.

Revenue refunding bonds dated November 10, 2014, were issued for the Covington Independent School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$1,725,109 maturing February 1, 2015, through February 1, 2031, and carrying interest rates from 2.000% to 3.125%.

Revenue refunding bonds dated April 10, 2015, were issued for the Covington Independent School District Finance Corporation to refund a 2005 and a 2010 issue. The Commission's portion of the refunding issue was \$772,494 maturing April 1, 2016, through April 1, 2026, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated December 4, 2014, were issued for the Danville Independent School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$700,000 maturing April 1, 2015, through April 1, 2026, and carrying interest rates from 1.00% to 3.00%.

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Revenue refunding bonds dated May 20, 2015, were issued for the Dawson Springs Independent School District Finance Corporation to partially refund a 2006 issue. The Commission's portion of the refunding issue was \$1,440,000 maturing August 1, 2015, through August 1, 2026, and carrying an interest rate of 2.00%.

Revenue refunding bonds dated February 25, 2015, were issued for the Estill County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$1,275,151 maturing September 1, 2015, through September 1, 2030, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated October 22, 2014, were issued for the Fairview Independent School District Finance Corporation to refund a 2005 issue. The Commission's portion of the refunding issue was \$395,510 maturing February 1, 2015, through August 1, 2025, and carrying interest rates from 1.000% to 2.150%.

Revenue refunding bonds dated December 29, 2014, were issued for the Floyd County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$4,664,282 maturing March 1, 2015, through March 1, 2026, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated August 21, 2014, were issued for the Fort Thomas Independent School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$6,309,446 maturing February 1, 2015, through August 1, 2029, and carrying interest rates from 2.000% to 3.375%.

Revenue refunding bonds dated April 2, 2015, were issued for the Fort Thomas Independent School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$1,242,616 maturing April 1, 2016, through April 1, 2026, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated September 11, 2014, were issued for the Frankfort Independent School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$447,357 maturing February 1, 2015, through August 1, 2026, and carrying interest rates from 1.000% to 3.000%.

Revenue refunding bonds dated March 30, 2015, were issued for the Gallatin County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$6,211,420 maturing May 1, 2015, through May 1, 2026, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated April 15, 2015, were issued for the Garrard County School District Finance Corporation to refund a 2004 issue and a 2007 issue. The Commission's portion of the refunding issue was \$266,975 maturing June 1, 2015, through December 1, 2027, and carrying interest rates from 2.000% to 2.500%.

Revenue refunding bonds dated April 17, 2015, were issued for the Grant County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$1,963,567 maturing August 1, 2015, through August 1, 2030, and carrying interest rates from 2.000% to 3.125%.

Revenue refunding bonds dated March 3, 2015, were issued for the Graves County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$479,074 maturing March 1, 2016, through March 1, 2026, and carrying an interest rate of 2.000%.

Revenue refunding bonds dated March 12, 2015, were issued for the Green County School District Finance Corporation to refund a 2007 issue. The Commission's portion of the refunding issue was \$4,270,717 maturing August 1, 2015, through August 1, 2027, and carrying interest rates from 2.000% to 2.375%.

Revenue refunding bonds dated November 12, 2014, were issued for the Hardin County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$907,616 maturing May 1, 2015, through May 1, 2026, and carrying interest rates from 2.000% to 5.000%.

Revenue refunding bonds dated March 31, 2015, were issued for the Hardin County School District Finance Corporation to refund a 2005 issue. The Commission's portion of the refunding issue was \$691,559 maturing February 1, 2016, through February 1, 2020, and carrying interest rates from 3.000% to 4.000%.

Revenue refunding bonds dated March 19, 2015, were issued for the Hardin County School District Finance Corporation to refund a 2005 issue and a 2007 issue. The Commission's portion of the refunding issue was \$918,772 maturing June 1, 2015, through June 1, 2027, and carrying interest rates from 2.000% to 4.000%.

Revenue refunding bonds dated February 24, 2015, were issued for the Harlan County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$12,709,970 maturing August 1, 2015, through August 1, 2026, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated December 1, 2014, were issued for the Henderson County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$1,697,734 maturing June 1, 2015, through December 1, 2030, and carrying interest rates from 0.900% to 3.000%.

Revenue refunding bonds dated July 15, 2014, were issued for the Henry County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$706,420 maturing April 1, 2015, through April 1, 2030, and carrying interest rates from 1.100% to 4.000%.

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Revenue refunding bonds dated November 5, 2014, were issued for the Jackson County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$5,656,472 maturing May 1, 2015, through November 1, 2029, and carrying interest rates from 1.250% to 3.000%.

Revenue refunding bonds dated September 2, 2014, were issued for the Jefferson County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$8,291,139 maturing October 1, 2015, through October 1, 2020, and carrying interest rates from 2.000% to 5.000%.

Revenue refunding bonds dated December 9, 2014, were issued for the Jessamine County School District Finance Corporation to refund a 2005 issue. The Commission's portion of the refunding issue was \$43,352 maturing February 1, 2015, through February 1, 2016, and carrying interest rates from 1.00% to 3.00%.

Revenue refunding bonds dated April 1, 2015, were issued for the Kenton County School District Finance Corporation to refund 2006 issues. The Commission's portion of the refunding issue was \$2,217,630 maturing October 1, 2015, through October 1, 2026, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated September 25, 2014, were issued for the Knott County School District Finance Corporation to refund a 2003 issue. The Commission's portion of the refunding issue was \$280,700 maturing March 1, 2015, through September 1, 2023, and carrying an interest rate of 2.000%.

Revenue refunding bonds dated March 19, 2015, were issued for the Laurel County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$1,058,144 maturing August 1, 2015, through August 1, 2026, and carrying interest rates of 3.000% to 4.000%.

Revenue refunding bonds dated March 4, 2015, were issued for the Letcher County School District Finance Corporation to refund a 2005 issue. The Commission's portion of the refunding issue was \$520,365 maturing June 1, 2015, through June 1, 2025, and carrying interest rates of 2.000% to 3.000%.

Revenue refunding bonds dated March 13, 2015, were issued for the Letcher County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$3,597,375 maturing August 1, 2015, through August 1, 2030, and carrying interest rates of 2.000% to 3.000%.

Revenue refunding bonds dated February 19, 2015, were issued for the Lewis County School District Finance Corporation to refund a 2005 issue. The Commission's portion of the refunding issue was \$631,264 maturing August 1, 2015, through August 1, 2025, and carrying interest rates of 2.000% to 2.500%.

Revenue refunding bonds dated February 2, 2015, were issued for the Magoffin County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$4,848,225 maturing August 1, 2015, through August 1, 2026, and carrying interest rates of 2.000% to 2.500%.

Revenue refunding bonds dated March 26, 2015, were issued for the McLean County School District Finance Corporation to refund a 2005 and a 2006 issue. The Commission's portion of the refunding issue was \$834,275 maturing August 1, 2015, through August 1, 2026, and carrying interest rates from 2.000% to 2.500%.

Revenue refunding bonds dated August 7, 2014, were issued for the Mercer County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$139,138 maturing February 1, 2015, through August 1, 2030, and carrying interest rates from 1.750% to 3.500%.

Revenue refunding bonds dated March 20, 2015, were issued for the Metcalfe County School District Finance Corporation to refund a 2003 and a 2010 issue. The Commission's portion of the refunding issue was \$2,735,443 maturing June 1, 2015, through December 1, 2030, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated April 21, 2015, were issued for the Middlesboro Independent School District Finance Corporation to refund a 2004 and a 2006 issue. The Commission's portion of the refunding issue was \$581,032 maturing August 1, 2015, through August 1, 2026, and carrying interest rates from 1.000% to 2.300%.

Revenue refunding bonds dated February 26, 2015, were issued for the Nelson County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$1,621,137 maturing June 1, 2015, through December 1, 2030, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated March 2, 2015, were issued for the Nelson County School District Finance Corporation to refund a 2005 issue. The Commission's portion of the refunding issue was \$1,613,921 maturing September 1, 2015, through September 1, 2025, and carrying interest rates from 2.000% to 2.250%.

Revenue refunding bonds dated February 2, 2015, were issued for the Pendleton County School District Finance Corporation to refund a 2007 issue. The Commission's portion of the refunding issue was \$667,381 maturing February 1, 2016, through February 1, 2027, and carrying interest rates from 2.000% to 2.500%.

Revenue refunding bonds dated August 5, 2014, were issued for the Perry County School District Finance Corporation to refund a 2001 issue. The Commission's portion of the refunding issue was \$13,039 maturing March 1, 2015, and carrying an interest rate of 1.00%.

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Revenue refunding bonds dated December 17, 2014, were issued for the Pineville Independent School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$398,304 maturing March 1, 2015, through March 1, 2030, and carrying interest rates from 2.000% to 3.250%.

Revenue refunding bonds dated March 16, 2015, were issued for the Powell County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$1,169,466 maturing August 1, 2015, through August 1, 2026, and carrying interest rates of 2.000% to 2.400%.

Revenue refunding bonds dated February 25, 2015, were issued for the Raceland-Worthington Independent School District Finance Corporation to refund a 2005 issue. The Commission's portion of the refunding issue was \$393,669 maturing June 1, 2015, through June 1, 2025, and carrying interest rates from 1.000% to 2.250%.

Revenue refunding bonds dated February 4, 2015, were issued for the Rockcastle County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$449,863 maturing August 1, 2015, through August 1, 2026, and carrying interest rates of 1.00% to 2.250%.

Revenue refunding bonds dated March 5, 2015, were issued for the Simpson County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$2,741,693 maturing August 1, 2015, through August 1, 2026, and carrying interest rates of 2.000% to 2.250%.

Revenue refunding bonds dated December 17, 2014, were issued for the Todd County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$365,116 maturing February 1, 2015, through August 1, 2030, and carrying interest rates of 2.000% to 3.000%.

Revenue refunding bonds dated March 11, 2015, were issued for the Walton Verona Independent School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$876,398 maturing August 1, 2015, through August 1, 2026, and carrying interest rates from 2.000% to 2.500%.

Revenue refunding bonds dated April 22, 2015, were issued for the Warren County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$282,702 maturing February 1, 2016, through February 1, 2026, and carrying interest rates of 2.000% to 3.000%.

Revenue refunding bonds dated May 8, 2015, were issued for the Warren County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$2,118,916 maturing August 1, 2015, through August 1, 2030, and carrying interest rates of 2.000% to 3.125%.

Revenue refunding bonds dated January 6, 2015, were issued for the Wayne County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$1,525,810 maturing April 1, 2015, through April 1, 2026, and carrying interest rates of 2.000% to 2.500%.

Revenue refunding bonds dated January 6, 2015, were issued for the Whitley County School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$3,181,817 maturing June 1, 2015, through June 1, 2026, and carrying interest rates of 2.000% to 2.500%.

Revenue refunding bonds dated March 17, 2015, were issued for the Williamstown Independent School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$198,297 maturing March 1, 2016, through March 1, 2026, and carrying interest rates from 1.000% to 2.500%.

State Property and Buildings Commission

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

\$254,380,000 of Revenue Refunding Bonds, Project 108 Series B dated February 11, 2015, were issued. The refunding bonds mature August 1, 2015 through August 1, 2026 carrying interest rates of 2.00% to 5.00%. The net proceeds of the issue in the amount of \$304,417,528 were deposited in Bond Repayment Fund to partially refund State Property and Buildings Commission issues of bonds. The bonds partially refunded consisted of State Property and Building Commission project number 85 in the amount of \$13,245,000 maturing August 1, 2016 through August 1, 2025 carrying interest rates from 3.80% to 5.00% ; project number 87 in the amount of \$139,305,000 maturing March 1, 2018 through March 1, 2027 carrying interest rates from 4.00% to 5.00%; project number 88 in the amount of \$74,965,000 maturing November 1, 2019 through November 1, 2024 carrying an interest rate of 5.00% and Kentucky Asset/Liability Commission Project Notes titled 2005 General Fund First Series in the amount of \$50,060,000 maturing May 1, 2016 through May 1, 2025 carrying interest rates of 4.125% to 5.000%. The refunding will result in increase cash flows in future periods of \$32,901,116 and a present value savings of \$32,904,388 at 2.12%.

Component Units

Morehead State University issued \$27,460,000 of General Receipts Refunding Bonds as follows:

\$22,620,000 of Series A serial bonds dated July 24, 2014 maturing on October 1, 2014 through October 1, 2028 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, 2029 carrying interest rates

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of 1.00% to 5.00%. These 2014 Series A and B Bonds maturing on or after October 1, 2024 shall be subject to optional redemption, in whole or in part, prior to their maturity at the option of the University on any date on or after April 1, 2024. The net proceeds of the issue in the amount of \$30,028,417 was deposited to various Debt Service Funds will be used to refund the University's outstanding debt as follows: Morehead State University Consolidated Educational Buildings Refunding and Improvement Bonds, Series M, term bonds in the amount of \$495,000 maturing May 1, 2019 and May 1, 2024 carrying interest rates of 4.125% and 4.500% respectively, Morehead State University General Receipts, Taxable Build America Bonds 2009 Series A in the amount of \$24,125,000 maturing November 1, 2014 through November 1, 2028 carrying interest rates of 4.00% to 6.00% and Morehead State University General Receipts Taxable Build America Bonds 2010 Series A, consisting of serial bonds in the amount of \$1,600,000 maturing November 1, 2014 through November 1, 2019 carrying interest rates of 2.760% to 4.200% and term bonds in the amount of \$3,430,000 maturing November 1, 2021, November 1, 2023, November 1, 2025, November 1, 2027, November 1, 2029 and carrying interest rates of 4.600%, 4.800%, 5.200%, 5.600% and 5.750% respectively. The refunding associated with Series 2014A will result in increase cash flows in future periods of \$1,874,847 and a present value savings of \$1,812,686 at 2.62%. The refunding associated with Series 2014B will result in increase cash flows in future periods of \$184,898 and a present value savings of \$188,326 at 2.79%.

The University of Kentucky issued \$205,280,000 of General Receipts Revenue Refunding Bonds as follows:

\$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%. These 2014 Series D Bonds maturing on or after October 1, 2024 shall be subject to optional redemption, in whole or in part, prior to their maturity at the option of the University on any date on or after October 1, 2023. The net proceeds of the issue in the amount of \$107,547,919 was deposited to various Debt Service and Escrow Funds and will completely refund Con Ed, Series P, Q, R (2nd) in the amount of \$24,970,000 maturing May 1, 2015 through May 1, 2021 carrying interest rates of 4.00% to 4.50%; partially refund General Receipts Series 2005 A bonds in the amount of \$4,270,000 maturing October 1, 2016 through October 1, 2025 carrying interest rates of 4.000% to 4.375% and Series 2005A ALCO notes in the amount of \$72,865,000 maturing October 1, 2016 through October 1, 2025 carrying interest rates of 4.125% to 5.000%. The refunding associated with the refunding of Con Ed, Series P, Q; R (2nd) will result in increase cash flows in future periods of \$6,622,115 and a net present value savings of \$1,266,763 at 1.97%. The refunding associated with Series 2014 D will result in increase cash flows in future periods of \$15,014,059 and a present value savings of \$9,658,706 at 1.97%.

\$117,135,000 of General Receipts Revenue Refunding Bonds dated April 15, 2015. These bonds consist of: \$97,440,000 Series B serial bonds maturing October 1, 2018 through October 1, 2027 carrying an interest rate of 5.00% and \$19,695,000 Series C serial bonds maturing October 1, 2015 through October 1, 2026 carrying interest rates of 2.00% to 4.00%. These 2015 Series B and C Bonds maturing on or after October 1, 2025 shall be subject to optional redemption, in whole or in part, prior to their maturity at the option of the University on any date on or after April 1, 2025. The net proceeds of the 2015 Series B and C Bond Issues in the amount of \$140,240,673 was deposited to various Debt Service and Escrow Funds and will partially refund ALCO 2007 Series A – UK General Receipts Series in the amount of \$51,655,000 maturing October 1, 2018 through October 1, 2027 carrying an interest rate of 5.00% with a call date of October 1, 2017, partially refund ALCO 2007 Series B – UK General Receipts Series in the amount of \$55,780,000 maturing October 1, 2019 through October 1, 2027 carrying interest rates of 4.125% to 5.000% with a call date of October 1, 2017, completely refund Con Ed Series U in the amount of \$6,900,000 maturing May 1, 2016 through May 1, 2025 carrying an interest rate of 4.00% and partially refund 2006 Series A – UK General Receipts Series in the amount of \$14,765,000 maturing October 1, 2017 through October 1, 2026 carrying interest rates of 4.375% to 4.500%. The refunding associated with Series 2015B will result in increase cash flows in future periods of \$12,036,201 and a present value savings of \$12,037,957 at 2.10%. The refunding associated with Series 2015C will result in increase cash flows in future periods of \$2,863,519 and a present value savings of \$2,012,106 at 1.87%.

The Kentucky Infrastructure Authority issued Wastewater and Drinking Water Revolving Fund Revenue Refunding Bonds, Series 2015A dated May 21, 2015 in the amount of \$64,465,000. The bonds mature February 1, 2016 through February 1, 2026 carrying interest rates of 2.000% to 5.000%. The net proceeds of the issue were \$78,158,000 with a cost of issuance of \$497,000. The net proceeds were deposited with the trustee and used for the partially refunding of Series 2010A bonds maturing February 1, 2016 through February 1, 2020 with an interest rate of 5.00%. The economic gain from this refunding transaction is calculated as the difference between the present value of the debt service requirements of the refunded Series 2010A and the present value of the Series 2015A debt service requirements, discounted at the effective rate of the Series 2015A Bonds. The economic gain on the advance refunding is \$2,763,000.

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, 2015.

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

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue

debt issued by the Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Economic Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation, and Kentucky School Facilities Construction Commission is used as a financing mechanism for activities and facilities not used directly for State purposes. The tax-exempt status of such municipal debt, whether issued by State or local governments, is used to provide financing for entities unable to bear the costs of private financing when the General Assembly deems such entities worthy of public assistance. The other category of revenue debt finances facilities used directly by State Government in activities such as roads, parks, office buildings, and educational facilities. The primary distinction between these categories is that the first type, with the exceptions of the Kentucky School Facilities Construction Commission, which succeeds the Kentucky School 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, 2015 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 \$384,000,000 in revenue and revenue refunding bonds as follows:

\$384,000,000 Project No. 108, Revenue and Revenue Refunding Bonds, dated February 11, 2015, were issued. These bonds consist of: \$129,620,000 Series A serial bonds maturing August 1, 2015 through August 1, 2034 and carrying interest rates of 2.000% to 5.000%; \$254,380,000 Series B Bonds maturing August 1, 2015 through August 1, 2026 and carrying interest rates of 2.00% to 5.00%. The proceeds of the Series A Bonds are to partially fund various projects throughout the Commonwealth and pay the costs of issuing the Bonds. The proceeds of the Series B Bonds are to be used to partially refund State Property and Building Commission

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projects number 85, 87 and 88 and to partially refund Kentucky Asset/Liability Commission Project Notes titled 2005 General Fund First Series 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 no bonds during fiscal year 2015.

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

The authority issued no bonds during fiscal year 2015.

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 \$414,925,000 in General Receipts Bonds to refund various prior bond issues.

Eastern Kentucky University issued \$14,280,000 in General Receipts Bonds dated April 7, 2015. These bonds consist of: \$12,765,000 Series A serial bonds maturing on April 1, 2016 through April 1, 2035 carrying interest rates of 3.125% to 5.000% and \$1,515,000 term bonds maturing on April 1, 2028 carrying an interest rate of 3.000%. These 2014 Series A maturing on or after April 1, 2026 shall be subject to optional redemption, in whole or in part, prior to their maturity at the option of the University on any date on or after April 1, 2025. The proceeds of the bonds will be used to pay the costs of various types of improvements to several athletic programs. Construction of a multi-purpose educational and athletic facility is included in the project, as well as renovations and improvements to existing men's and women's athletic facility and pay certain costs of issuing the bonds.

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, 2028 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, 2029 carrying interest rates of 1.00% to 5.00%. These 2014 Series A and B Bonds maturing on or after October 1, 2024 shall be subject to optional redemption, in whole or in part, prior to their maturity at the option of the University on any date on or after April 1, 2024. 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.

Murray State University issued \$26,000,000 General Receipts Bonds, 2015 Series A, dated March 31, 2015. These bonds mature March 1, 2017 through March 1, 2035 carrying interest rates of 3.00% to 5.00%. This bond issue is subject to redemption prior to maturity at the option of the University, in whole or in part at any time on or after March 21, 2025. The proceeds of these bonds will be used to finance the construction of a new residence hall to replace Franklin Hall and pay certain costs of issuing the bonds.

The University of Kentucky issued \$347,185,000 of General Receipts Revenue and Revenue Refunding Bonds as follows:

\$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%. These 2014 Series D Bonds maturing on or after October 1, 2024 shall be subject to optional redemption, in whole or in part, prior to their maturity at the option of the University on any date on or after October 1, 2023. 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.

\$259,040,000 of General Receipts and General Receipts Refunding Bonds dated April 15, 2015. These bonds consist of: \$141,905,000 2015 Series A serial bonds maturing April 1, 2016 through April 1, 2045 carrying interest rates of 2.500% to 5.000%, \$97,440,000 2015 Series B serial bonds maturing October 1, 2018 through October 1, 2027 carrying an interest rate of 5.000% and \$19,695,000 2015 Series C serial bonds maturing October 1, 2015 through October 1, 2026 carrying interest rates of 2.000% to 4.000%. The 2015 Series A Bonds maturing on or after April 1, 2026 shall be subject to optional redemption, in whole or in part, prior to their maturity at the option of the University on any date on or

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after April 1, 2025. The 2015 Series B and C Bonds maturing on or after October 1, 2025 shall be subject to optional redemption, in whole or in part, prior to their maturity at the option of the University on any date on or after April 1, 2025. The 2015 Series A Bonds were issued to renovate and upgrade HealthCare Facilities and pay certain costs of issuing the 2015 Series A bonds. The proceeds of the 2015 Series B and C Bond Issues will be applied as follows; partially refund 2007 Series A - UK General Receipts Series, partially refund 2007 Series B - UK General Receipts Series, partially refund 2006 Series A - UK General Receipts Series, completely refund Consolidated Educ. Buildings Series U and pay certain costs if issuing the 2015B and 2015C bonds.

The Kentucky Housing Corporation was established in 1972 under KRS Chapter 198A, as a municipal corporation. The Corporation is authorized to increase the supply of housing for persons of lower income by making or participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonably equivalent terms and conditions. The Corporation is limited to a \$5.0 billion total maximum principal value of debt outstanding.

The Corporation issued \$91,445,000 in Housing Revenue Bonds which consisted of the following:

\$61,445,000 of Housing Revenue Bond dated July 2, 2014. These bonds consist of: \$46,720,000 Series A serial bonds (taxable) maturing semi annually January 1, 2015 and July 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%. This bond issue is subject to redemption prior to maturity at the option of the Corporation, in whole or in part at any time on or after January 1, 2024. These bonds are also subject to special optional redemption at the option of the Corporation, in whole or in part, at any time from recoveries of principal or excess revenues. 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.

\$30,000,000 of Housing Revenue Bond dated December 18, 2014. These bonds consist of: \$11,885,000 Series A serial bonds (taxable) maturing semi annually July 1, 2015 and January 1, 2016 through July 1, 2025 carrying interest rates of 0.180% to 3.378%, \$5,685,000 term bond maturing on July 1, 2029 and carrying an interest rate of 3.828%, \$4,335,000 term bond maturing on July 1, 2032 and carrying an interest rate of 4.097% and 8,095,000 term bond maturing on July 1, 2036 and carrying an interest rate of 4.000%. This bond issue is subject to redemption prior to maturity at the option of the Corporation, in whole or in part at any time

on or after January 1, 2024. These bonds are also subject to special optional redemption at the option of the Corporation, in whole or in part, at any time from recoveries of principal or excess revenues. 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 2005 G and Series 2005 H bonds and pay certain costs of issuing the bonds.

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

The authority issued the following bonds:

\$64,465,000 Wastewater and Drinking Water Revolving Fund Revenue Refunding Bonds, Series 2015A dated May 21, 2015. The bonds mature February 1, 2016 through February 1, 2026 carrying interest rates of 2.000% to 5.000%. This bond issue is subject to early redemption as described in the official document. The proceeds will be used to partially refund the Authority's 2010 Series A Bonds and pay certain costs of issuance of the 2015 Series A Bonds.

\$4,770,000 Governmental Agencies Program Revenue Improvement Bonds, Series 2015 dated May 21, 2015. The bonds mature August 1, 2016 through August 1, 2021 carrying interest rates of 2.000% to 4.000%. This bond issue is not subject to early redemption as described in the official document. The proceeds will be used to provide loans to certain Governmental Agencies to finance infrastructure projects of those Governmental Agencies and pay the costs of issuance of the Series 2015 Bonds.

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

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The authority issued no bonds during fiscal year 2015.

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 \$134,605,000 in Student Loan Asset-backed Bonds Series 2015-1 dated February 26, 2015 with a final maturity date of December 1, 2031 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 .75%. The proceeds from the sale of the bonds will be used to make an initial deposit to the Acquisition Fund, the Capitalized Interest 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 defease all outstanding bonds issued by the Corporation under the 1997 General Bond Resolution and to repay certain other Issuer debt obligations that are secured by student loans.

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 no bonds during fiscal year 2015.

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 2015.

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 indepen-

dent 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, 2015, the Commission sold school building revenue and revenue refunding bond issues having aggregate state participation of \$212,634,272 maturing through June 30, 2035, at interest rates of 0.850% to 5.00%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 2015, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015. 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, 2015.

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, 2015.

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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, 2015, are as follows (Expressed in Thousands):

Long-Term Obligations	Principal Outstanding	Interest Rate	Annual Maturity To
Agency:			
State Property and Buildings Commission	\$ 3,756,315	1.00%-8.25%	2034
Kentucky School Facilities Construction Commission	944,111	.085%-5.90%	2035
Turnpike Authority of Kentucky	1,454,515	1.00%-5.72%	2034
Total	<u>\$ 6,154,941</u>		

Future revenue bond debt service requirements, to be paid with State Funds, at June 30, 2015, are as follows (Expressed in Thousands):

Year Ending June 30	Principal	Interest	Totals
2016	\$ 430,868	\$ 261,471	\$ 692,339
2017	428,680	244,317	672,997
2018	446,771	225,804	672,575
2019	489,056	205,074	694,130
2020	487,920	182,789	670,709
2021-2025	2,073,115	610,156	2,683,271
2026-2030	1,452,695	226,832	1,679,527
2031-2035	345,608	27,314	372,922
2036-2040	228		228
Total	<u>\$ 6,154,941</u>	<u>\$ 1,983,757</u>	<u>\$ 8,138,698</u>

Component Unit Revenue Bonds Payable (Expressed in Thousands):	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky Housing Corporation *	\$ 944,290	.07-6.06%	2044
Kentucky Infrastructure Authority*	277,775	2.00-5.29%	2032
Kentucky Higher Education Student Loan Corporation	1,067,324	.14-5.00%	2038
Kentucky Public Transportation Infrastructure Authority	816,725	3.00-6.875%	2053
University of Kentucky*	751,735	1.46-4.50%	2044
University of Louisville*	295,559	1.30-6.46%	2044
Eastern Kentucky University	69,900	3.00-5.00%	2032
Western Kentucky University*	217,185	2.00-5.00%	2033
Murray State University *	79,650	2.00-4.50%	2034
Morehead State University	83,976	1.00-6.00%	2033
Kentucky State University	3,198	3.625-3.875%	2027
Northern Kentucky University*	125,935	2.00-5.00%	2034
Total Component Unit Revenue Bonds Payable	<u>\$ 4,733,252</u>		

* Amounts reflect original issue

Future revenue bond debt service requirements for bonds issued by the Commonwealth's Component Units at June 30, 2015, are as follows (Expressed in Thousands):

Year Ending June 30	Principal	Interest	Totals
2016	\$ 120,904	\$ 152,878	\$ 273,782
2017	136,965	149,016	285,981
2018	597,735	133,184	730,919
2019	148,740	116,821	265,561
2020	155,632	111,124	266,756
2021-2025	802,373	475,939	1,278,312
2026-2030	1,363,207	334,447	1,697,654
2031-2035	641,926	209,542	851,468
2036-2040	329,730	134,483	464,213
2041-2045	244,080	83,934	328,014
2046-2050	94,070	43,702	137,772
Thereafter	97,890	12,174	110,064
Total	<u>\$ 4,733,252</u>	<u>\$ 1,957,244</u>	<u>\$ 6,690,496</u>

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NOTES PAYABLE At June 30, 2015, 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 no notes during fiscal year 2015.

The Component Units of the Commonwealth reported notes payable of \$177,639,000 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 136 and 137.

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

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

***Future debt service requirements, under Memorandum of Understanding
to be paid with State Funds, at
June 30, 2015, are as follows (Expressed in Thousands)***

Year Ending June 30	Principal	Interest	Totals
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	5,590	5,666	11,256
2021-2025	32,450	23,847	56,297
2026-2030	41,620	14,675	56,295
2031-2035	30,590	3,186	33,776
Total	<u>\$ 130,080</u>	<u>\$ 72,578</u>	<u>\$ 202,658</u>

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Commonwealth of Kentucky State Office Building Project

The Finance and Administration Cabinet, a statutory administrative organization of the Commonwealth entered into a Lease Agreement with semi-annual payments to pay the principal and interest due on the Certificates of Participation (Certificates) dated April 29, 2015 to fund this project.

The Cabinet issued \$68,575,000 in Certificates which consisted of \$19,380,000 2015 serial Certificates maturing June 15, 2017 through June 15, 2030 and carrying interest rates of 2.00% to 5.00%; \$3,370,000 4.00% Series 2015 Term Certificates due June 15, 2032; \$3,580,000 5.00% Series 2015 Term Certificates due June 15, 2034; \$8,035,000 5.00% Series 2015 Term Certificates due June 15, 2038; \$4,475,000 4.00% Series 2015 Term Certificates due June 15, 2040; \$12,360,000 4.00% Series 2015 Term Certificates due June 15, 2045; \$5,460,000 4.00% Series 2015 Term Certificates due June 15, 2047 and \$11,915,000 4.125% Series 2015 Term Certificates due June 15, 2051. The proceeds of the

bonds will be deposited to various trustee bank accounts and will be used to construct, install and equip an office building consisting of approximately 371,160 square feet in Frankfort, Kentucky and pay certain costs of issuing the certificates. The Cabinet also has an annual trustee fee of \$3,000 through June 15, 2015 and has entered into a Facilities Lease agreement (renewable in two year increments at the option of the Cabinet) with the facilities lessor to provide certain management and maintenance services pertaining to the office building. The office building is designed to accommodate 1,400 workers which will be displaced due to the termination of a lease on privately owned space used by Commonwealth agencies. The Commonwealth maintains an option to purchase. The debt service requirement, the trustee fee and management and maintenance fee under the lease agreement is shown in the chart below.

Future debt service requirements for Certificates of Participation June 30, 2015, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Operations & Maintenance	Totals
2016	\$	\$ 2,829	\$ 3	\$ 2,832
2017	1,150	2,829	429	4,408
2018	1,160	2,806	442	4,408
2019	1,205	2,748	455	4,408
2020	1,250	2,687	468	4,405
2021-2025	6,820	12,659	2,561	22,040
2026-2030	7,795	11,282	2,966	22,043
2031-2035	8,845	9,757	3,436	22,038
2036-2040	10,615	7,450	3,981	22,046
2041-2045	12,360	5,061	4,613	22,034
2046-2050	14,265	2,430	5,345	22,040
2051-2055	3,110	128	1,167	4,405
Total	<u>\$ 68,575</u>	<u>\$ 62,666</u>	<u>\$ 25,866</u>	<u>\$ 157,107</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 129.

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, 2015 the amount borrowed was \$38.1 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.

Deferred Outflows and Inflows - GASB 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 inflows of resources and deferred outflows of resources on the Government-Wide Statement of Net Position. GASB 68 and GASB 71 establish financial reporting of deferred inflows of resources and deferred outflows of resources related to pensions. Additional information can be found in Note 8.

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

	Governmental Activities	Business-Type Activities	Major Component Units
Deferred Outflow of Resources:			
Deferred Loss on Refunding	\$ 3,720	\$	\$ 14,511
Interest Rate Swap-Derivative	26,237		2,983
Pension Related Outflows	924,732	13,621	26,242
Total	\$ 954,689	\$ 13,621	\$ 43,736
Deferred Inflow of Resources:			
Deferred Gain on Refunding	\$ 36,052	\$	\$ 20,013
Interest Rate Swap-Derivative	26,237		271
Service Concession Arrangement			244,524
Pension Related Inflows	1,670,710	3,311	19,510
Total	\$ 1,732,999	\$ 3,311	\$ 284,318

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Future debt service requirements for aggregated Notes Payable for the Primary Government at June 30, 2015, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2016	\$ 175,283	\$ 59,796	\$ 235,079
2017	163,335	53,781	217,116
2018	195,599	47,073	242,672
2019	168,681	39,857	208,538
2020	140,815	32,912	173,727
2021-2025	481,945	84,662	566,607
2026-2030	141,915	6,746	148,661
Total	<u>\$ 1,467,573</u>	<u>\$ 324,827</u>	<u>\$ 1,792,400</u>

Future debt service requirements for aggregated Notes Payable for the Component Units at June 30, 2015, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2016	\$ 83,145	\$ 2,344	\$ 85,489
2017	44,169	2,248	46,417
2018	16,550	935	17,485
2019	2,303	474	2,777
2020	1,801	430	2,231
2021-2025	9,403	1,624	11,027
2026-2030	6,785	1,022	7,807
2031-2035	6,036	471	6,507
2036-2040	7,447	232	7,679
Total	<u>\$ 177,639</u>	<u>\$ 9,780</u>	<u>\$ 187,419</u>

Changes in long-term liabilities for the fiscal year ended June 30, 2015, are summarized as follows (Expressed in Thousands):

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due In One Year	Due Thereafter
Governmental Activities						
Compensated absences	\$ 224,918	\$ 11,728	\$ (400)	\$ 236,246	\$ 157,698	\$ 78,548
Capital leases	55,444	30,577	(14,528)	71,493	16,510	54,983
Claims liability	209,127	42,469	(36,136)	215,460	27,125	188,335
Notes payable	1,868,377		(400,804)	1,467,573	175,283	1,292,290
Certificate of Participation		68,575		68,575		68,575
Bonds payable	6,291,646	596,634	(733,338)	6,154,942	430,868	5,724,074
Unamortized premiums	355,817	78,399	(64,426)	369,790	27,752	342,038
Unamortized discounts	(11,577)	(973)	1,675	(10,875)	(842)	(10,033)
Judgments and contingent liabilities	63,356	18,042	(13,801)	67,597	50,128	17,469
LFUCGPFC MOU obligations	134,460		(4,380)	130,080	4,600	125,480
Pollution remediation liabilities	23,246	6,507	(15,253)	14,500	6,259	8,241
Unfunded employer OPEB contributions	3,597,822		(40,496)	3,557,326		3,557,326
Net pension liability	28,070,935	182,584	(1,028,644)	27,224,875		27,224,875
Total Governmental Activities	<u>40,883,571</u>	<u>1,034,542</u>	<u>(2,350,531)</u>	<u>39,567,582</u>	<u>895,381</u>	<u>38,672,201</u>
Business-Type Activities						
Compensated absences	7,430	1,555	(1,258)	7,727	5,037	2,690
Capital leases	13,065	259	(1,062)	12,262	1,073	11,189
Claims and claims adjustment liability	1,112,110	1,530,672	(1,569,331)	1,073,451	153,931	919,520
Judgments and contingent liabilities	32	125	(157)			
Net pension liability	224,047	8,357		232,404		232,404
Loans payable to the Federal government	389,014	343,193	(694,052)	38,155	38,155	
Total Business-Type Activities	<u>1,745,698</u>	<u>1,884,161</u>	<u>(2,265,860)</u>	<u>1,363,999</u>	<u>198,196</u>	<u>1,165,803</u>
Total Primary Government	<u>\$ 42,629,269</u>	<u>\$ 2,918,703</u>	<u>\$ (4,616,391)</u>	<u>\$ 40,931,581</u>	<u>\$ 1,093,577</u>	<u>\$ 39,838,004</u>
Major Component Units						
Compensated absences	\$ 26,914	\$ 9,986	\$ (13,955)	\$ 22,945	\$ 4,418	\$ 18,527
Capital leases	397,576	59,119	(234,926)	221,769	43,801	177,968
Prize liability	58,017	2,474	(16,974)	43,517	27,820	15,697
Notes payable	134,605	175,326	(169,441)	140,490	67,759	72,731
Bonds payable	3,916,091	622,913	(662,250)	3,876,754	73,816	3,802,938
Net pension liability	495,829	30,118		525,947		525,947
Total Major Component Units	<u>\$ 5,029,032</u>	<u>\$ 899,936</u>	<u>\$ (1,097,546)</u>	<u>\$ 4,831,422</u>	<u>\$ 217,614</u>	<u>\$ 4,613,808</u>

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2015

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, 2015. 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 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.

Governmental Activities
Terms of each Hedging Derivative
Cashflow Interest Rate Swaps
at June 30, 2015 (Expressed in Thousands)

Project Notes	Effective Date	Notional Amounts		Maturity Date	Pay-Fixed Rate	Variable Rate	Fair Value 6/30/2014	Fair Value 6/30/2015	Change in Fair Value
		Original	Outstanding						
2007 ALCo	5/31/2007	\$ 25,210	\$ 7,940	11/1/2017	3.839%	67% 3M LIBOR +.4%	\$ (618)	\$ (312)	\$ 306
2007 ALCo	5/31/2007	71,310	66,310	11/1/2021	4.042%	67% 3M LIBOR +.52%	(8,143)	(6,659)	1,484
2007 ALCo	5/31/2007	70,935	70,935	11/1/2025	4.125%	67% 3M LIBOR +.55%	(12,160)	(12,041)	119
2007 ALCo	5/31/2007	75,625	56,985	11/1/2025	4.066%	67% 3M LIBOR +.53%	(7,851)	(7,224)	627
Total		<u>\$ 243,080</u>	<u>\$ 202,170</u>				<u>\$ (28,772)</u>	<u>\$ (26,236)</u>	<u>\$ 2,536</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, 2015
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Net Swap Payments	Totals
2016	\$ 6,545	\$ 1,176	\$ 6,766	\$ 14,487
2017	6,810	1,362	6,315	14,487
2018	18,005	1,275	5,904	25,184
2019	15,410	1,154	5,352	21,916
2020	16,705	1,039	4,817	22,561
2021-2025	104,690	3,089	14,482	122,261
2026-2030	30,160	221	1,026	31,407
Total	<u>\$ 198,325</u>	<u>\$ 9,316</u>	<u>\$ 44,662</u>	<u>\$ 252,303</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, 2015 and 2014 amounted to \$151.4 and \$152.3 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 7.5-8.0 to 15.00-16.00 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, 2015, the estimated liability for annual and compensatory leave was \$236,244,148 for the governmental activities, and \$7,728,168 in the business-type activities.

Compensated absence liabilities for the major component units totaled \$22,945,000 at June 30, 2015.

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, 2015. The estimated accumulated amount of unused sick leave at that date for the governmental and business-type activities was \$411,464,225 and \$13,433,834, respectively.

Construction Projects - The Transportation Cabinet, at June 30, 2015, had contractual commitments of approximately \$1,477,082,142 for the construction, maintenance and operation of the highway system. It is anticipated that these projects will be funded with approximately 32 percent State funds, 48 percent Federal funds, and the remaining 20 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 traffic; a revamped John F. Kennedy Memorial Bridge for south-

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2015

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 LSIORBP 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 partially through the Authority. The project is being funded in part with a combination of governmental purpose tax-exempt debt in the form of a TIFIA loan, Grant Anticipation Revenue Vehicle (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 principal and interest and the TIFIA loan principal and interest will be issued by the Authority and paid solely by Kentucky's share of project revenues issued by the Authority and paid solely by Kentucky's share of project revenues (primarily tolls). These financing instruments do not constitute debt of the Commonwealth or any of its political subdivisions. Neither the faith and credit nor the taxing power of the Commonwealth is pledged to the payment of the above described debt.

Under the six year highway plan adopted by the Commonwealth, the Commonwealth 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 approximately \$236 million of previously issued GARVEE bonds for construction, 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 parties have spent approximately \$1 billion to date and the State of Indiana has spent approximately \$350 million to date. The Commonwealth's expenditures are included in construction in progress and reflected in the statement of revenues, expenses, and changes in net position within contributed capital and beginning net position.

The Authority has entered into various contracts for services in connection with the operation of the Tolls consisting of toll oversight, marketing and communication services, and toll transponders. Additional contracts are in the process of being procured, but have not yet been executed. These contracts relate to services for the toll custodian, and E-ZPass. Costs under the toll contracts described above will be paid as services are rendered and will be split between the Commonwealth (through the Authority) and the State of Indiana.

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.



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June 30, 2015

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, 2015, and prior to December 11, 2015, and reported other subsequent events for the same period, as described below.

The State Property and Buildings Commission issued the following bonds:

\$20,075,000 Project No. 109, Judicial Branch Agency Revenue Bonds dated October 8, 2015. These bonds consist of Serial bonds maturing on October 1, 2016 through October 1, 2023 carrying interest rates of 2.10% to 5.00%. The net proceeds of this issue will be used to finance the acquisition, construction, equipping, and financing of the Phase 1 E-Case and Docket Management System, to refund certain interim financing and pay certain costs of issuing the bonds.

\$115,660,000 Project No. 110, Revenue and Revenue Refunding Bonds dated December 3, 2015. These bonds consist of Serial bonds maturing on February 1, 2016 through August 1, 2035 carrying interest rates of 2.00% to 5.00%. The net proceeds of this issue will be used to finance a portion of various public projects, including economic development projects and community developments, to refund certain outstanding bonds of the Kentucky Infrastructure Authority and pay certain costs of issuing the bonds.

\$4,960,000 Project No. 111, Road Fund Revenue Bonds dated December 3, 2015. These bonds consist of Serial bonds maturing on November 1, 2016 through November 1, 2035 carrying interest rates of 0.600% to 4.000%. The net proceeds of this issue will be used for the replacement of the existing C-1 maintenance in Franklin County with a new 36,000 square foot facility to be located on approximately fourteen (14) acres of land currently owned by the Transportation Cabinet on Wilkinson Boulevard in Frankfort, Kentucky and pay certain costs of issuing the bonds.

The Kentucky Asset/Liability Commission issued \$106,850,000 of Project Notes, 2015 First Series Federal Highway Trust Fund First Series A dated October 15, 2015. These project notes mature September 1, 2016 through September 1, 2027 carrying interest rates of 2.00% to 5.00%. The net proceeds of this issue will be used to construct a new bridge over Kentucky Lake, to construct a new bridge over Lake Barkley, to widen certain portions of US 68/KY80 and pay certain costs of issuing the 2015 Notes.

The Turnpike Authority of Kentucky issued \$68,880,000 of Economic Development Revenue Bonds, 2015 Series A dated July 22, 2015. These bonds mature on July 1, 2017 through July 1, 2033 carrying 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, Revitalization Project and pay certain costs of issuance of the 2015 Series B Bonds.

\$122,005,000 of 2015 Series B Economic Development Revenue Refunding Bonds dated July 22, 2015. These bonds mature on July 1, 2017 through July 1, 2026 carrying interest rates of 3.00% to 5.00%. The net proceeds will be used to advance refund certain maturities of the outstanding Economic Development Road Revenue Bonds (Revitalization Projects), 2006 Series A and the outstanding Economic Development Road Revenue Bonds (Revitalization Projects), 2006 Series B Bonds and pay certain costs of issuance of the 2015 Series B Bonds.

Western Kentucky University issued \$5,960,000 of General Receipts Refunding Bonds, 2015 Series A dated October 13, 2015. These bonds mature March 1, 2016 through September 1, 2026 and carry interest rates of 2.00% to 3.00%. The net proceeds will be used to refund the University's outstanding General Receipts Bonds, 2006 Series A maturing on and after September 1, 2017 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, 2015, and maturing as to principal through 2035 as displayed in the table on page 135.

KentuckyWired Infrastructure Company, Incorporated

The Commonwealth under a "Design/Build/Finance/Operate/Maintain" structure, determined to develop the Next Generation - Kentucky Infrastructure Highway System entered into a project agreement with KentuckyWired Infrastructure Company, Inc. a non-profit component unit of the Commonwealth. The non-profit was created for the sole benefit of Kentucky. The Commonwealth granted the non-profit an exclusive right to design, construct, finance, operate and maintain the system in return for payments by the Commonwealth in the form of milestone payment, a designated equipment payment and availability payments. All payments made by the Commonwealth to the non-profit are subject to appropriation by the General Assembly.

In addition Kentucky Economic Development Finance Authority issued Senior Revenue bonds, series 2015A in the amount of \$231,950,000 dated September 3, 2015 for the KentuckyWired Infrastructure Company, Inc.. The bonds consist of \$231,950,000 Series A serial bond maturing on July 1, 2019 through January 1, 2045 carrying interest rates of 2.5% to 5.0%. The net proceeds of the bond will be used for the Next Generation Kentucky Information Highway project, a fiber optic backbone infrastructure which will extend into every county in the Commonwealth.

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KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

School District	Delivery Date	Principal at Issue	State Share	Interest Rates (%)
Augusta Independent	08/04/15	\$ 1,055,000	\$ 353,637	3.250%
Bullitt County	11/10/15	20,370,000	2,416,921	2.000% - 3.375%
Butler County	09/30/15	2,635,000	453,033	1.750% - 3.250%
Corbin Independent	07/30/15	1,626,000	1,626,000	1.000% - 4.000%
Estill County	08/11/15	1,095,000	995,904	1.000% - 3.625%
Estill County	10/22/15	2,155,000	489,990	1.750% - 3.000%
Fayette County	07/14/15	101,665,000	6,769,051	3.000% - 5.000%
Fayette County	07/28/15	21,425,000	476,175	4.000%
Fayette County	09/23/15	35,615,000	3,043,882	3.000% - 4.000%
Floyd County	08/04/15	52,595,000	5,572,702	2.000% - 4.000%
Fort Thomas Independent	11/17/15	23,810,000	22,998,200	2.000% - 3.375%
Fulton County	10/13/15	1,236,000	1,236,000	2.000% - 3.250%
Grayson County	07/07/15	1,180,000	576,550	1.300% - 3.500%
Hart County	10/29/15	3,335,000	3,011,588	2.00% - 3.125%
Johnson County	12/09/15	2,650,000	632,569	2.000% - 3.250%
Laurel County	08/25/15	14,260,000	869,408	2.000% - 3.500%
Lincoln County	11/17/15	6,745,000	2,422,372	2.000% - 3.000%
Logan County	12/10/15	372,000	372,000	2.000% - 4.000%
Marion County	07/06/15	1,745,000	376,053	0.400% - 1.500%
McCreary County	08/12/15	955,000	955,000	2.250% - 3.500%
Metcalfe County	08/18/15	5,790,000	649,097	2.000% - 3.625%
Menifee County	11/12/15	1,160,000	1,160,000	2.000% - 3.250%
Middlesboro Independent	07/09/15	5,690,000	1,206,496	2.000% - 3.500%
Owensboro Independent	10/15/15	6,190,000	754,317	2.000% - 3.500%
Rockcastle County	08/26/15	655,000	655,000	3.250%
Rowan County	07/07/15	4,285,000	1,546,081	1.000% - 3.750%
Rowan County	09/22/15	1,525,000	1,192,950	2.000% - 2.750%
Russell County	10/01/15	2,060,000	301,818	2.000% - 2.500%
Russell Independent	10/06/15	2,910,000	1,238,670	2.000% - 3.000%
Russellville Independent	07/14/15	450,000	450,000	2.200% - 3.500%
Simpson County	11/05/15	670,000	389,967	2.900%
Trimble County	07/09/15	1,425,000	1,425,000	1.000% - 3.500%
Williamstown Independent	09/01/15	2,040,000	1,258,116	1.000% - 3.750%
		<u>\$ 331,374,000</u>	<u>\$ 67,874,547</u>	

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Notes to the Financial Statements

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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

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Notes to the Financial Statements

June 30, 2015

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, 2015
(Expressed in Thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Budgeted:				
Taxes	\$ 9,416,435	\$ 9,416,435	\$ 9,614,380	\$ 197,945
Licenses, fees, and permits	34,082	34,082	37,224	3,142
Intergovernmental	36,517	36,517	9,540	(26,977)
Charges for services	6,493	6,493	7,596	1,103
Fines and forfeits	35,013	35,013	36,462	1,449
Interest and other investment income	800	800	213	(587)
Lottery proceeds	238,000	238,000	221,500	(16,500)
Other revenues	33,888	33,888	39,716	5,828
Tobacco Settlement	99,700	61,884	61,884	
Subtotal of Budgeted Revenues	<u>9,900,928</u>	<u>9,863,112</u>	<u>10,028,515</u>	<u>165,403</u>
Other Budgeted Financial Resources:				
Transfers in (intrafund)				
Transfers in (interfund)	224,546	227,546	222,554	(4,992)
Total Budgeted Revenues	<u>10,125,474</u>	<u>10,090,658</u>	<u>10,251,069</u>	<u>160,411</u>
Expenditures				
General Government:				
Executive Office of the Governor	5,528	5,528	5,528	
Office of Homeland Security	233	233	233	
Kentucky Infrastructure Authority	1,337	1,337	1,337	
Department of Veterans Affairs	17,799	17,799	17,799	
Office of State Budget Director	3,133	3,133	3,133	
State Planning Fund	151	151	151	
Unified Prosecutorial System:				
Commonwealth Attorneys	44,536	44,536	44,536	
County Attorneys	38,653	38,653	38,653	
Department of Agriculture	16,645	16,645	16,345	300
Office of the Attorney General	10,438	10,570	10,570	
Auditor of Public Accounts	4,681	4,681	4,681	
Registry of Election Finance	1,201	1,200	1,200	
Military Affairs	9,347	16,850	15,328	1,522
Governor's Office for Local Development	8,468	8,468	8,468	
Local Government:				
Economic Assistance Fund	50,208	50,267	50,267	
Economic Development Fund	28,945	23,364	23,364	
Area Development Fund	474	474	474	
Secretary of State	1,635	1,635	1,635	
Department of Treasury	1,778	1,778	1,778	
Board of Elections	4,027	4,049	4,049	
School Facilities Construction Commission	99,634	99,634	99,634	
Executive Branch Ethics Commission	455	455	455	
Commission on Human Rights	1,703	1,703	1,703	
Commission on Women	226	226	226	
Council on Postsecondary Education	46,653	46,653	45,457	1,196
Budget Reserve Trust Fund	77,093	77,093		77,093
Personnel:				
State Group Health Insurance	960	960	960	

	Original	Final	Actual	Variance
Universities:				
Eastern Kentucky University	\$ 68,034	\$ 68,034	\$ 68,034	\$
Kentucky State University	23,430	23,430	23,430	
Morehead State University	41,040	41,040	41,040	
Murray State University	48,025	48,025	48,025	
Northern Kentucky University	48,538	48,538	48,538	
University of Kentucky	279,611	279,611	279,611	
University of Louisville	139,077	139,715	139,715	
Western Kentucky University	72,649	72,649	72,649	
Kentucky Community and Technical College System	190,162	190,162	190,162	
Finance and Administration:				
General Administration and Support	9,794	9,794	8,294	1,500
Special Accounts - Capital Construction	5,776	5,776	5,776	
Debt Service	425,440	425,440	395,182	30,258
Office of the Controller	5,914	5,914	5,914	
Department for Facilities and Support Services	5,619	5,619	5,619	
Kentucky Higher Education Assistance Authority	207,506	207,506	198,978	8,528
Special Accounts - Tobacco Settlement	101,880	61,884	61,884	
Finance - County Costs	15,897	21,615	21,477	138
Department of Revenue:				
General Operations	86,332	86,332	86,332	
Office of Property Valuation Administrators	42,343	42,343	42,343	
Appropriations Not Otherwise Classified:				
Judgements		1,550	1,484	66
Board of Claims Awards	235	658	658	
Guardian Ad Litem	2,389	12,704	12,704	
Prior Year Claims	104	50	50	
Unredeemed Checks Refunded	970	2,318	2,318	
Involuntary Commitments	60	64	64	
Blanket Employee Bonds	60	45	45	
Frankfort In Lieu of Taxes	195	195	195	
Frankfort Cemetery	3			
Police and Firemen Life Insurance	320	409	409	
Attorney General Expense	535	446	446	
Medical Malpractice Liability Insurance Reimbursements	155	118	118	
Total General Government	2,298,034	2,280,059	2,159,458	120,601
Legislative and Judicial:				
General Assembly	27,236	27,236	18,328	8,908
Legislative Research Commission	43,683	43,683	36,770	6,913
Judicial Retirement System	16,917	16,917	16,917	
Court of Justice - Court Facility Use	120	120		120
Court of Justice - Operation and Administration	205,633	205,633	205,633	
Court of Justice - Local Facility Support	113,167	113,167	111,482	1,685
Total Legislative and Judicial	406,756	406,756	389,130	17,626

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, 2015
(Expressed in Thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Commerce:				
Economic Development:				
Economic Development	\$ 19,611	\$ 20,361	\$ 20,318	\$ 43
Commerce Cabinet:				
Office of the Secretary	2,544	2,544	2,544	
Breaks Interstate Park		400	400	
Kentucky State Fair Board	3,897	3,497	3,497	
Kentucky Horse Park	2,472	2,472	2,472	
Department of Parks	33,573	33,573	33,573	
Department of Travel	3,094	3,094	3,094	
Berea Artisans Center	389	389	389	
Total Commerce	<u>65,580</u>	<u>66,330</u>	<u>66,287</u>	<u>43</u>
Education:				
General Administration and Program Support	4,434	4,434	4,434	
Commission on the Deaf and Hard of Hearing	861	861	861	
Kentucky Heritage Council	737	737	737	
Kentucky Arts Council	3,017	3,017	3,017	
Department of Education:				
Support Education Excellence In KY (SEEK)	2,972,271	2,980,903	2,980,843	60
Bureau of Support Services	48,761	35,053	35,053	
Learning Results Services	985,304	931,334	925,100	6,234
Kentucky Educational Television	13,038	13,038	13,038	
Kentucky Historical Society	5,785	5,785	5,785	
Kentucky Center for the Arts	1,031	1,031	1,031	
Education Professional Standards Board	7,307	7,307	7,307	
Libraries and Archives -				
Direct Local Aid	6,326	2,996	2,996	
Public Library Facilities Construction Debt Assistance		3,330	3,330	
General Operations	6,118	6,118	6,118	
Teachers' Retirement System	326,773	326,773	326,773	
Workforce Investment:				
Office of the Blind	1,385	1,385	1,385	
Technical Education		15,529	15,529	
Vocational Rehabilitation	11,585	11,585	11,585	
Total Education and Humanities	<u>4,394,733</u>	<u>4,351,216</u>	<u>4,344,922</u>	<u>6,294</u>
Human Resources:				
Health and Family Services:				
Administrative Services	28,451	24,751	24,751	
Department for Community Based Services	391,635	391,635	391,635	
Department for Family Resource Centers and Volunteer Services	1,466			
Office of the Inspector General		3,700	3,700	
Office of Health Policy	448	448	448	
Department for Aging and Independent Living	44,703	44,703	44,703	
Department for Income Support	8,226	8,226	8,226	
Department for Public Health	68,820	68,820	68,089	731
Department for Behavioral Health, Developmental and Intellectual Disal	202,605	202,605	198,605	4,000
Department for Human Support Services		53,615	53,615	
Medicaid Administration	33,315	33,315	33,315	
Medicaid Services Benefits	1,525,524	1,525,524	1,525,518	6
Commission for Children With Special Health Care Needs	5,402	5,402	5,402	
Total Human Resources	<u>2,310,595</u>	<u>2,362,744</u>	<u>2,358,007</u>	<u>4,737</u>

	Original	Final	Actual	Variance
Justice:				
Justice Administration	\$ 11,096	\$ 11,096	\$ 11,096	\$
Department of State Police	74,316	74,316	74,316	
Department of Juvenile Justice	81,508	81,508	81,508	
Department for Public Advocacy	46,314	46,314	46,314	
Department of Corrections:				
Management	9,459	9,459	9,459	
Adult Institutions	244,856	258,706	258,706	
Local Jail Allotment	18,163	18,163	18,163	
Community Services and Local Facilities	193,853	191,803	191,803	
Total Justice	<u>679,565</u>	<u>691,365</u>	<u>691,365</u>	
Natural Resources and Environmental Protection:				
General Administration and Support	3,291	3,291	3,291	
Department for Energy Development and Independence	1,344	1,344	1,344	
Kentucky River Authority	251	251	251	
Kentucky Nature Preserves Commission	1,062	1,062	1,062	
Department for Environmental Protection	21,418	21,418	21,418	
Department for Natural Resources	32,883	17,456	17,456	
Mine Safety and Licensing		9,703	9,703	
Surface Mining Reclamation and Enforcement		8,175	8,175	
Total Natural Resources and Environmental Protection	<u>60,249</u>	<u>62,700</u>	<u>62,700</u>	
Public Protection and Regulation:				
General Administration and Support	278	278	278	
Board of Claims and Crime Victims Compensation	696	696	696	
Board of Tax Appeals	464	464	464	
Horse Racing Commission	699	699	699	
Public Service Commission	17,508	17,508	9,620	7,888
Mine Safety Review Commission		176	176	
Department of Alcoholic Beverage Control	608	608	608	
Department of Housing, Buildings, and Construction	2,455	2,455	2,455	
Labor:				
Workplace Standards	1,789	1,789	1,789	
General Administration & Support	3,312	3,312	3,312	
Total Public Protection and Regulation	<u>27,809</u>	<u>27,985</u>	<u>20,097</u>	<u>7,888</u>
Transportation:				
General Administration and Support	500	500	500	
Public Transportation	5,835	5,835	5,638	197
Revenue Sharing		7,800	7,799	
Total Transportation	<u>6,335</u>	<u>14,135</u>	<u>13,937</u>	<u>197</u>
Total Expenditures	<u>10,249,656</u>	<u>10,263,290</u>	<u>10,105,903</u>	<u>157,386</u>
Excess of Revenues Over (Under) Expenditures	(124,182)	(172,632)	145,166	317,798
Fund Balance at July 1	182,267	182,267	182,267	
Non-Budgeted Items			(2,447)	
Fund Balance at June 30	<u>\$ 58,085</u>	<u>\$ 9,635</u>	<u>\$ 324,986</u>	<u>\$</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Revenues				
Budgeted:				
Taxes	\$ 1,308,625	\$ 1,308,625	\$ 1,363,835	\$ 55,210
Licenses, fees, and permits	212,114	212,114	145,628	(66,486)
Intergovernmental			7	7
Charges for services	19,570	19,570	7,623	(11,947)
Fines and forfeits			25	25
Interest and other investment income	3,100	3,100	2,917	(183)
Other revenues	3,291	3,291	6,739	3,448
Total Budgeted Revenues	<u>1,546,700</u>	<u>1,546,700</u>	<u>1,526,774</u>	<u>(19,926)</u>
Non-Budgeted:				
Taxes				
Licenses, fees, and permits				
Intergovernmental				
Charges for services				
Fines and forfeits				
Interest and other investment income				
Employer contributions				
Other revenues				
Transfers in (interfund)	993	993	1,385	392
Transfers in (intrafund)				
Total Non-Budgeted Revenue	<u>993</u>	<u>993</u>	<u>1,385</u>	<u>392</u>
Total Revenues	<u>1,547,693</u>	<u>1,547,693</u>	<u>1,528,159</u>	<u>(19,534)</u>
Expenditures				
General Government:				
Executive Office of the Governor				
Office of Homeland Security	260	260	260	
Kentucky Infrastructure Authority				
Office of State Budget Director				
Executive Branch Ethics Commission				
Department of Veterans Affairs				
Unified Prosecutorial System:				
Commonwealth Attorneys				
County Attorneys				
Department of Agriculture				
Office of the Attorney General				
Auditor of Public Accounts				
Military Affairs				
Governor's Office of Agricultural Policy:				
Agricultural Development - Statewide Phase				
Governor's Office for Local Development				
Secretary of State				
Department 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
\$	\$	\$	\$	\$	\$	\$	\$
						319,742	
		26				188,926	
		9,610,663				49,855	
		1,233				4,111,851	
		81				7,449	
						10,380	
		88,354				(162)	
		51				374,638	
						707,733	
						3,101,736	
		9,700,408				8,872,148	
		9,700,408				8,872,148	
1,351	1,361	980	381	111	221	218	3
4,858	4,858	4,255	603	2,040	2,040	1,206	834
29,369	29,369	28,847	522	37,381	37,381	1,227	36,154
				140		273	
				76		108	
				40,914	46,114	46,051	63
46	46	32	14	1,658	1,658	1,214	444
567	567	514	53	379	379	379	
5,496	6,668	5,728	940	10,024	10,024	7,404	2,620
3,725	3,725	2,986	739	9,873	9,873	7,396	2,477
				8,082	8,082	7,876	206
43,155	83,155	79,937	3,218	44,743	44,743	28,400	16,343
				844	844	473	371
41,131	41,131	36,859	4,272	1,299	1,299	1,010	289
80	80	61	19	1,717	1,717	1,194	523
				1,238	1,238	1,034	204
				552	552	469	83
				82	82	79	3
				389	389	338	51
				322	347	314	33
				318	340	328	12
				84	84	82	2
				1	10	7	3
				393	393	236	157
				16	16	14	2
				185	205	197	8
				4	4	2	2
				38	38	33	5
				46	59	57	2
				894	894	733	161
				74	74	66	8
5,211	5,211	794	4,417	246	246	22	224
				403	418	418	
				436	436	401	35
				65	65	65	
				236	236	230	6

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, 2015
(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				
Emergency Medical Services				
Geologists				
Personnel				
Pharmacy				
Physical Therapists				
Podiatry				
Engineers and Land Surveyors				
Speech Pathology and Audiology				
Veterinary Examiners				
Investigators				
Massage Therapy				
Real Estate Commission				
Board of Real Estate Appraisers				
Commission on Human Rights				
Council on Postsecondary Education				
Personnel:				
General Operations				
Public Employee Deferred Compensation Authority				
Universities:				
Eastern Kentucky University				
Kentucky State University				
Morehead State University				
Murray State University				
Northern Kentucky University				
University of Kentucky				
University of Louisville				
Western Kentucky University				
Kentucky Community and Technical College System				
Finance and Administration:				
General Administration and Support	423	423	423	
Office of the Controller				
Commonwealth Office of Technology				
Kentucky Higher Education Assistance Authority				
Turnpike Authority of Kentucky				
Finance - County Costs				
Kentucky Retirement Systems				
Department of Revenue:				
General Operations	2,475	2,475	2,475	
Office of Property Valuation Administrators	437	437	437	
Department for Facilities and Support Services				
Total General Government	3,845	3,845	3,845	

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$
				276	293	279	14
				1,375	1,375	1,298	77
				81	81	56	25
				61	61	59	2
				2,940	2,940	2,860	80
				6,201	6,201	5,542	659
				55	55	48	7
				207	207	197	10
				11	11	11	
				147	167	149	18
				207	207	198	9
				116	126	113	13
				107	107	92	15
				846	846	770	76
				1,639	1,746	1,746	
				469	523	523	
				39	39	39	
				1,312	1,312	1,237	75
				170	170	157	13
				278	278	210	68
				102	102	68	34
				169	186	183	3
				2,106	2,106	1,986	120
				757	757	717	40
245	563	461	102				
18,074	18,652	13,539	5,113	6,022	6,022	4,715	1,307
				52,631	26,945	26,943	2
				9,112	9,112	7,758	1,354
				275,768	275,768	274,116	1,652
				53,321	53,321	32,878	20,443
				203,976	203,976	87,288	116,688
				132,121	132,121	119,052	13,069
				209,505	209,505	167,882	41,623
				2,526,560	2,526,560	2,056,606	469,954
				1,088,209	1,088,209	195,667	892,542
				326,996	326,996	235,200	91,796
				762,915	762,915	244,094	518,821
3,177	3,177	239	2,938	4,946	4,946	3,760	1,186
				7,104	7,104	6,310	794
1,991	1,991	1,399	592	1,050	2,000	1,993	7
59	59	6	53	28,395	28,700	28,676	24
				102	102	78	24
				1,703	1,703	1,495	208
				40,931	40,931	31,074	9,857
				14,065	15,080	12,952	2,128
					5,089	4,796	293
				1,321	1,321	1,111	210
158,535	200,613	176,637	23,976	5,931,727	5,919,204	3,672,536	2,246,668

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, 2015
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Legislative and Judicial:				
General Assembly	\$	\$	\$	\$
Legislative Research Commission				
Judicial Retirement System				
Court of Justice - Operation and Administration				
Total Legislative and Judicial				
Commerce:				
Economic Development:				
Office of the Secretary				
Financial Incentives				
Business Development				
Commerce: Office of the Secretary				
Department of Parks				
Department of Travel				
Berea Artisans Center	393	393	393	
Department of Fish and Wildlife Resources				
Total Commerce	<u>393</u>	<u>393</u>	<u>393</u>	
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	764		764
				1,836	1,786		1,786
					300	192	108
1,398	5,698	3,567	2,131	64,034	64,034	42,387	21,647
1,399	5,699	3,567	2,132	66,584	66,884	42,579	24,305
	530	213	317	50	4,061	3,530	531
				2,049			
				613			
				12,910	12,910	12,705	205
				50	50	37	13
				45	45	17	28
				1,583	1,633	1,618	15
17,895	17,895	14,233	3,662	34,724	35,284	34,917	367
17,895	18,425	14,446	3,979	52,024	53,983	52,824	1,159
				1,109	1,559	1,404	155
				240	350	348	2
815	815	804	11	262	262	234	28
760	760	711	49	152	152	123	29
660	660	550	110	5,131	5,361	4,870	491
559,363	559,363	477,383	81,980	24,578	24,578	20,580	3,998
328,485	328,485	324,183	4,302	8,200	8,200	2,230	5,970
				1,451	1,451	1,264	187
537	537	163	374	458	668	656	12
				272	272	114	158
201	1,040	351	689	1,723	1,723	1,718	5
557	557	186	371	896	896	592	304
2,148	2,148	1,348	800	3,483	3,483	2,548	935
				12,184	12,184	10,742	1,442
7,243	7,243	7,058	185	1,176	1,176	1,099	77
136,309	136,309	95,915	40,394	30,158	30,158	24,744	5,414
44,567	47,731	47,707	24	3,140	5,785	4,977	808
1,081,645	1,085,648	956,359	129,289	94,613	98,258	78,243	20,015

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, 2015
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Human Resources:				
Health and Family Services:				
Administrative Support	\$	\$	\$	\$
Office of Health Benefit Exchange				
Department for Disability Determination Services				
Department for Community Based Services				
Department for Family Resources and Volunteer 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				
Medicaid Administration				
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	95,746	95,746	95,746	
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	95,746	95,746	95,746	
Natural Resources and Environmental Protection:				
General Administration and Support				
Department for Energy Development and Independence				
Kentucky River Authority				
Environmental Quality Commission				
Kentucky Nature Preserves Commission				
Department for Environmental Protection	316	316	316	
Department for Natural Resources				
Mining Safety and Licensing				
Surface Mining Reclamation and Enforcement				
Abandoned Mine Lands Reclamation Projects				
Total Natural Resources and Environmental Protection	316	316	316	
Public Protection and Regulation:				
Office of the Commissioner				
Board of Claims and Crime Victims Compensation				
Horse Racing Commission				
Kentucky Athletic Commission				
Public Service Commission				
Occupations and Professions				
Department of Alcoholic Beverage Control				
Department of Charitable Gaming				
Department of Financial Institutions				
Department of Housing, Buildings, and Construction				
Department of Insurance				
Labor: Workplace Standards				
General Administration & Support				
Total Public Protection and Regulation				

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 37,526	\$ 33,726	\$ 26,188	\$ 7,538	\$ 13,866	\$ 13,186	\$ 12,418	\$ 768
19,916	58,341	55,776	2,565	14,021	14,121	4,748	9,373
46,327	46,327	43,793	2,534	121	126	125	1
492,199	492,199	451,832	40,367	150,258	151,964	139,013	12,951
				41	41	41	
13,047	15,047	13,653	1,394		4,880	4,675	205
	250	250		810	810	397	413
24,829	26,529	21,127	5,402	2,869	4,719	2,848	1,871
32,091	32,091	31,013	1,078	15,860	16,355	16,352	3
199,917	199,917	181,008	18,909	97,016	97,016	66,632	30,384
38,661	38,661	36,594	2,067	227,449	236,949	200,576	36,373
77,311	78,051	78,043	8	16,770	16,770	15,897	873
5,914,098	7,714,098	7,609,302	104,796	500,155	513,055	505,819	7,236
4,566	4,566	4,474	92	6,971	6,971	6,475	496
3,069	5,069	4,990	79				
<u>6,903,557</u>	<u>8,744,872</u>	<u>8,558,043</u>	<u>186,829</u>	<u>1,046,207</u>	<u>1,076,963</u>	<u>976,016</u>	<u>100,947</u>
11,136	11,136	9,590	1,546	3,894	3,894	3,574	320
11,562	13,367	13,159	208	22,704	22,704	21,610	1,094
1,320	1,816	1,600	216	3,178	3,238	3,238	
11,705	12,400	12,400		10,490	13,805	13,805	
188	188	105	83	52,052	52,052	51,562	490
305	305	142	163	300	300	262	38
1,805	1,805	767	1,038	17,253	5,586	3,698	1,888
963	1,668	1,352	316	5,830	5,830	2,820	3,010
<u>38,984</u>	<u>42,685</u>	<u>39,115</u>	<u>3,570</u>	<u>115,701</u>	<u>107,409</u>	<u>100,569</u>	<u>6,840</u>
1,075	1,148	968	180		1,816	1,541	275
622	842	641	201	2,550	3,400	3,388	12
				5,460	5,460	3,298	2,162
				1,194	202	197	5
55	297	264	33	370	370	321	49
23,703	23,703	21,543	2,160	37,136	39,497	35,074	4,423
					4,329	2,593	1,736
4,804	4,804	2,819	1,985		866	572	294
10,446	10,456	9,488	968	4,674	2,264	1,629	635
40,841	40,831	32,863	7,968	10,925	8,080	1,980	6,100
<u>81,546</u>	<u>82,081</u>	<u>68,586</u>	<u>13,495</u>	<u>62,309</u>	<u>66,284</u>	<u>50,593</u>	<u>15,691</u>
				1,382	4,449	4,101	348
450	450	450		1,027	1,027	960	67
				28,357	28,357	24,533	3,824
				167	167	129	38
228	528	445	83	223	223	43	180
				4,449	1,382	1,153	229
				5,820	5,820	4,926	894
				3,474	3,474	2,919	555
				10,612	10,612	9,532	1,080
				18,124	18,124	16,782	1,342
1,066	1,066	486	580	17,414	17,414	14,529	2,885
3,873	3,873	3,715	158				
232	263	49	214	3,080	3,080	2,456	624
<u>5,849</u>	<u>6,193</u>	<u>5,145</u>	<u>1,048</u>	<u>94,129</u>	<u>94,129</u>	<u>82,063</u>	<u>12,066</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Transportation:				
Administration and Support	\$ 70,871	\$ 70,872	\$ 68,610	\$ 2,262
Revenue Sharing	519,383	505,669	390,411	115,258
Air Transportation	3,020	3,019	2,582	437
Highways				
Public Transportation	1,315,321	1,315,321	981,504	333,817
Vehicle Regulation	31,770	31,770	25,280	6,490
Debt Service	154,035	154,035	149,596	4,439
Transfers to Capital Projects	9,733	9,733	6,750	2,983
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>2,104,133</u>	<u>2,090,419</u>	<u>1,624,733</u>	<u>465,686</u>
Total Expenditures	<u>2,204,433</u>	<u>2,190,719</u>	<u>1,725,033</u>	<u>465,686</u>
Excess of Revenues over (under)				
Expenditures	<u>(656,740)</u>	<u>(643,026)</u>	<u>(196,874)</u>	<u>446,152</u>
Other Financing Sources (Uses)				
Proceeds from Trustees				
Total Other Financing Sources (Uses)				
Excess of Revenues and Other Financing				
Sources over (under) Expenditures and				
Other Financing Uses	(656,740)	(643,026)	(196,874)	446,152
Fund Balances at July 1	653,749	653,749	653,749	
Non-Budgeted Items			(1,311)	
Fund Balances at June 30	<u>\$ (2,991)</u>	<u>\$ 10,723</u>	<u>\$ 455,564</u>	<u>\$</u>

Federal				Agency Revenue			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 25,341	\$	\$	\$	\$ 1,989	\$ 20	\$	\$ 20
989	989	287	702	484			
715,656	1,347,146	735,540	611,606	18,507	18,507	8,022	10,485
649,206	43,057	23,883	19,174	518,646	98,295	68,404	29,891
2,869	4,600	3,927	673	11,556	14,497	11,493	3,004
				967	31,103	1,887	29,216
				347	24,145	14,738	9,407
				495,123	327,221	86,349	240,872
				69,111	5,403	1,311	4,092
				28,917	359,041	100,795	258,246
				250,000	399,000	170,940	228,060
					118,902	88,004	30,898
1,394,061	1,395,792	763,637	632,155	1,395,647	1,396,751	552,560	844,191
9,683,471	11,582,008	10,585,535	996,473	8,858,941	8,879,865	5,607,983	3,271,882
		(885,127)				3,264,165	
						1,127	
						1,127	
		(885,127)				3,265,292	
		1,104,635				2,086,923	
		(9,579)				(3,554,599)	
\$	\$	\$ 209,929	\$	\$	\$	\$ 1,797,616	\$

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, 2015

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, 2015, 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, 2015:				
Budgetary basis	\$ 324,986	\$ 455,565	\$ 209,929	\$ 1,797,616
Adjustments:				
Accrued revenues	374,334	142,217	808,967	61,533
Accrued expenditures	(494,399)	(117,586)	(922,307)	(51,887)
Accrued transfers (net)			(10,838)	10,838
Total Accruals (1)	<u>(120,065)</u>	<u>24,631</u>	<u>(124,178)</u>	<u>20,484</u>
Reclassifications and other adjustments:				
Inventory balances (1)	6,230	64,191	277	2,880
To reclassify financial and other resources into financial statement fund types (2)	21	(854)	(145,432)	(1,264,203)
To record financial resources available as non-budgeted funds (3)	<u>(106,813)</u>			
Fund Balance				
Fund balance June 30, 2015:				
GAAP Basis	<u>\$ 104,359</u>	<u>\$ 543,533</u>	<u>\$ (59,404)</u>	<u>\$ 556,777</u>

- (1) Basis differences
- (2) Perspective differences
- (3) Entity differences

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2015

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 64,187 lane miles of roads and approximately 9,011 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; including, the Pavement Condition Index (PCI) 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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Good	56.4%	53.7%	56.6%	59.3%	62.4%
Fair	26.2%	27.0%	24.7%	21.6%	22.6%
Poor	17.4%	19.3%	18.7%	19.1%	15.0%

Bridges

Measurement Scale

KYTC maintains information on its 9,011 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 lose 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, 2015

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 under clearance, water adequacy, or approach roadway alignment is classified as “functionally obsolete.” A functionally obsolete bridge cannot properly accommodate the current traffic. The following table reports the percentage of bridges whose condition was assessed as “structurally deficient” in the corresponding year:

<u>Calendar Year</u>	<u>Structurally Deficient</u>	<u>Deck Area</u>	
		<u>Structurally Deficient</u>	<u>Structurally Deficient</u>
2014	6.3%	4.7%	
2013	6.9%	4.9%	
2012	6.5%	6.4%	
2011	6.6%	6.9%	
2010	7.0%	6.5%	

Estimated and Actual Costs to Maintain

The following table presents the Commonwealth’s estimate of spending necessary to preserve and maintain the pavements, bridges, and maintenance condition at, or above, the “Established Condition Levels” cited above and the actual amount spent during the past six fiscal years (in millions):

	<u>Roadways</u>	<u>Bridges</u>	<u>Total</u>
<u>Fiscal Year 2016:</u>			
Estimated	\$ 1,064.9	\$ 55.2	\$ 1,120.1
<u>Fiscal Year 2015:</u>			
Estimated	\$ 1,103.0	\$ 57.2	\$ 1,160.2
Actual	1,136.3	53.2	1,189.5
<u>Fiscal Year 2014:</u>			
Estimated	\$ 1,030.6	\$ 84.9	\$ 1,115.5
Actual	\$ 1,060.7	\$ 55.0	\$ 1,115.7
<u>Fiscal Year 2013:</u>			
Estimated	\$ 951.1	\$ 112.7	\$ 1,063.8
Actual *	\$ 1,009.4	\$ 73.5	\$ 1,082.9
<u>Fiscal Year 2012:</u>			
Estimated	\$ 839.2	\$ 103.1	\$ 942.3
Actual *	\$ 1,009.5	\$ 81.1	\$ 1,090.6
<u>Fiscal Year 2011:</u>			
Estimated	\$ 872.3	\$ 108.9	\$ 981.2
Actual *	\$ 855.2	\$ 79.2	\$ 934.4
<u>Fiscal Year 2010:</u>			
Estimated	\$ 809.4	\$ 103.1	\$ 912.5
Actual *	\$ 838.4	\$ 94.9	\$ 933.3

* Prior year actual expenditures have been restated.

Kentucky Public Transportation Infrastructure Authority

As allowed by GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, the Authority has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the Authority expenses certain maintenance and preservation costs and does not report depreciation expense.

In order to utilize the modified approach, the Authority 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 Authority.
- Document that the assets are being preserved approximately at, or above, the established condition level.

The Authority’s assets accounted for, under the modified approach, include approximately 15.9 lane miles of roads and 24 bridge structures. As the developer for the LSIORBP, as designated in House Bill 2 enacted by the Kentucky General Assembly in 2012, the Authority is responsible for maintaining the assets. The Authority’s pavement condition assessments will be relaxed during construction; however, bridge inspections will continue until access to structures is restricted by the construction activities. Once the LSIORB is complete, it is planned the Authority and the Cabinet will enter into a memorandum of agreement through which the Cabinet will resume responsibility for condition inspections, maintenance and preservation activities on behalf of the Authority.

Pavements

Measurement Scale

The Authority uses numerous methods to determine the condition of roadway pavements; including the Pavement Condition Index (PCI) 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 Authority received the title to the 15.9 lane miles of roadways during the year ended June 30, 2015. As the roadways were received during the fiscal year, previous condition assessments have been reported by the Cabinet. The condition assessment at the time of conveyance met or exceeded the Cabinet’s established minimum condition level. The pavement condition goal above represents the Cabinet’s goal for the Commonwealth’s state maintained highway system. The actual conditions of the pavements for which the Authority is responsible may or may not meet this stated goal for the reporting period due to delayed preservation activities. The LSIORBP has required a lengthy planning and development period and in anticipation of the reconstruction of the assets much of the preservation work has been postponed; thus, pavement conditions may temporarily be below the statewide condition goal. Routine pavement inspections have continued and required maintenance has been performed prior to construction to insure that payments are safe and reliable. Once construction is complete, the Authority will work with the Cabinet to adopt payment condition goals for the LSIORBP assets.

Bridges

Measurement Scale

The Authority maintains information on its bridges in compliance with the National Bridge Inspection guidelines established by the Federal Highway Administration. The Authority 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 sub-structure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2015

- 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.

Assessed Conditions

A bridge coded 4 or less for its deck, superstructure, or substructure, or coded 2 or less for its structural evaluation or waterway adequacy is classified as “structurally deficient.” A structurally deficient bridge is inadequate to carry legal loads, whether caused by structural deterioration, obsolete design standards, or an insufficient waterway opening. A bridge coded 3 or less for its structural evaluation, deck geometry, vertical or horizontal underclearance, water adequacy, or approach roadway alignment is classified as “functionally obsolete.” A functionally obsolete bridge cannot properly accommodate the current traffic. The following table reports the percentage of bridges whose condition was assessed as “structurally deficient” in the corresponding year:

<u>Calendar Year</u>	<u>Structurally Deficient</u>	<u>Deck Area Structurally Deficient</u>
2015	43%	42%

The bridge condition goals above represent the Cabinet’s goal for all structures located on the Commonwealth’s state maintained highway system. The actual conditions of the bridges for which the Authority is responsible do not meet this stated goal for the reporting period. The LSIORBP has required a lengthy planning and development period and in anticipation of the construction activities much of the needed preservation work has been postponed. Construction activities are well underway and will either fully preserve or replace all existing bridge structures, restoring the asset’s conditions to above goal levels. During construction routine inspections and conditions assessments have continued and required maintenance has been performed to insure all bridges are safe for traffic. Once construction is completed, the Authority will work with the Cabinet to adopt bridge condition goals for the LSIORBP assets. The Authority received the title to the bridges during the year ended June 30, 2015 and as such historical condition assessments are not reported by the Authority.

Estimated and Actual Costs to Maintain

The following table presents the Authority’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 fiscal years (thousands):

	<u>Roadways</u>	<u>Bridges</u>	<u>Total</u>
<u>Fiscal Year 2015:</u>			
Estimated	\$ 4,913	\$ 0	\$ 4,913

Note: A total of approximately \$65,527,000 was spent on preservation costs for roadways related to the LSIORBP assets by all Commonwealth parties. Estimated costs for roadways was not developed for the year ended 2015 by the Authority as the date of transfer of assets was uncertain. There were no preservation costs incurred for bridges during the year ended June 30, 2015.

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

State Workers' Compensation Program										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Earned Premiums	\$ 24,812	\$ 23,395	\$ 24,293	\$ 21,764	\$ 23,666	\$ 22,094	\$ 22,993	\$ 24,500	\$ 24,497	\$ 23,017
Administrative Expense	1,149	1,127	1,070	1,094	936	1,031	1,013	955	1,038	1,007
Incurred Claims as Originally Estimated	19,493	18,161	16,765	21,006	19,084	20,372	21,269	23,043	25,619	24,847
Claims Paid (Cumulative) as of:										
End of Fiscal Year	4,131	4,898	4,078	4,907	4,613	5,497	5,245	5,076	7,314	6,221
One Year Later	7,862	8,716	7,585	8,252	8,675	9,233	9,568	7,927	10,235	
Two Years Later	9,632	10,947	9,316	9,328	10,433	11,153	11,806	9,695		
Three Years Later	10,873	12,259	10,364	10,065	11,489	12,309	13,296			
Four Years Later	11,609	12,981	11,115	10,319	12,067	13,390				
Five Years Later	12,126	13,899	11,592	10,514	12,506					
Six Years Later	12,663	14,407	12,052	10,716						
Seven Years Later	13,110	14,966	12,473							
Eight Years Later	13,549	15,460								
Nine Years Later	13,892									
Re-estimation of Incurred Claims:										
End of Fiscal Year	19,493	18,161	16,765	21,006	19,084	20,372	21,269	23,043	25,619	24,847
One Year Later	17,769	19,152	17,770	19,270	20,373	21,613	22,466	20,463	23,517	
Two Years Later	17,758	20,192	17,851	18,313	20,170	21,966	23,455	19,660		
Three Years Later	18,338	20,618	18,483	18,183	21,106	22,550	23,631			
Four Years Later	18,755	21,460	19,849	17,847	21,236	23,060				
Five Years Later	19,417	22,379	20,188	17,579	21,148					
Six Years Later	19,931	22,906	19,975	17,289						
Seven Years Later	20,288	23,144	19,751							
Eight Years Later	20,055	22,997								
Nine Years Later	19,706									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	213	4,836	2,986	(3,717)	2,064	2,688	2,363	(3,383)	(2,102)	

SOURCE: Compilation Report

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

Kentucky Public Employees Health Plan

	2006**	2007	2008	2009	2010	2011 as restated	2012	2013	2014	2015
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	\$ 1,606,992	\$ 1,612,540
Administrative Expense	28,998	57,782	68,883	72,836	77,104	81,048	82,088	81,459	87,108	83,049
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	1,347,112
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	1,539,862	1,367,500	1,275,354
One Year Later	473,766	1,035,700	1,173,449	1,290,727	1,399,923	1,477,129	1,533,569	1,537,204	1,477,144	
Two Years Later	473,046	1,043,837	1,173,366	1,289,633	1,396,976	1,466,785	1,532,732	1,537,204		
Three Years Later	475,709	1,043,442	1,169,819	1,289,628	1,396,631	1,466,629	1,532,537			
Four Years Later	475,656	1,043,442	1,169,814	1,289,628	1,396,631	1,466,785				
Five Years Later	475,656	1,043,442	1,169,814	1,289,628	1,396,631					
Six Years Later	475,656	1,043,442	1,169,814	1,289,628						
Seven Years Later	475,656	1,043,442	1,169,814							
Eight Years Later	475,656	1,043,442								
Nine 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	1,347,112
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	1,474,433	
Two Years Later	473,046	1,043,923	1,173,323	1,289,628	1,396,631	1,466,629	1,532,537	1,536,507		
Three Years Later	475,715	1,043,442	1,169,814	1,289,628	1,396,631	1,466,629	1,532,537			
Four Years Later	475,656	1,043,442	1,169,814	1,289,628	1,396,631	1,466,629				
Five Years Later	475,656	1,043,442	1,169,814	1,289,628	1,396,631					
Six Years Later	475,656	1,043,442	1,169,814	1,289,628						
Seven Years Later	475,656	1,043,442	1,169,814							
Eight Years Later	475,656	1,043,442								
Nine 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	6,308	13,503	

** 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

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

Kentucky Judicial Retirement Plan

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 15,220	\$ 15,220	\$ 15,220	\$ 10,302
Contributions in relation to the actuarially determined contribution	10,805	10,805	10,399	4,946
Contribution deficiency (excess)	<u>\$ 4,415</u>	<u>\$ 4,415</u>	<u>\$ 4,821</u>	<u>\$ 5,356</u>
Covered-employee payroll	32,930	32,930	32,930	33,175
Contributions as a percentage of covered-employee payroll	32.81%	32.81%	31.58%	14.91%

Notes to Schedule

Valuation date	July 1, 2014	July 1, 2014	July 1, 2013	July 1, 2012
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Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Projected Unit Credit cost
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Investment Return	6.15%	6.15%	7.00%	7.00%
Inflation	3.00%	3.00%		
Projected Salary Increase	1% for next 5 years 3.5% thereafter	1% for next 5 years 3.5% thereafter	1% for next year 1% the following year 3.5% thereafter	1% for next year 1% the following year 3.5% thereafter

Mortality Mortality rates were based on IRS2008 Mortality Tables without collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after 2000 under Projection Scale AA (male and female scales). Prior to July 1, 2011, RP-2000 Mortality Tables projected 2009 without collar adjustment for male and female lives was used.

Note: Effective for the year ended June 30, 2008, medical insurance employer contributions have been segregated from defined benefit contributions.

2011	2010	2009	2008	2007	2006
\$ 10,302	\$ 4,512	\$ 4,512	\$ 2,375	\$ 2,835	\$ 1,912
4,534	4,470	4,470	2,375	2,788	1,855
<u>\$ 5,768</u>	<u>\$ 42</u>	<u>\$ 42</u>	<u>\$</u>	<u>\$ 47</u>	<u>\$ 57</u>
33,175	29,887	29,887	31,224	31,941	26,977
13.67%	14.96%	14.96%	7.61%	8.73%	6.88%
July 1, 2011	June 30,2009	June 30,2009	June 30,2008	June 30,2007	June 30,2006
Projected Unit Credit cost	Projected Unit Credit cost	Projected Unit Credit cost	Projected Unit Credit cost	Projected Unit Credit cost	Projected Unit Credit cost
Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
7.00%	7.00%	7.00%	7.50%	7.50%	7.50%
1% for next year 2% the following year 4% thereafter	1% for next year 2% the following year 4% thereafter	1% for next year 2% the following year 4% thereafter	4%	4%	4%

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

Kentucky Legislators' Retirement Plan

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 3,215	\$ 3,215	\$ 3,215	\$ 2,140
Contributions in relation to the actuarially determined contribution	1,825	1,825	1,696	1,027
Contribution deficiency (excess)	<u>\$ 1,390</u>	<u>\$ 1,390</u>	<u>\$ 1,519</u>	<u>\$ 1,113</u>
Covered-employee payroll	4,988	4,988	4,988	5,193
Contributions as a percentage of covered-employee payroll	36.59%	36.59%	34.00%	19.78%

Notes to Schedule

Valuation date	July 1, 2014	July 1, 2014	July 1, 2013	July 1, 2012
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Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Projected Unit Credit cost
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability Open	Interest + 1% Unfunded Past Liability Open
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Investment Return	6.50%	6.50%	7.00%	7.00%
Inflation	0.03	0.03		
Projected Salary Increase	1% for next 5 years 3.5% thereafter	1% for next 5 years 3.5% thereafter	1% for next year 1% the following year 3.5% thereafter	1% for next year 1% the following year 3.5% thereafter
Mortality	Mortality rates were based on IRS 2008 Mortality Tables without collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales).			

Prior to July 1 2011, RP-2000 Mortality Tables projected 2009 without collar adjustment for male and female lives was used.

Note: Effective for the year ended June 30,2008, medical insurance employer contributions have been segregated from defined benefit contributions

2011	2010	2009	2008	2007	2006
\$ 2,140	\$ 320	\$ 320	\$ 429	\$ 714 (34)	\$
942	320	320	429	748	
<u>\$ 1,198</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u></u>	<u></u>
5,193	4,917	4,917	4,755	4,764	4,426
18.14%	6.51%	6.51%	9.02%	15.70%	0.00%
July 1, 2011	June 30, 2009	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
Projected Unit Credit cost	Projected Unit Credit cost	Projected Unit Credit cost	Projected Unit Credit cost	Projected Unit Credit cost	Projected Unit Credit cost
Interest + 1% Unfunded Past Liability Open	Interest + 1% Unfunded Past Liability Open	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
7.00%	7.00%	7.50%	7.50%	7.50%	7.50%
1% for next year 2% the following year 4% thereafter	1% for next year 2% the following year 4% thereafter	1% for next year 2% the following year 4% thereafter	4.00%	4.00%	4.00%

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
FOR THE LAST TEN FISCALS YEARS
(Expressed in Thousands)**

State Police Retirement System	2015	2014	2013	2012
Actuarially determined contribution	\$ 25,808	\$ 25,808	\$ 23,117	\$ 20,498
Contributions in relation to the actuarially determined contribution	20,279	20,279	18,501	15,362
Contribution deficiency (excess)	<u>\$ 5,529</u>	<u>\$ 5,529</u>	<u>\$ 4,616</u>	<u>\$ 5,136</u>
Covered-employee payroll	\$ 44,616	\$ 44,616	\$ 45,256	\$ 48,373
Contributions as a percentage of covered-employee payroll	45.45%	45.45%	40.88%	31.76%

Notes to Schedule

Valuation date	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level percentage of payroll closed			
Asset Valuation Method	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market
Investment Return	7.75%	7.75%	7.75%	7.75%
Inflation	3.50%	3.50%	3.50%	3.50%
Projected Salary Increase	4.50%	4.50%	4.5%-21%	4.%-21%

Mortality

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

	2011	2010	2009	2008	2007	2006
	\$ 18,463	\$ 18,765	\$ 15,952	\$ 13,823	\$ 9,024	\$ 6,353
	12,657	9,489	8,186	7,443	6,142	4,244
	<u>\$ 5,806</u>	<u>\$ 9,276</u>	<u>\$ 7,766</u>	<u>\$ 6,380</u>	<u>\$ 2,882</u>	<u>\$ 2,109</u>
	\$ 48,693	\$ 51,507	\$ 51,660	\$ 20,498	\$ 49,248	\$ 47,744
	25.99%	18.42%	15.85%	13.97%	12.47%	8.89%
	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
	Entry age normal					
	Level percentage of payroll closed					
	Five-year smoothed market					
	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
	3.50%	3.50%	4.50%	3.50%	3.50%	3.50%
	4.5%-21%	5%-21%	4.5%-21%	4%-14.5%	4%-14.5%	4%-14.5%

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
FOR THE CURRENT FISCAL YEAR
(Expressed in Thousands)**

Kentucky Employees Retirement Plan	2015
Non-Hazardous	
Actuarially determined contribution	\$ 355,949
Contributions in relation to the actuarially determined contribution	202,891
Contribution deficiency (excess)	<u>\$ (153,058)</u>
Covered-employee payroll	1,078,236
Contributions as a percentage of covered-employee payroll	18.82%

Notes to Schedule

Valuation date June 30, 2014

Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll closed
Asset Valuation Method	Five-year smoothed market
Investment Return	3.50%
Inflation	7.75%
Projected Salary Increase	4.5% per annum

Mortality 1983 Group Annuity Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members.

This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
FOR THE CURRENT FISCAL YEAR
(Expressed in Thousands)**

Kentucky Employees Retirement Plan	2015
Hazardous	
Actuarially determined contribution	\$ 13,289
Contributions in relation to the actuarially determined contribution	11,428
Contribution deficiency (excess)	<u>\$ (1,861)</u>
Covered-employee payroll	126,402
Contributions as a percentage of covered-employee payroll	9.04%

Notes to Schedule

Valuation date June 30, 2014

Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll closed
Asset Valuation Method	Five-year smoothed market
Investment Return	7.75%
Inflation	3.50%
Projected Salary Increase	1% per annum

Mortality 1983 Group Annuity Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity
Mortality Table for all other members.

This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
FOR THE CURRENT FISCAL YEAR
(Expressed in Thousands)**

Kentucky Teachers Retirement System

2015

Actuarially determined contribution	\$	
Employer		16,469
Nonemployer special funding		806,977
Contributions in relation to the actuarially determined contribution		
Employer		11,266
Nonemployer special funding		552,060
Contribution deficiency (excess)	\$	260,120
Covered-employee payroll		3,443,138
Contributions as a percentage of covered-employee payroll		23.91%

Notes to Schedule

Valuation date June 30, 2014

Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll closed
Asset Valuation Method	Five-year smoothed market
Investment Return	7.50%
Inflation	3.50%
Projected Salary Increase	4.0-8.20%

Mortality Mortality rates were based on IRS2000 Combined Mortality Table projected to 2020 using scale AA (set back one year for females) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality table (set back seven years for males and set forward five years for females) is used for death after disability retirement.

This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.



**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE CURRENT FISCAL YEAR**

**Schedule of Changes in Net Pension Liability and Related Ratios
(Expressed in Thousands)**

	<u>Kentucky Legislators' Retirement Plan</u>	<u>Kentucky Judicial Retirement Plan</u>	<u>State Police Retirement System</u>
Total Pension Liability			
Service Costs	\$ 1,000	\$ 5,000	\$ 7,142
Interest	4,900	21,900	50,391
Changes in benefit terms			
Differences between expected and actual experience			
Changes in assumptions	3,700	29,100	
Benefit payments/refunds	(3,500)	(21,800)	(53,239)
Net change in total pension liability	6,100	34,200	4,294
Total pension liability at July 1	72,600	332,100	676,825
Total pension liability at June 30	<u>\$ 78,700</u>	<u>\$ 366,300</u>	<u>\$ 681,119</u>
Pension Plan Fiduciary Net Position			
Contributions - employer	\$ 1,800	\$ 12,400	\$ 20,279
Contributions - member	200	2,800	5,076
Contributions - Commonwealth of Kentucky			
Contributions - other employers			
Net investment income	7,900	32,900	40,374
Benefit payments/refunds	(3,500)	(21,800)	(53,239)
Administrative expenses	(100)	(200)	(214)
Other	100	400	
Net change in plan fiduciary net position	6,400	26,500	12,276
Pension plan fiduciary net position at July 1	48,200	217,400	248,698
Pension plan fiduciary net position at June 30	<u>\$ 54,600</u>	<u>\$ 243,900</u>	<u>\$ 260,974</u>
Net pension liability at June 30	<u>\$ 24,100</u>	<u>\$ 122,400</u>	<u>\$ 420,145</u>
Pension plan fiduciary net position as a % of the total pension liability	69.38%	66.58%	38.32%
Covered-employee payroll	4,988	32,930	44,616
Net Pension liability as a % of covered employee payroll	483.16%	371.70%	941.69%

This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMONWEALTH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE CURRENT FISCAL YEAR**

**Schedule of Commonwealth's Proportionate Share of the Net Pension Liability
(Expressed in Thousands)**

	Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System
	Non-Hazardous	Hazardous	
Fiscal Year Ended 2015			
Commonwealth's proportionate share of the net pension liability (asset)	68.351%	97.928%	94.980%
Commonwealth's proportionate share of the collective net pension liability (asset)	\$ 6,132,338	\$ 250,075	\$ 20,508,196
Other employers' proportionate share of the collective net pension liability (asset)	2,839,482	5,291	1,084,009
Total collective net pension liability	<u>\$ 8,971,820</u>	<u>\$ 255,366</u>	<u>\$ 21,592,205</u>
Commonwealth's covered-employee payroll	\$ 1,078,236	\$ 126,402	\$ 3,443,138
Commonwealth's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	568.74%	197.84%	595.63%
Pension plan fiduciary net position as a percentage of the total pension liability	22.32%	68.74%	45.59%

This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.



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, 2015
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Assets			
Cash and cash equivalents	\$ 3,572	\$	\$
Investments, net of amortization			95,318
Invested security collateral			12,227
Receivables, net			134,010
Notes receivable			2,097
Interfund receivables	116,205		1,766
Interfund loan receivable			13,566
Inventories			37
Total Assets	\$ 119,777	\$	\$ 259,021
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$	\$	\$ 775
Interfund payables			21,930
Interfund loan payable			52,744
Obligations under securities lending			12,227
Unearned revenue	1,671		34
Total Liabilities	1,671		87,710
Deferred inflows of resources			
Unavailable			51,105
Fund Balances:			
Nonspendable			
Inventories			37
Long-term receivables			2,097
Restricted for:			
General government			3,419
Legislative and judicial			
Commerce			2,096
Education and humanities			15,985
Human resources			49,505
Natural resources and environmental protection			15,107
Public protection and regulation			
Transportation			1,629
Debt service	118,106		
Committed to:			
General government			26,654
Education and humanities			114
Human resources			520
Justice			
Natural resources and environmental protection			
Assigned to:			
General government			3,043
Total Fund Balances	118,106		120,206
Total Liabilities and Fund Balances	\$ 119,777	\$	\$ 259,021

Special Revenue Funds			
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Special Benefits	Total Non-Major Governmental Funds
\$ 119,549	\$ 11,438	\$ 131,305	\$ 265,864
74,971	10,582	90,430	271,301
		63,662	75,889
		56,739	190,749
			2,097
	2,324	4,619	124,914
			13,566
			37
<u>\$ 194,520</u>	<u>\$ 24,344</u>	<u>\$ 346,755</u>	<u>\$ 944,417</u>
\$ 10	\$ 26	\$ 14,182	\$ 14,993
116,205	3,673	3,985	145,793
		63,662	52,744
			75,889
			1,705
<u>116,215</u>	<u>3,699</u>	<u>81,829</u>	<u>291,124</u>
		49,974	101,079
			37
			2,097
		34,284	37,703
		1	1
			2,096
	20,645	2,332	38,962
		27,026	76,531
		49,830	64,937
		856	856
78,305			79,934
			118,106
		54,818	81,472
		9,375	9,489
		5,064	5,584
		473	473
		30,893	30,893
			3,043
<u>78,305</u>	<u>20,645</u>	<u>214,952</u>	<u>552,214</u>
<u>\$ 194,520</u>	<u>\$ 24,344</u>	<u>\$ 346,755</u>	<u>\$ 944,417</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Revenues			
Taxes	\$	\$	\$ 69,832
Licenses, fees, and permits			460
Intergovernmental			
Charges for services			77,709
Fines and forfeits			18,689
Interest and other investment income			470
Increase (decrease) in fair value of investments			(199)
Securities lending income			58
Other revenues	3,344		13,025
Total Revenues	<u>3,344</u>		<u>180,044</u>
Expenditures			
Current:			
General government		94,627	116,014
Commerce			435
Education and humanities			47,201
Human resources			4,967
Justice			
Natural resources and environmental protection			74
Public protection and regulation			
Transportation			
Debt service:			
Principal retirement	73,570	70,402	
Interest and fiscal charges	72,242	26,560	
Other expenditures		16,399	
Securities lending expense			26
Total Expenditures	<u>145,812</u>	<u>207,988</u>	<u>168,717</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(142,468)</u>	<u>(207,988)</u>	<u>11,327</u>
Other Financing Sources (Uses)			
Transfers in	149,596	96,962	309,930
Transfers out			(327,905)
Issuance of bonds:			
New issues		93,302	
Refunding issues		119,332	
Premiums		4,351	
Discounts		(972)	
Payments to refunded bond escrow agent		(104,987)	
Total Other Financing Sources (Uses)	<u>149,596</u>	<u>207,988</u>	<u>(17,975)</u>
 Net Change in Fund Balances	 7,128		 (6,648)
Fund Balances at July 1	110,978		126,854
Fund Balances at June 30	<u>\$ 118,106</u>	<u>\$</u>	<u>\$ 120,206</u>

Special Revenue Funds			
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Special Benefits	Total Non-Major Governmental Funds
\$	\$	\$	\$
		21,349	91,181
		4,104	4,564
		118	118
		165,576	243,285
		2,146	20,835
875	16	3,241	4,602
		(1,698)	(1,897)
		304	362
16	6,497	80,610	103,492
891	6,513	275,750	466,542
		67,403	278,044
		36	471
	12,717	14,004	73,922
		22,405	27,372
		1,679	1,679
		7,881	7,955
102,762		2,588	2,588
		102,252	205,014
			143,972
			98,802
			16,399
		136	162
102,762	12,717	218,384	856,380
(101,871)	(6,204)	57,366	(389,838)
149,596	19,071	20,569	745,724
(149,596)	(12,236)	(79,209)	(568,946)
			93,302
			119,332
			4,351
			(972)
			(104,987)
	6,835	(58,640)	287,804
			93,302
(101,871)	631	(1,274)	(102,034)
180,176	20,014	216,226	654,248
\$ 78,305	\$ 20,645	\$ 214,952	\$ 552,214

SCHEDULE OF FUND ACTIVITIES

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed In Thousands)

Revenues by Source	June 30, 2015
Taxes:	
Sales and gross receipts	\$ 4,109,920
Income:	
Individual	4,048,848
Corporations	536,961
Property	675,961
Coal severance	200,801
Licenses and privileges	827
Inheritance and estate	50,261
Miscellaneous	2,641
Total Taxes	<u>9,626,220</u>
Licenses, fees, and permits	47,898
Intergovernmental	10,321
Charges for services	248,409
Fines and forfeits	36,463
Interest and other investment income	4,326
Increase (decrease) in fair value of investments	(581)
Securities lending income	530
Other revenues	36,958
Total Revenues by Source	<u>\$ 10,010,544</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed In Thousands)

	June 30, 2015
General Government:	
Personal services	\$ 284,118
Utilities, rentals, and other services	43,237
Commodities and supplies	27,298
Grants and subsidies	1,160,146
Capital outlay	707
Travel	1,423
Judgments and contingent liabilities	12,344
Other	2,491
Total General Government	<u>1,531,764</u>
Legislative and Judicial:	
Personal services	220,221
Utilities, rentals, and other services	123,681
Commodities and supplies	19,882
Grants and subsidies	20,465
Capital outlay	2,385
Claims	24
Travel	4,140
Judgments and contingent liabilities	32
Principal retirement	2,033
Other	112
Total Legislative and Judicial	<u>392,975</u>
Commerce:	
Personal services	11,580
Utilities, rentals, and other services	1,864
Commodities and supplies	756
Grants and subsidies	16,242
Capital Outlay	120
Travel	235
Total Commerce	<u>30,797</u>
Education and Humanities:	
Personal services	99,674
Utilities, rentals, and other services	24,379
Commodities and supplies	6,094
Grants and subsidies	4,114,761
Capital outlay	224
Claims	(147)
Travel	2,049
Judgments and contingent liabilities	(291)
Total Education and Humanities	<u>4,246,743</u>
Human Resources:	
Personal services	219,733
Utilities, rentals, and other services	36,876
Commodities and supplies	4,406
Grants and subsidies	1,925,696
Capital Outlay	3,569
Claims	62,647
Travel	5,770
Judgments and contingent liabilities	42
Total Human Resources	<u>2,258,739</u>
Justice:	
Personal services	393,413
Utilities, rentals, and other services	52,281
Commodities and supplies	21,759
Grants and subsidies	224,532
Capital outlay	4,291
Claims	39
Travel	3,661
Judgments and contingent liabilities	3,600
Total Justice	<u>703,576</u>

	June 30, 2015
Natural Resources and Environmental Protection:	
Personal services	\$ 56,344
Utilities, rentals, and other services	5,973
Commodities and supplies	2,295
Grants and subsidies	1,409
Capital outlay	9
Travel	218
Total Natural Resources and Environmental Protection	<u>66,248</u>
Public Protection and Regulation:	
Personal services	13,371
Utilities, rentals, and other services	1,483
Commodities and supplies	193
Grants and subsidies	252
Capital outlay	131
Travel	101
Total Public Protection and Regulation	<u>15,531</u>
Transportation:	
Personal services	415
Utilities, rentals, and other services	4
Commodities and supplies	40
Grants and subsidies	13,533
Travel	3
Total Transportation	<u>13,995</u>
Securities lending	237
Total Expenditures	<u>\$ 9,260,605</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES BY TYPE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed In Thousands)

	June 30, 2015
Revenues:	
Taxes	\$ 1,361,857
Licenses, fees and permits	145,649
Intergovernmental	7
Charges for services	8,649
Fines and forfeits	25
Interest and other investment income	5,506
Increase (decrease) in fair value of investments	(3,317)
Securities lending income	627
Other revenues	6,739
Total Revenues	<u>1,525,742</u>
Expenditures:	
Transportation:	
General administration and support	68,190
Motor vehicle regulation	22,286
Justice - state police	95,892
Highways	1,377,632
Aviation	761
Securities lending	280
Other	400
Total Expenditures	<u>\$ 1,565,441</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, 2015
(Expressed in Thousands)

	<u>Fleet Management</u>	<u>Computer Services</u>	<u>Prison Industries</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,876	\$ 15,544	\$ 1,466
Cash with fiscal agents	7,681		
Receivables, net	3	111	467
Interfund receivables		4,278	187
Inventories	17	467	1,954
Prepaid expenses			
Total Current Assets	<u>14,577</u>	<u>20,400</u>	<u>4,074</u>
Noncurrent assets:			
Investments, net		4,995	
Receivables, net			
Land			657
Improvements other than buildings			
Buildings		9,522	5,816
Machinery and equipment	76,271	47,433	5,803
Easements and other intangibles		1,675	
Less: Accumulated depreciation	(56,565)	(45,138)	(6,103)
Construction in progress			
Total Capital Assets	<u>19,706</u>	<u>13,492</u>	<u>6,173</u>
Total Noncurrent Assets, Net	<u>19,706</u>	<u>18,487</u>	<u>6,173</u>
Total Assets	<u>34,283</u>	<u>38,887</u>	<u>10,247</u>
Deferred outflows of resources	<u>282</u>	<u>8,531</u>	<u>783</u>
Liabilities			
Current liabilities:			
Accounts payable	1,150	6,232	636
Interfund payables	8	1,903	34
Interfund loans payable			
Claims liability			
Claims adjustment liability			
Capital lease obligations	7,703	1,899	
Compensated absences	67	2,902	197
Unearned revenue		26	
Total Current Liabilities	<u>8,928</u>	<u>12,962</u>	<u>867</u>
Noncurrent liabilities:			
Claims liability			
Claims adjustment liability			
Capital lease obligations	10,531	3,802	
Compensated absences	62	2,445	296
Net pension liability	4,857	146,916	13,490
Total Noncurrent Liabilities	<u>15,450</u>	<u>153,163</u>	<u>13,786</u>
Total Liabilities	<u>24,378</u>	<u>166,125</u>	<u>14,653</u>
Deferred inflows of resources	<u>62</u>	<u>1,888</u>	<u>173</u>
Net Position			
Net investment in capital assets	1,472	7,790	6,173
Unrestricted	8,653	(128,385)	(9,969)
Total Net Position	<u>\$ 10,125</u>	<u>\$ (120,595)</u>	<u>\$ (3,796)</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2015
\$	\$	\$	\$
	15,621	16,432	55,939
	44,435		52,116
5	180	351	1,117
	10		4,475
43			2,481
		5	5
<u>48</u>	<u>60,246</u>	<u>16,788</u>	<u>116,133</u>
	12,356	335	17,686
		238	238
	17,147		17,804
	3,133		3,133
	260,250		275,588
943	2,104		132,554
			1,675
(837)	(171,523)		(280,166)
	96,886		96,886
<u>106</u>	<u>207,997</u>		<u>247,474</u>
<u>106</u>	<u>220,353</u>	<u>573</u>	<u>265,398</u>
<u>154</u>	<u>280,599</u>	<u>17,361</u>	<u>381,531</u>
<u>189</u>	<u>2,484</u>	<u>334</u>	<u>12,603</u>
121	2,737	3,842	14,718
5	113	8	2,071
459	2,085		2,544
		26,326	26,326
		800	800
43	749		10,394
81	13	54	3,314
			26
<u>709</u>	<u>5,697</u>	<u>31,030</u>	<u>60,193</u>
		183,747	183,747
		4,588	4,588
11	7,848		22,192
61	1,712	93	4,669
<u>3,260</u>	<u>42,779</u>	<u>5,604</u>	<u>216,906</u>
<u>3,332</u>	<u>52,339</u>	<u>194,032</u>	<u>432,102</u>
<u>4,041</u>	<u>58,036</u>	<u>225,062</u>	<u>492,295</u>
<u>42</u>	<u>550</u>	<u>72</u>	<u>2,787</u>
52	199,400		214,887
(3,792)	25,097	(207,439)	(315,835)
<u>\$ (3,740)</u>	<u>\$ 224,497</u>	<u>\$ (207,439)</u>	<u>\$ (100,948)</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Operating Revenues:			
Charges for services	\$ 26,715	\$ 114,912	\$ 11,110
Other revenues	233		13
Total Operating Revenues	<u>26,948</u>	<u>114,912</u>	<u>11,123</u>
Operating Expenses:			
Personal services	1,889	77,906	3,690
Utilities, rentals, and other services	2,902	20,840	1,246
Commodities and supplies	12,919	13,913	5,320
Grants and subsidies			569
Depreciation and amortization	6,771	14,082	429
Travel		114	29
Reinsurance expense			
Claims expense			
Claims adjustment expense			
Total Operating Expenses	<u>24,481</u>	<u>126,855</u>	<u>11,283</u>
Operating Income (Loss)	<u>2,467</u>	<u>(11,943)</u>	<u>(160)</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	645	(653)	18
Interest and other investment income			
Interest expense	(209)	(256)	
Other revenues (expenses)			
Total Nonoperating Revenues and Expenses	<u>436</u>	<u>(909)</u>	<u>18</u>
Income (Loss) before Transfers	2,903	(12,852)	(142)
Capital contributions	71		
Transfers in			
Transfers out		(500)	
Change in Net Position	2,974	(13,352)	(142)
Net Position at July 1, As Restated	7,151	(107,243)	(3,654)
Net Position at June 30	<u>\$ 10,125</u>	<u>\$ (120,595)</u>	<u>\$ (3,796)</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2015
\$ 1,638	\$ 35,886	\$ 32,528	\$ 222,789
	35	13,646	13,927
<u>1,638</u>	<u>35,921</u>	<u>46,174</u>	<u>236,716</u>
1,140	18,744	3,213	106,582
360	13,359	2,432	41,139
239	10,012	141	42,544
			569
57	5,323		26,662
	29	3	175
		12,987	12,987
		37,947	37,947
		404	404
<u>1,796</u>	<u>47,467</u>	<u>57,127</u>	<u>269,009</u>
<u>(158)</u>	<u>(11,546)</u>	<u>(10,953)</u>	<u>(32,293)</u>
	(132)		(122)
		(1)	(1)
(1)	(332)		(798)
		70	70
<u>(1)</u>	<u>(464)</u>	<u>69</u>	<u>(851)</u>
(159)	(12,010)	(10,884)	(33,144)
			71
	63,876		63,876
	(289)	(2,070)	(2,859)
(159)	51,577	(12,954)	27,944
(3,581)	172,920	(194,485)	(128,892)
<u>\$ (3,740)</u>	<u>\$ 224,497</u>	<u>\$ (207,439)</u>	<u>\$ (100,948)</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Cash Flows from Operating Activities			
Cash received from customers - public	\$	\$ 6,153	\$ 4,263
Cash received from customers - state	26,770	116,140	6,832
Cash payments to suppliers for goods and services	(17,534)	(32,537)	(6,566)
Cash payments for employee salaries and benefits	(1,804)	(74,860)	(3,422)
Cash payments for claims expense			
Cash payments from other sources	368		13
Cash payments to other sources			(568)
Net Cash Provided (Used) by Operating Activities	<u>7,800</u>	<u>14,896</u>	<u>552</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds			
Transfers to other funds		(500)	
Net Cash Provided (Used) by Noncapital Financing Activities		<u>(500)</u>	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(11,865)	(511)
Principal paid on revenue bond maturities and equipment contracts	(6,146)	(1,569)	
Interest paid on revenue bonds and equipment contracts	(209)	(256)	
Proceeds from the sale of capital assets	645		17
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(5,710)</u>	<u>(13,690)</u>	<u>(494)</u>
Cash Flows from Investing Activities			
Proceeds from the sale of investment securities		1,444	
Net Cash Provided (Used) in Investing Activities		<u>1,444</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	2,090	2,150	58
Cash and Cash Equivalents at July 1	4,786	13,394	1,408
Cash and Cash Equivalents at June 30	<u>\$ 6,876</u>	<u>\$ 15,544</u>	<u>\$ 1,466</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 2,467	\$ (11,943)	\$ (160)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	6,771	14,082	429
Miscellaneous nonoperating income (expense)	135		
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	1	5,499	(53)
Interfund receivables	53	1,977	39
Inventories	(6)	(9)	(199)
Prepaid expenses	1	400	
(Increase) decrease in deferred outflows	(121)	(3,670)	(336)
Increase (decrease) in liabilities:			
Accounts payable	(357)	940	185
Interfund payables	(1,350)	886	14
Claims liability			
Claims adjustment liability			
Compensated absences		586	60
Unearned revenue		(94)	
Pension liability	144	4,354	400
Increase (decrease) in deferred inflows	62	1,888	173
Net Cash Provided by Operating Activities	<u>\$ 7,800</u>	<u>\$ 14,896</u>	<u>\$ 552</u>
Noncash Investing, Capital, and Financing Activities			
Contributions of capital assets	\$ 71	\$	\$
Capital assets acquired through leases	1,577	5,412	
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 1,648</u>	<u>\$ 5,412</u>	<u>\$</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2015
\$	\$	\$	\$
	191	18,890	29,497
1,633	35,637	27,640	214,652
(542)	(25,511)		(82,690)
(1,048)	(18,036)	(3,242)	(102,412)
	35	(43,668)	(43,668)
		(1,644)	416
		(2,024)	(2,212)
43	(7,684)	(2,024)	13,583
	63,876		63,876
	(289)	(2,070)	(2,859)
	63,587	(2,070)	61,017
	(18,196)		(30,572)
(42)	(722)		(8,479)
(1)	(332)		(798)
			662
(43)	(19,250)		(39,187)
	4,690	441	6,575
	4,690	441	6,575
	41,343	(3,653)	41,988
	18,713	20,085	58,386
\$	\$ 60,056	\$ 16,432	\$ 100,374
\$	\$	\$	\$
(158)	(11,546)	(10,953)	(32,293)
57	5,323	(530)	26,662
			(395)
(5)	(141)	(250)	5,051
	83	274	2,426
(8)		(4)	(222)
	2	(149)	399
(81)	(1,069)		(5,426)
27	765	2,866	4,426
38	(2,906)	144	(3,174)
		7,120	7,120
		(785)	(785)
35	(13)	5	673
			(94)
96	1,268	166	6,428
42	550	72	2,787
\$ 43	\$ (7,684)	\$ (2,024)	\$ 13,583
\$	\$	\$	\$
			71
			6,989
\$	\$	\$	\$ 7,060
\$	\$	\$	\$

CAPITAL ASSETS

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY SOURCE
JUNE 30, 2015
(Expressed In Thousands)

	June 30, 2015
Governmental Funds Capital Assets	
Land	\$ 201,697
Improvements other than buildings	22,812
Buildings	1,124,099
Machinery and equipment	510,766
Software/other intangibles	41,832
Easements	136,106
Construction in progress	1,814,985
Infrastructure	20,230,790
Total Governmental Funds Capital Assets	<u>\$ 24,083,087</u>
Investments in Governmental Funds Capital Assets by Source	
General Fund	\$ 115,881
Special Revenue Funds	682,029
Donations	147,387
Other	1,601,849
Capital Projects Fund:	
State appropriations	51,056
Revenue bonds	532,641
Federal grants	326,837
Other	205,107
Infrastructure (A)	20,230,790
Capital assets acquired prior to July 1, 1984 (A)	144,721
Capital assets acquired after July 1, 1984 (A)	44,789
Total Governmental Funds Capital Assets by Source	<u>\$ 24,083,087</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.
(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, 2015
(Expressed in Thousands)

	<u>Land</u>	<u>Improvements Other Than Buildings</u>	<u>Buildings</u>
General Government	\$ 33,383	\$ 12,402	\$ 279,837
Legislative & Judicial	2,032		10,453
Commerce	103,061	3,115	18,194
Education & Humanities	1,266	664	45,088
Human Resources	1,766	1,257	69,448
Justice	4,541	5,273	494,752
Natural Resources and Environmental Protection	37,865	101	1,355
Public Protection and Regulation			
Transportation	17,783		204,972
Total Governmental Funds Capital Assets by Function	<u>\$ 201,697</u>	<u>\$ 22,812</u>	<u>\$ 1,124,099</u>

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

<u>Machinery and Equipment</u>	<u>Software / Other Intangibles</u>	<u>Easements</u>	<u>Construction in Progress</u>	<u>Infrastructure</u>	<u>Totals June 30, 2015</u>
27,743	\$ 36,605	\$ 58,390	\$ 90,811	\$	\$ 539,171
11,300			2,347		26,132
28,667			5,525		158,562
30,075		12,474	471		90,038
18,609			229,654		320,734
86,771	5,227		29,170		625,734
37,773		15,935	86		93,115
4,858					4,858
264,970		49,307	1,456,921	20,230,790	22,224,743
<u>510,766</u>	<u>\$ 41,832</u>	<u>\$ 136,106</u>	<u>\$ 1,814,985</u>	<u>\$ 20,230,790</u>	<u>\$ 24,083,087</u>

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	<u>Balance as Restated June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
General Government	\$ 512,082	\$ 38,542	\$ 11,453	\$ 539,171
Legislative & Judicial	17,767	10,920	2,555	26,132
Commerce	155,368	5,291	2,097	158,562
Education & Humanities	96,822	3,242	10,026	90,038
Human Resources	332,826	13,917	26,009	320,734
Justice	620,985	13,217	8,468	625,734
Natural Resources and Environmental Protection	90,471	4,305	1,661	93,115
Public Protection and Regulation	4,872	828	842	4,858
Transportation	21,764,771	1,055,398	595,426	22,224,743
Total Governmental Funds Capital Assets by Function	<u>\$ 23,595,964</u>	<u>\$ 1,145,660</u>	<u>\$ 658,537</u>	<u>\$ 24,083,087</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, 2015
(Expressed in Thousands)

	<u>Pension Funds</u>	<u>Insurance Funds</u>	<u>Totals June 30, 2015</u>
Assets			
Cash and Short-Term Investments:			
Cash	\$ 159,274	\$ 29,219	\$ 188,493
Short-term investments	1,018,200	137,139	1,155,339
Total Cash and Short-Term Investments	<u>1,177,474</u>	<u>166,358</u>	<u>1,343,832</u>
Receivables:			
Investments - accounts receivable	480,785	113,984	594,769
Interest receivable	41,714	2,629	44,343
Accounts receivable	274,729	62,066	336,795
Total Receivables	<u>797,228</u>	<u>178,679</u>	<u>975,907</u>
Investments at Fair Value:			
Corporate and government bonds	6,165,901	1,970,600	8,136,501
Common stocks	19,768,652	2,490,017	22,258,669
Mortgages	227,767	6,649	234,416
Alternatives	844,688	11,698	856,386
Derivatives	1,282,166	2,279	1,284,445
Real estate	1,444,512	238,205	1,682,717
Other	1,397,334	134,631	1,531,965
Total Investments at Fair Value	<u>31,131,020</u>	<u>4,854,079</u>	<u>35,985,099</u>
Invested security collateral	1,242,121	234,509	1,476,630
Capital assets, net	24,830		24,830
Prepaid expenses	110	20	130
Total Assets	<u>34,372,783</u>	<u>5,433,645</u>	<u>39,806,428</u>
Liabilities			
Investments - accounts payable	474,659	118,252	592,911
Accounts payable	13,977	6,539	20,516
Obligations under securities lending	1,242,121	234,509	1,476,630
Unearned revenue		4,914	4,914
Total Liabilities	<u>1,730,757</u>	<u>364,214</u>	<u>2,094,971</u>
Net Position Restricted for Pensions and Other Post Employment Benefits	<u>\$ 32,642,026</u>	<u>\$ 5,069,431</u>	<u>\$ 37,711,457</u>

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	<u>Pension Funds</u>	<u>Insurance Funds</u>	<u>Totals June 30, 2015</u>
Additions			
Contributions:			
Employer	\$ 1,103,292	\$ 431,542	\$ 1,534,834
Member	733,087	158,520	891,607
Non-Employer	480,073	68,463	548,536
Total Contributions	<u>2,316,452</u>	<u>658,525</u>	<u>2,974,977</u>
Other Contributions:			
Recovery Income		22,998	22,998
Participant fees	7,437		7,437
Other receipts	23,531		23,531
Total Other Contributions	<u>30,968</u>	<u>22,998</u>	<u>53,966</u>
Investment Income:			
Net increase (decrease) in fair value of investments	564,676	11,390	576,066
Interest	554,330	111,006	665,336
Dividends	209,787	1,610	211,397
Real estate operating income, net	28,785		28,785
Securities lending income, net	5,717	1,329	7,046
Total Investment Income	<u>1,363,295</u>	<u>125,335</u>	<u>1,488,630</u>
Less: Investment expense	131,073	29,376	160,449
Less: Securities lending expense	1,083	155	1,238
Net Investment Income	<u>1,231,139</u>	<u>95,804</u>	<u>1,326,943</u>
Total Additions	<u>3,578,559</u>	<u>777,327</u>	<u>4,355,886</u>
Deductions			
Benefit payments	3,768,165	4,061	3,772,226
Refunds	55,925	4	55,929
Administrative expenses	48,180	3,878	52,058
Self funding insurance cost		246,496	246,496
Healthcare premium subsidies		331,583	331,583
Other deductions, net		9	9
Total Deductions	<u>3,872,270</u>	<u>586,031</u>	<u>4,458,301</u>
Change in Net Position	(293,711)	191,296	(102,415)
Net Position at July 1	32,935,737	4,878,135	37,813,872
Net Position at June 30	<u>\$ 32,642,026</u>	<u>\$ 5,069,431</u>	<u>\$ 37,711,457</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 1,739	\$ 162	\$ 1,556	\$ 583
Short-term investments	97,852	21,560	196,485	71,675
Total Cash and Short-Term Investments	99,591	21,722	198,041	72,258
Receivables:				
Investments - accounts receivable	61,259	14,378	171,855	54,591
Interest receivable				
Contributions/Accounts receivable	67,542	5,256	53,477	14,804
Total Receivables	128,801	19,634	225,332	69,395
Investments at Fair Value:				
Corporate and government bonds	549,814	124,535	1,482,180	478,772
Common stocks	1,225,044	310,560	3,639,706	1,174,073
Mortgages				
Alternatives				
Derivatives	266,392	59,463	705,647	223,749
Real estate	113,324	31,745	348,220	112,134
Other				
Total Investments at Fair Value	2,154,574	526,303	6,175,753	1,988,728
Invested security collateral	145,667	35,156	413,476	133,570
Capital assets, net	3,363	292	5,744	475
Prepaid expenses				
Total Assets	2,531,996	603,107	7,018,346	2,264,426
Deferred outflows of resources				
Liabilities				
Investments - accounts payable	55,701	13,354	158,667	51,308
Accounts payable	2,846	2,129	5,403	1,346
Obligations under securities lending	145,667	35,156	413,476	133,570
Total Liabilities	204,214	50,639	577,546	186,224
Net Position Restricted for Pensions and Other Post Employment Benefits	\$ 2,327,782	\$ 552,468	\$ 6,440,800	\$ 2,078,202

<u>State Police Retirement System</u>	<u>Kentucky Teachers' Retirement System</u>	<u>Judicial Retirement Plan</u>	<u>Legislators' Retirement Plan</u>	<u>Kentucky Public Employees' Deferred Compensation Authority</u>	<u>Totals June 30, 2015</u>
\$ 215	\$ 153,470	\$ 20	\$ 37	\$ 1,492	\$ 159,274
7,796	612,202			10,630	1,018,200
<u>8,011</u>	<u>765,672</u>	<u>20</u>	<u>37</u>	<u>12,122</u>	<u>1,177,474</u>
6,219	172,483				480,785
	40,685	823	206		41,714
9,815	82,282	114	11	41,428	274,729
<u>16,034</u>	<u>295,450</u>	<u>937</u>	<u>217</u>	<u>41,428</u>	<u>797,228</u>
51,278	2,717,752	67,057	15,247	679,266	6,165,901
137,281	11,163,791	196,530	44,521	1,877,146	19,768,652
	227,767				227,767
	844,688				844,688
26,915					1,282,166
13,754	825,335				1,444,512
	1,385,897	13	86	11,338	1,397,334
<u>229,228</u>	<u>17,165,230</u>	<u>263,600</u>	<u>59,854</u>	<u>2,567,750</u>	<u>31,131,020</u>
15,392	498,860				1,242,121
50	14,906				24,830
	110				110
<u>268,715</u>	<u>18,740,228</u>	<u>264,557</u>	<u>60,108</u>	<u>2,621,300</u>	<u>34,372,783</u>
5,779	189,589			261	474,659
315	1,666			272	13,977
15,392	498,860				1,242,121
<u>21,486</u>	<u>690,115</u>			<u>533</u>	<u>1,730,757</u>
<u>\$ 247,229</u>	<u>\$ 18,050,113</u>	<u>\$ 264,557</u>	<u>\$ 60,108</u>	<u>\$ 2,620,767</u>	<u>\$ 32,642,026</u>

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, 2015
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>
Additions				
Contributions:				
Employer	\$ 525,873	\$ 29,073	\$ 305,238	\$ 109,156
Member	100,424	12,670	133,637	46,609
Non-Employer				
Total Contributions	<u>626,297</u>	<u>41,743</u>	<u>438,875</u>	<u>155,765</u>
Other Contributions:				
Participant fees				
Other receipts	8,442	767	10,280	2,865
Total Other Contributions	<u>8,442</u>	<u>767</u>	<u>10,280</u>	<u>2,865</u>
Investment Income:				
Net increase (decrease) in fair value of investments	(4,791)	(1,263)	(7,218)	(256)
Interest	65,596	13,898	160,824	51,237
Dividends				
Real estate operating income, net				
Securities lending income, net	592	140	1,713	550
Total Investment Income	<u>61,397</u>	<u>12,775</u>	<u>155,319</u>	<u>51,531</u>
Less: Investment expense	16,711	4,063	44,636	14,387
Less: Securities lending expense	117	11	114	40
Net Investment Income	<u>44,569</u>	<u>8,701</u>	<u>110,569</u>	<u>37,104</u>
Total Additions	<u>679,308</u>	<u>51,211</u>	<u>559,724</u>	<u>195,734</u>
Deductions				
Benefit payments	905,790	56,774	615,335	200,134
Refunds	13,552	2,609	13,524	3,111
Administrative expenses	10,473	845	18,211	1,291
Total Deductions	<u>929,815</u>	<u>60,228</u>	<u>647,070</u>	<u>204,536</u>
Change in Net Position	(250,507)	(9,017)	(87,346)	(8,802)
Net Position at July 1	2,578,289	561,485	6,528,146	2,087,004
Net Position at June 30	<u>\$ 2,327,782</u>	<u>\$ 552,468</u>	<u>\$ 6,440,800</u>	<u>\$ 2,078,202</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2015
\$ 32,084	\$ 79,586	\$ 15,405	\$ 3,375	\$ 3,502	\$ 1,103,292
5,150	308,160	1,911	228	124,298	733,087
	480,073				480,073
<u>37,234</u>	<u>867,819</u>	<u>17,316</u>	<u>3,603</u>	<u>127,800</u>	<u>2,316,452</u>
				7,437	7,437
646		419	112		23,531
<u>646</u>		<u>419</u>	<u>112</u>	<u>7,437</u>	<u>30,968</u>
(1,303)	429,106	19,957	4,299	126,145	564,676
6,380	242,316	1,652	334	12,093	554,330
	204,865	4,002	920		209,787
	28,785				28,785
61	2,661				5,717
<u>5,138</u>	<u>907,733</u>	<u>25,611</u>	<u>5,553</u>	<u>138,238</u>	<u>1,363,295</u>
1,708	44,727	204		4,637	131,073
3	798				1,083
<u>3,427</u>	<u>862,208</u>	<u>25,407</u>	<u>5,553</u>	<u>133,601</u>	<u>1,231,139</u>
<u>41,307</u>	<u>1,730,027</u>	<u>43,142</u>	<u>9,268</u>	<u>268,838</u>	<u>3,578,559</u>
54,766	1,741,553	22,236	3,681	167,896	3,768,165
85	23,033	6	5		55,925
201	8,869	213	118	7,959	48,180
<u>55,052</u>	<u>1,773,455</u>	<u>22,455</u>	<u>3,804</u>	<u>175,855</u>	<u>3,872,270</u>
(13,745)	(43,428)	20,687	5,464	92,983	(293,711)
260,974	18,093,541	243,870	54,644	2,527,784	32,935,737
<u>\$ 247,229</u>	<u>\$ 18,050,113</u>	<u>\$ 264,557</u>	<u>\$ 60,108</u>	<u>\$ 2,620,767</u>	<u>\$ 32,642,026</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 286	\$ 30	\$ 541	\$ 25
Short-term investments	20,560	9,936	39,657	24,256
Total Cash and Short-Term Investments	<u>20,846</u>	<u>9,966</u>	<u>40,198</u>	<u>24,281</u>
Receivables:				
Investments - accounts receivable	17,621	11,808	51,257	28,223
Interest receivable				
Contributions/Accounts receivable	12,342	1,367	14,399	5,784
Total Receivables	<u>29,963</u>	<u>13,175</u>	<u>65,656</u>	<u>34,007</u>
Investments at Fair Value:				
Corporate and government bonds	280,399	188,983	824,725	457,526
Common stocks	317,389	213,551	935,274	510,439
Mortgages				
Alternatives				
Derivatives	352	239	1,033	566
Real estate	36,346	25,554	106,604	58,404
Other				
Total Investments at Fair Value	<u>634,486</u>	<u>428,327</u>	<u>1,867,636</u>	<u>1,026,935</u>
Invested security collateral	36,359	24,376	106,186	58,472
Prepaid expenses				
Total Assets	<u>721,654</u>	<u>475,844</u>	<u>2,079,676</u>	<u>1,143,695</u>
Deferred outflows of resources				
Liabilities				
Investments - accounts payable	18,756	12,254	51,743	28,401
Accounts payable	900	101	801	342
Obligations under securities lending	36,359	24,376	106,186	58,472
Unearned revenue				
Total Liabilities	<u>56,015</u>	<u>36,731</u>	<u>158,730</u>	<u>87,215</u>
Net Position Restricted for Pensions and Other Post Employment Benefits	<u>\$ 665,639</u>	<u>\$ 439,113</u>	<u>\$ 1,920,946</u>	<u>\$ 1,056,480</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2015
\$ 12	\$ 28,297	\$ 5	\$ 23	\$ 29,219
4,743	37,987			137,139
<u>4,755</u>	<u>66,284</u>	<u>5</u>	<u>23</u>	<u>166,358</u>
4,401	674			113,984
	2,289	213	127	2,629
916	27,221	30	7	62,066
<u>5,317</u>	<u>30,184</u>	<u>243</u>	<u>134</u>	<u>178,679</u>
70,348	121,686	17,369	9,564	1,970,600
79,244	355,703	50,879	27,538	2,490,017
	6,649			6,649
	11,698			11,698
89				2,279
9,535	1,762			238,205
	134,575	3	53	134,631
<u>159,216</u>	<u>632,073</u>	<u>68,251</u>	<u>37,155</u>	<u>4,854,079</u>
9,116				234,509
	20			20
<u>178,404</u>	<u>728,561</u>	<u>68,499</u>	<u>37,312</u>	<u>5,433,645</u>
4,510	2,588			118,252
64	4,331			6,539
9,116				234,509
	4,914			4,914
<u>13,690</u>	<u>11,833</u>			<u>364,214</u>
<u>\$ 164,714</u>	<u>\$ 716,728</u>	<u>\$ 68,499</u>	<u>\$ 37,312</u>	<u>\$ 5,069,431</u>

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, 2015
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 135,940	\$ 14,882	\$ 119,444	\$ 71,778
Member	272	14	582	10
Non-Employer				
Total Contributions	<u>136,212</u>	<u>14,896</u>	<u>120,026</u>	<u>71,788</u>
Other Contributions:				
Recovery Income				
Total Other Contributions				
Investment Income:				
Net increase (decrease) in fair value of investments	(3,723)	(24)	4,701	2,828
Interest	15,914	10,473	44,627	24,364
Dividends				
Securities lending income, net	205	138	604	332
Total Investment Income	<u>12,396</u>	<u>10,587</u>	<u>49,932</u>	<u>27,524</u>
Less: Investment expense	3,682	2,778	13,131	7,202
Less: Securities lending expense	24	16	70	39
Net Investment Income	<u>8,690</u>	<u>7,793</u>	<u>36,731</u>	<u>20,283</u>
Total Additions	<u>144,902</u>	<u>22,689</u>	<u>156,757</u>	<u>92,071</u>
Deductions				
Benefit payments				
Refunds				
Administrative expenses	893	100	782	339
Self funding insurance cost	2,145	100	3,702	152
Healthcare Premiums Subsidies	123,127	16,900	110,032	65,403
Other deductions, net	3		6	
Total Deductions	<u>126,168</u>	<u>17,100</u>	<u>114,522</u>	<u>65,894</u>
Change in Net Position	18,734	5,589	42,235	26,177
Net Position at July 1	646,905	433,524	1,878,711	1,030,303
Net Position at June 30	<u>\$ 665,639</u>	<u>\$ 439,113</u>	<u>\$ 1,920,946</u>	<u>\$ 1,056,480</u>

<u>State Police Retirement System</u>	<u>Kentucky Teachers' Retirement System</u>	<u>Judicial Retirement Plan</u>	<u>Legislators' Retirement Plan</u>	<u>Totals June 30, 2015</u>
\$ 10,382	\$ 77,821	\$ 1,295	\$	\$ 431,542
1	157,468	168	5	158,520
	68,463			68,463
<u>10,383</u>	<u>303,752</u>	<u>1,463</u>	<u>5</u>	<u>658,525</u>
	22,820	109	69	22,998
	<u>22,820</u>	<u>109</u>	<u>69</u>	<u>22,998</u>
108	(349)	5,187	2,662	11,390
3,960	11,032	429	207	111,006
		1,040	570	1,610
50				1,329
<u>4,118</u>	<u>10,683</u>	<u>6,656</u>	<u>3,439</u>	<u>125,335</u>
1,191	1,339	53		29,376
6				155
<u>2,921</u>	<u>9,344</u>	<u>6,603</u>	<u>3,439</u>	<u>95,804</u>
<u>13,304</u>	<u>335,916</u>	<u>8,175</u>	<u>3,513</u>	<u>777,327</u>
	4,061			4,061
65	1,570	1	3	4
22	240,375	56	73	3,878
13,461		1,970	690	246,496
				331,583
<u>13,548</u>	<u>246,006</u>	<u>2,027</u>	<u>766</u>	<u>9</u>
(244)	89,910	6,148	2,747	191,296
164,958	626,818	62,351	34,565	4,878,135
<u>\$ 164,714</u>	<u>\$ 716,728</u>	<u>\$ 68,499</u>	<u>\$ 37,312</u>	<u>\$ 5,069,431</u>

AGENCY FUNDS

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

Commonwealth Choice Program - accounts for flexible benefits spending accounts.

County Fees Trust Fund - accounts for monies held by the Commonwealth for those counties with a population greater than 70,000.

Special Deposit Trust Fund - accounts for monies held by the Commonwealth that are marked for specific purposes such as employee withholdings.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	<u>Commonwealth Choice Program</u>	<u>County Fees Trust Fund</u>	<u>Special Deposit Trust Fund</u>	<u>Totals June 30, 2015</u>
Assets				
Cash and cash equivalents	\$ 845	\$ 415	\$ 244,750	\$ 246,010
Investments, net of amortization			33,099	33,099
Invested security collateral			552,146	552,146
Receivables, net	2,526	26,443	11,873	40,842
Total Assets	<u>\$ 3,371</u>	<u>\$ 26,858</u>	<u>\$ 841,868</u>	<u>\$ 872,097</u>
Liabilities				
Accounts payable	\$ 3,371		\$ 181,666	\$ 185,037
Amounts held in custody for others		26,858	108,056	134,914
Obligations under securities lending			552,146	552,146
Total Liabilities	<u>\$ 3,371</u>	<u>\$ 26,858</u>	<u>\$ 841,868</u>	<u>\$ 872,097</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Balances June 30, 2014	Additions	Deductions	Balances June 30, 2015
<u>COMMONWEALTH CHOICE PROGRAM</u>				
Assets				
Cash & cash equivalents-restricted	\$ 520	\$ 325	\$ 5	\$ 845
Accounts receivable	2,531		5	2,526
Total Assets	<u>\$ 3,051</u>	<u>\$ 325</u>	<u>\$ 5</u>	<u>\$ 3,371</u>
Liabilities				
Accounts payable	\$ 3,051	\$ 500	\$ 180	\$ 3,371
Total Liabilities	<u>\$ 3,051</u>	<u>\$ 500</u>	<u>\$ 180</u>	<u>\$ 3,371</u>
<u>COUNTY FEES TRUST FUND</u>				
Assets				
Cash & cash equivalents	\$ 219	\$ 196	\$ 415	\$ 415
Accounts receivable	12,598	133,647	119,802	26,443
Total Assets	<u>\$ 12,817</u>	<u>\$ 133,843</u>	<u>\$ 119,802</u>	<u>\$ 26,858</u>
Liabilities				
Amounts held in custody for others	\$ 12,817	\$ 133,843	\$ 119,802	\$ 26,858
Total Liabilities	<u>\$ 12,817</u>	<u>\$ 133,843</u>	<u>\$ 119,802</u>	<u>\$ 26,858</u>
<u>SPECIAL DEPOSIT TRUST FUND</u>				
Assets				
Cash & cash equivalents	\$ 241,229	\$ 906,531	\$ 903,010	\$ 244,750
Investments	17,086	33,203	17,190	33,099
Invested security collateral	673,249		121,103	552,146
Accounts receivable	4,479	12,723	5,329	11,873
Total Assets	<u>\$ 936,043</u>	<u>\$ 952,457</u>	<u>\$ 1,046,632</u>	<u>\$ 841,868</u>
Liabilities				
Accounts payable	\$ 176,690	\$ 892,338	\$ 887,362	\$ 181,666
Amounts held in custody for others	86,104	108,056	86,104	108,056
Obligations under securities lending	673,249		121,103	552,146
Total Liabilities	<u>\$ 936,043</u>	<u>\$ 1,000,394</u>	<u>\$ 1,094,569</u>	<u>\$ 841,868</u>
<u>ALL AGENCY FUNDS</u>				
Assets				
Cash & cash equivalents	\$ 241,968	\$ 907,052	\$ 903,010	\$ 246,010
Investments	17,086	33,203	17,190	33,099
Invested security collateral	673,249		121,103	552,146
Accounts receivable	19,608	146,370	125,136	40,842
Total Assets	<u>\$ 951,911</u>	<u>\$ 1,086,625</u>	<u>\$ 1,166,439</u>	<u>\$ 872,097</u>
Liabilities				
Accounts payable	\$ 179,741	\$ 892,838	\$ 887,542	\$ 185,037
Amounts held in custody for others	98,921	241,899	205,906	134,914
Obligations under securities lending	673,249		121,103	552,146
Total Liabilities	<u>\$ 951,911</u>	<u>\$ 1,134,737</u>	<u>\$ 1,214,551</u>	<u>\$ 872,097</u>

NON-MAJOR COMPONENT UNITS - COMBINING

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2015
Assets			
Current assets:			
Cash and cash equivalents	\$ 104,946	\$ 331,240	\$ 436,186
Restricted cash	11,041	59,035	70,076
Investments, net of amortization	386,899		386,899
Accounts receivable, net	111,148	88,044	199,192
Interest receivable	2,056	72	2,128
Inventories	1,505	6,795	8,300
Prepaid expenses	1,312	14,399	15,711
Other current assets	1,950	3,793	5,743
Total Current Assets	<u>620,857</u>	<u>503,378</u>	<u>1,124,235</u>
Noncurrent assets:			
Restricted cash	62,751	146,231	208,982
Long-term investments	33,613	177,364	210,977
Restricted long-term investments	15,308	289,321	304,629
Long-term receivables, net	916,410	20,550	936,960
Land	29,753	70,998	100,751
Improvements other than buildings	65,199	178,814	244,013
Buildings	458,245	2,218,046	2,676,291
Machinery and equipment	98,982	333,708	432,690
Other capital assets	10,764	131,699	142,463
Less: Accumulated depreciation and amortization	(310,388)	(1,322,573)	(1,632,961)
Construction in progress	14,832	105,997	120,829
Total Capital Assets	<u>367,387</u>	<u>1,716,689</u>	<u>2,084,076</u>
Other assets	4,460	14,110	18,570
Total Noncurrent Assets	<u>1,399,929</u>	<u>2,364,265</u>	<u>3,764,194</u>
Total Assets	<u>2,020,786</u>	<u>2,867,643</u>	<u>4,888,429</u>
Deferred outflows of resources	<u>12,345</u>	<u>75,273</u>	<u>87,618</u>
Liabilities			
Current liabilities:			
Accounts payable and accruals	21,929	64,252	86,181
Current portion of long-term debt:			
Notes payable	410	14,976	15,386
Bonds payable	26,527	30,840	57,367
Capital lease obligations	6,946	4,954	11,900
Compensated absences	1,961	23,668	25,629
Claims liability		1,999	1,999
Unearned revenues	7,197	30,984	38,181
Payable from restricted assets		6,366	6,366
Other current liabilities	3,417	18,018	21,435
Total Current Liabilities	<u>68,387</u>	<u>196,057</u>	<u>264,444</u>
Noncurrent liabilities:			
Notes payable	3,579	18,184	21,763
Bonds payable	287,128	558,680	845,808
Capital lease obligations	68,164	66,474	134,638
Compensated absences	708	224	932
Net pension liability	114,584	1,547,931	1,662,515
Other long-term liabilities	87	59,133	59,220
Total Noncurrent Liabilities	<u>474,250</u>	<u>2,250,626</u>	<u>2,724,876</u>
Total Liabilities	<u>542,637</u>	<u>2,446,683</u>	<u>2,989,320</u>
Deferred inflows of resources	<u>8,552</u>	<u>77,640</u>	<u>86,192</u>
Net Position			
Net investment in capital assets	283,810	1,019,477	1,303,287
Restricted for:			
Debt service		2,503	2,503
Capital projects	13,045	44,204	57,249
Other purposes	1,154,469	518,729	1,673,198
Unrestricted	30,618	(1,166,320)	(1,135,702)
Total Net Position	<u>\$ 1,481,942</u>	<u>\$ 418,593</u>	<u>\$ 1,900,535</u>

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)**

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2015
Expenses:			
Operating and other expenses	\$ 396,444	\$ 1,376,616	\$ 1,773,060
Total expenses	<u>396,444</u>	<u>1,376,616</u>	<u>1,773,060</u>
Program Revenues:			
Charges for services	98,887	665,841	764,728
Operating grants and contributions	240,605	128,077	368,682
Capital grants and contributions	9,450	2,657	12,107
Total Program Revenues	<u>348,942</u>	<u>796,575</u>	<u>1,145,517</u>
Net Program (Expense) Revenue	<u>(47,502)</u>	<u>(580,041)</u>	<u>(627,543)</u>
General Revenues:			
Unrestricted grants and contributions	33,810	185,868	219,678
Unrestricted investment earnings	1,898	10,698	12,596
Gain on sale of capital assets	3	48	51
Miscellaneous general	47,564	378,267	425,831
Total General Revenues	<u>83,275</u>	<u>574,881</u>	<u>658,156</u>
Change in Net Position	<u>35,773</u>	<u>(5,160)</u>	<u>30,613</u>
Net Position at July 1, As Restated	1,446,169	423,753	1,869,922
Net Position at June 30	<u>\$ 1,481,942</u>	<u>\$ 418,593</u>	<u>\$ 1,900,535</u>



NON-MAJOR COMPONENT UNITS - AUTHORITIES

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

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

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

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

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

Kentucky Authority for Educational Television - 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, 2015**

(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	\$ 1,083	\$ 20,575	\$	\$ 13,797
Restricted cash	11,041			
Investments, net of amortization		9,673		
Accounts receivable, net	1,084	8,785	1,534	3,024
Interest receivable		248		
Inventories				
Prepaid expenses				779
Other current assets		450		
Total Current Assets	<u>13,208</u>	<u>39,731</u>	<u>1,534</u>	<u>17,600</u>
Noncurrent assets:				
Restricted cash		62,221		
Long-term investments				
Restricted long-term investments				
Long-term receivables, net		10,964		
Land	546			27,835
Improvements other than buildings	52,644			12,555
Buildings		12,075		390,738
Machinery and equipment		3,359		25,077
Other capital assets				9,450
Less: Accumulated depreciation and amortization	(10,906)	(7,223)		(194,629)
Construction in progress	12,011			2,793
Total Capital Assets	<u>54,295</u>	<u>8,211</u>		<u>273,819</u>
Other assets				
Total Noncurrent Assets, Net	<u>54,295</u>	<u>81,396</u>		<u>273,819</u>
Total Assets	<u>67,503</u>	<u>121,127</u>	<u>1,534</u>	<u>291,419</u>
Deferred outflows of resources	<u>119</u>	<u>475</u>	<u>24</u>	<u>2,897</u>
Liabilities				
Current liabilities:				
Accounts payable and accruals	479	1,181	1,529	15,235
Current portion of long-term debt:				
Notes payable				
Bonds payable				
Capital lease obligations	1,110	580		5,208
Compensated absences	72	657	5	
Unearned revenues				4,153
Other current liabilities				
Total Current Liabilities	<u>1,661</u>	<u>2,418</u>	<u>1,534</u>	<u>24,596</u>
Noncurrent liabilities:				
Notes payable				
Bonds payable				
Capital lease obligations	25,139	2,630		40,278
Compensated absences	40		9	
Net pension liability	2,415	9,093	418	49,277
Other long-term liabilities				
Total Noncurrent Liabilities	<u>27,594</u>	<u>11,723</u>	<u>427</u>	<u>89,555</u>
Total Liabilities	<u>29,255</u>	<u>14,141</u>	<u>1,961</u>	<u>114,151</u>
Deferred inflows of resources	<u>31</u>	<u>117</u>	<u>6</u>	<u>4,549</u>
Net Position				
Net investment in capital assets	27,685	5,001		224,425
Restricted for:				
Capital projects	11,041			
Other purposes		102,343		
Unrestricted	(390)		(409)	(48,809)
Total Net Position	<u>\$ 38,336</u>	<u>\$ 107,344</u>	<u>\$ (409)</u>	<u>\$ 175,616</u>

<u>Kentucky Center for the Arts Corporation</u>	<u>Kentucky Authority for Educational Television</u>	<u>Kentucky Economic Development Finance Authority</u>	<u>Kentucky Artisan Center</u>	<u>Kentucky Infrastructure Authority</u>	<u>Kentucky Agricultural Finance Corporation</u>
\$ 1,531	\$ 5,649	\$ 21,980	\$ 15	\$ 29,189	\$ 7,458
242	10,999		123	363,939	
303	1,996	1,137	17	56,078	37,096
14	25	33		1,736	
80	1,088		337		
323	210				
	110	1,380		10	
<u>2,493</u>	<u>20,077</u>	<u>24,530</u>	<u>492</u>	<u>450,952</u>	<u>44,554</u>
	530				
16,530		278		11,029	4,995
	7,804			2,481	
150	55	18,639		886,602	
129	76		1,167		
31,571	16,733		6,706		
33,907	34,343		963		
	1,314				
(49,480)	(45,169)		(1,687)		
	28				
<u>16,127</u>	<u>7,325</u>		<u>7,149</u>		
<u>4,428</u>	<u>32</u>				
<u>37,235</u>	<u>15,746</u>	<u>18,917</u>	<u>7,149</u>	<u>900,112</u>	<u>4,995</u>
<u>39,728</u>	<u>35,823</u>	<u>43,447</u>	<u>7,641</u>	<u>1,351,064</u>	<u>49,549</u>
	<u>2,980</u>	<u>307</u>	<u>178</u>	<u>5,331</u>	<u>34</u>
911	1,219	153	101	1,075	15
96	117				
				26,527	
48					
221	828	89	67		22
668	2,373				
55		16		3,346	
<u>1,999</u>	<u>4,537</u>	<u>258</u>	<u>168</u>	<u>30,948</u>	<u>37</u>
2,320	1,259				
				287,128	
117					
	488	127	37		7
	40,752	4,632	3,206	4,214	577
<u>2,437</u>	<u>42,499</u>	<u>4,759</u>	<u>3,243</u>	<u>291,342</u>	<u>584</u>
<u>4,436</u>	<u>47,036</u>	<u>5,017</u>	<u>3,411</u>	<u>322,290</u>	<u>621</u>
	<u>3,457</u>	<u>60</u>	<u>41</u>	<u>284</u>	<u>7</u>
13,140	5,949		7,149		
	2,004				
3,089	7,285	5,560		1,033,821	
19,063	(26,928)	33,117	(2,782)		48,955
<u>\$ 35,292</u>	<u>\$ (11,690)</u>	<u>\$ 38,677</u>	<u>\$ 4,367</u>	<u>\$ 1,033,821</u>	<u>\$ 48,955</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - AUTHORITIES
JUNE 30, 2015
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2015
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,871	\$	\$ 798	\$ 104,946
Restricted cash				11,041
Investments, net of amortization	1,923			386,899
Accounts receivable, net			94	111,148
Interest receivable				2,056
Inventories				1,505
Prepaid expenses				1,312
Other current assets				1,950
Total Current Assets	<u>4,794</u>	<u></u>	<u>892</u>	<u>620,857</u>
Noncurrent assets:				
Restricted cash				62,751
Long-term investments			781	33,613
Restricted long-term investments			5,023	15,308
Long-term receivables, net				916,410
Land				29,753
Improvements other than buildings				65,199
Buildings			422	458,245
Machinery and equipment			1,333	98,982
Other capital assets				10,764
Less: Accumulated depreciation and amortization			(1,294)	(310,388)
Construction in progress				14,832
Total Capital Assets	<u></u>	<u></u>	<u>461</u>	<u>367,387</u>
Other assets	<u></u>	<u></u>	<u></u>	<u>4,460</u>
Total Noncurrent Assets, Net	<u></u>	<u></u>	<u>6,265</u>	<u>1,399,929</u>
Total Assets	<u>4,794</u>	<u></u>	<u>7,157</u>	<u>2,020,786</u>
Deferred outflows of resources				
	<u></u>	<u></u>	<u></u>	<u>12,345</u>
Liabilities				
Current liabilities:				
Accounts payable and accruals			31	21,929
Current portion of long-term debt:				
Notes payable			197	410
Bonds payable				26,527
Capital lease obligations				6,946
Compensated absences				1,961
Unearned revenues			3	7,197
Other current liabilities				3,417
Total Current Liabilities	<u></u>	<u></u>	<u>231</u>	<u>68,387</u>
Noncurrent liabilities:				
Notes payable				3,579
Bonds payable				287,128
Capital lease obligations				68,164
Compensated absences				708
Net pension liability				114,584
Other long-term liabilities			87	87
Total Noncurrent Liabilities	<u></u>	<u></u>	<u>87</u>	<u>474,250</u>
Total Liabilities	<u></u>	<u></u>	<u>318</u>	<u>542,637</u>
Deferred inflows of resources				
	<u></u>	<u></u>	<u></u>	<u>8,552</u>
Net Position				
Net investment in capital assets			461	283,810
Restricted for:				
Capital projects				13,045
Other purposes			2,371	1,154,469
Unrestricted	4,794		4,007	30,618
Total Net Position	<u>\$ 4,794</u>	<u>\$</u>	<u>\$ 6,839</u>	<u>\$ 1,481,942</u>



COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
Expenses:				
Operating and other expenses	\$ 4,100	\$ 233,616	\$ 3,011	\$ 61,743
Total expenses	<u>4,100</u>	<u>233,616</u>	<u>3,011</u>	<u>61,743</u>
Program Revenues:				
Charges for services	4,235	24,447		43,662
Operating grants and contributions		214,726		
Capital grants and contributions				9,450
Total Program Revenues	<u>4,235</u>	<u>239,173</u>	<u></u>	<u>53,112</u>
Net Program (Expense) Revenue	<u>135</u>	<u>5,557</u>	<u>(3,011)</u>	<u>(8,631)</u>
General Revenues:				
Unrestricted grants and contributions				
Unrestricted investment earnings	13			24
Gain on sale of capital assets				
Miscellaneous general	263		3,010	9,497
Total General Revenues	<u>276</u>	<u></u>	<u>3,010</u>	<u>9,521</u>
Change in Net Position	<u>411</u>	<u>5,557</u>	<u>(1)</u>	<u>890</u>
Net Position at July 1, As Restated	37,925	101,787	(408)	174,726
Net Position at June 30	<u>\$ 38,336</u>	<u>\$ 107,344</u>	<u>\$ (409)</u>	<u>\$ 175,616</u>

Kentucky Center for the Arts Corporation	Kentucky Authority for Educational Television	Kentucky Economic Development Finance Authority	Kentucky Artisan Center	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation
\$ 15,045	\$ 28,747	\$ 4,609	\$ 2,601	\$ 34,817	\$ 271
15,045	28,747	4,609	2,601	34,817	271
7,083	2,365	999	1,646	13,143	
1,978	11,440		782		10,687
9,061	13,805	999	2,428	13,143	10,687
(5,984)	(14,942)	(3,610)	(173)	(21,674)	10,416
456				33,257	
526	502	2		459	
3					
4,112	15,338			15,169	
5,097	15,840	2		48,885	
(887)	898	(3,608)	(173)	27,211	10,416
36,179	(12,588)	42,285	4,540	1,006,610	38,539
\$ 35,292	\$ (11,690)	\$ 38,677	\$ 4,367	\$ 1,033,821	\$ 48,955

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2015

(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2015
Expenses:				
Operating and other expenses	\$ 5	\$ 6,511	\$ 1,368	\$ 396,444
Total expenses	<u>5</u>	<u>6,511</u>	<u>1,368</u>	<u>396,444</u>
Program Revenues:				
Charges for services		709	598	98,887
Operating grants and contributions			992	240,605
Capital grants and contributions				9,450
Total Program Revenues		<u>709</u>	<u>1,590</u>	<u>348,942</u>
Net Program (Expense) Revenue	<u>(5)</u>	<u>(5,802)</u>	<u>222</u>	<u>(47,502)</u>
General Revenues:				
Unrestricted grants and contributions			97	33,810
Unrestricted investment earnings	6	26	340	1,898
Gain on sale of capital assets				3
Miscellaneous general			175	47,564
Total General Revenues	<u>6</u>	<u>26</u>	<u>612</u>	<u>83,275</u>
Change in Net Position	<u>1</u>	<u>(5,776)</u>	<u>834</u>	<u>35,773</u>
Net Position at July 1, As Restated	4,793	5,776	6,005	1,446,169
Net Position at June 30	<u>\$ 4,794</u>	<u>\$ 5,776</u>	<u>\$ 6,839</u>	<u>\$ 1,481,942</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS-AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Totals June 30, 2015
Cash Flows from Operating Activities			
Cash payments to suppliers for goods and services	\$ (75)	\$ (5)	\$ (80)
Cash payments for employee salaries and benefits	(183)		(183)
Cash payments from other sources	6,687		6,687
Net Cash Provided (Used) by Operating Activities	<u>6,429</u>	<u>(5)</u>	<u>6,424</u>
Cash Flows from Investing Activities			
Purchase of investment securities	(2,924)	(275)	(3,199)
Interest and dividends on investments		6	6
Net Cash Provided (Used) in Investing Activities	<u>(2,924)</u>	<u>(269)</u>	<u>(3,193)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,505	(275)	3,231
Cash and Cash Equivalents at July 1	3,953	3,146	7,099
Cash and Cash Equivalents at June 30	<u>\$ 7,458</u>	<u>\$ 2,871</u>	<u>\$ 10,330</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 10,416	\$ (5)	\$ 10,411
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	(4,000)		(4,000)
(Increase) Decrease in deferred outflow	(14)		(14)
Increase (decrease) in liabilities:			
Accounts payable	2		2
Compensated absences	1		1
Pension liabilities	17		17
Increase (decrease) in deferred inflow	7		7
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,429</u>	<u>\$ (5)</u>	<u>\$ 6,424</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, 2015
(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Assets			
Current assets:			
Cash and cash equivalents	\$ 62,651	\$ 72,744	\$ 20,528
Restricted cash			42,674
Accounts receivable, net	18,220	19,425	10,871
Interest receivable		53	2
Inventories	374	2,257	1,635
Prepaid expenses	2,232	5,614	
Other current assets	222	395	1,020
Total Current Assets	<u>83,699</u>	<u>100,488</u>	<u>76,730</u>
Noncurrent assets:			
Restricted cash	26,979	9,690	
Long-term investments	60,739	48,875	44,193
Restricted long-term investments		87,736	
Long-term receivables, net	4,824	10,064	3,731
Land	8,088	15,628	22,935
Improvements other than buildings	56,593	66,626	
Buildings	429,637	668,584	279,147
Machinery and equipment	25,197	141,926	25,282
Other capital assets	44,172		34,066
Less: Accumulated depreciation and amortization	(239,184)	(344,712)	(167,399)
Construction in progress	16,557	25,744	6,411
Total Capital Assets	<u>341,060</u>	<u>573,796</u>	<u>200,442</u>
Other assets		6,782	3,846
Total Noncurrent Assets, Net	<u>433,602</u>	<u>736,943</u>	<u>252,212</u>
Total Assets	<u>517,301</u>	<u>837,431</u>	<u>328,942</u>
Deferred outflows of resources	<u>16,755</u>	<u>18,931</u>	<u>8,370</u>
Liabilities			
Current liabilities:			
Accounts payable and accruals	14,462	11,927	4,347
Current portion of long-term debt:			
Notes payable	266	13,425	
Bonds payable	5,949	11,322	3,562
Capital lease obligations	1,695	504	1,057
Compensated absences	5,933	3,139	3,089
Claims liability		1,215	
Unearned revenues	7,665	9,049	3,921
Payable from restricted assets			360
Other current liabilities	939	6,382	1,219
Total Current Liabilities	<u>36,909</u>	<u>56,963</u>	<u>17,555</u>
Noncurrent liabilities:			
Notes payable	849	7,762	
Bonds payable	66,945	206,696	80,414
Capital lease obligations	33,525	16,737	12,188
Compensated absences			
Net pension liability	381,105	402,061	194,699
Other long-term liabilities	349	38,121	4,648
Total Noncurrent Liabilities	<u>482,773</u>	<u>671,377</u>	<u>291,949</u>
Total Liabilities	<u>519,682</u>	<u>728,340</u>	<u>309,504</u>
Deferred inflows of resources	<u>19,351</u>	<u>21,895</u>	<u>13,231</u>
Net Position			
Net investment in capital assets	229,072	285,279	100,113
Restricted for:			
Debt service			
Capital projects	26,051	16,315	
Other purposes	66,620	133,310	91,148
Unrestricted	(326,720)	(328,777)	(176,684)
Total Net Position	<u>\$ (4,977)</u>	<u>\$ 106,127</u>	<u>\$ 14,577</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2015
\$ 60,298	\$ 89,751	\$ 24,979	\$ 289	\$ 331,240
	13,700		2,661	59,035
9,642	12,148	13,054	4,684	88,044
	17			72
2,170	359			6,795
1,995	2,291	144	2,123	14,399
2,156				3,793
<u>76,261</u>	<u>118,266</u>	<u>38,177</u>	<u>9,757</u>	<u>503,378</u>
86,407	23,155			146,231
	4,244	15,583	3,730	177,364
103,165	97,090		1,330	289,321
	1,421	510		20,550
12,274	9,785	2,288		70,998
15,373	36,235	3,987		178,814
280,378	405,492	154,808		2,218,046
31,184	87,697	21,852	570	333,708
33,131	4,622	15,708		131,699
(202,089)	(246,169)	(122,663)	(357)	(1,322,573)
17,845	38,296	1,144		105,997
<u>188,096</u>	<u>335,958</u>	<u>77,124</u>	<u>213</u>	<u>1,716,689</u>
3,325	121	36		14,110
380,993	461,989	93,253	5,273	2,364,265
457,254	580,255	131,430	15,030	2,867,643
<u>12,386</u>	<u>13,446</u>	<u>4,390</u>	<u>995</u>	<u>75,273</u>
10,263	13,943	4,399	4,911	64,252
1,214	21	50		14,976
3,324	6,468	215		30,840
56	1,128	514		4,954
6,425	3,143	1,311	628	23,668
617		167		1,999
3,433	6,024	874	18	30,984
	6,006			6,366
9,007	194	277		18,018
<u>34,339</u>	<u>36,927</u>	<u>7,807</u>	<u>5,557</u>	<u>196,057</u>
9,378	45	150		18,184
78,225	123,467	2,933		558,680
152	1,089	2,783		66,474
			224	224
233,581	224,378	93,542	18,565	1,547,931
	15,480	535		59,133
<u>321,336</u>	<u>364,459</u>	<u>99,943</u>	<u>18,789</u>	<u>2,250,626</u>
355,675	401,386	107,750	24,346	2,446,683
<u>12,051</u>	<u>5,515</u>	<u>5,164</u>	<u>433</u>	<u>77,640</u>
123,222	211,344	70,447		1,019,477
2,299	204			2,503
	1,625		213	44,204
95,220	103,702	23,141	5,588	518,729
(118,827)	(130,075)	(70,682)	(14,555)	(1,166,320)
<u>\$ 101,914</u>	<u>\$ 186,800</u>	<u>\$ 22,906</u>	<u>\$ (8,754)</u>	<u>\$ 418,593</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Expenses:			
Operating and other expenses	\$ 296,867	\$ 361,257	\$ 163,714
Total Expenses	<u>296,867</u>	<u>361,257</u>	<u>163,714</u>
Program Revenues:			
Charges for services	130,502	200,930	63,989
Operating grants and contributions	50,647	9,392	16,700
Capital grants and contributions			
Total Program Revenues	<u>181,149</u>	<u>210,322</u>	<u>80,689</u>
Net Program (Expense) Revenue	<u>(115,718)</u>	<u>(150,935)</u>	<u>(83,025)</u>
General Revenues:			
Unrestricted grants and contributions	42,640	60,949	26,384
Unrestricted investment earnings	(612)	6,112	66
Gain on sale of capital assets		48	
Miscellaneous general	75,225	83,356	48,885
Total General Revenues	<u>117,253</u>	<u>150,465</u>	<u>75,335</u>
Change in Net Position	<u>1,535</u>	<u>(470)</u>	<u>(7,690)</u>
Net Position at July 1, As Restated	(6,512)	106,597	22,267
Net Position at June 30	<u>\$ (4,977)</u>	<u>\$ 106,127</u>	<u>\$ 14,577</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2015
\$ 188,843	\$ 235,189	\$ 69,653	\$ 61,093	\$ 1,376,616
188,843	235,189	69,653	61,093	1,376,616
118,170	133,380	18,085	785	665,841
6,304	12,778	16,767	15,489	128,077
	2,019		638	2,657
124,474	148,177	34,852	16,912	796,575
(64,369)	(87,012)	(34,801)	(44,181)	(580,041)
22,346	28,496	5,053		185,868
4,164	238	730		10,698
53,622	50,872	24,142	42,165	48
80,132	79,606	29,925	42,165	378,267
15,763	(7,406)	(4,876)	(2,016)	574,881
86,151	194,206	27,782	(6,738)	(5,160)
\$ 101,914	\$ 186,800	\$ 22,906	\$ (8,754)	\$ 423,753
				\$ 418,593



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)**

	2015	2014	2013	2012
General Fund				
Nonspendable:				
Inventories	\$ 6,230	\$ 6,505	\$ 7,299	\$ 5,515
Assigned	27,069		34,700	35,563
Unassigned	71,060	(137,295)	159,198	54,035
Total General Fund	<u>104,359</u>	<u>(130,790)</u>	<u>201,197</u>	<u>95,113</u>
All Other Governmental Funds				
Nonspendable:				
Inventories	74,105	54,006	81,264	86,240
Cash with Fiscal Agents	18,954	13,503	17,918	29,045
Restricted	1,706,764	2,068,293	2,373,349	2,452,952
Committed	160,804	188,706	175,676	183,414
Assigned	15,033	13,054	7,019	13,157
Unassigned	(59,950)	(2,582)	(596,756)	(420,183)
Total All Other Governmental Funds	<u>1,915,710</u>	<u>2,334,980</u>	<u>2,058,470</u>	<u>2,344,625</u>
 Total Fund Balances - Governmental Funds	 <u>\$ 2,020,069</u>	 <u>\$ 2,204,190</u>	 <u>\$ 2,259,667</u>	 <u>\$ 2,439,738</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.

2011	2010
\$ 6,099	\$ 5,079
57,456	71,975
249,482	9,150
<u>313,037</u>	<u>86,204</u>
49,078	54,290
67,469	80,576
2,165,308	1,833,356
148,636	161,548
27,034	15,641
(120,235)	(65,628)
<u>2,337,290</u>	<u>2,079,783</u>
<u>\$ 2,650,327</u>	<u>\$ 2,165,987</u>

2009	2008	2007	2006
\$ 80,135	\$ 290,108	\$ 295,917	\$ 183,555
(49,698)	(1,937)	517,277	713,339
<u>\$ 30,437</u>	<u>\$ 288,171</u>	<u>\$ 813,194</u>	<u>\$ 896,894</u>
\$ 882,654	\$ 919,085	\$ 704,496	\$ 597,827
309,234	369,603	381,313	377,202
719,767	786,125	1,031,387	1,394,633
45,585	72,094	(66,785)	(129,103)
<u>\$ 1,957,240</u>	<u>\$ 2,146,907</u>	<u>\$ 2,050,411</u>	<u>\$ 2,240,559</u>

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

	2015	2014	2013	2012
Revenues				
Taxes	\$ 11,492,919	\$ 10,954,839	\$ 10,813,909	\$ 10,403,782
Licenses, fees, and permits	386,757	350,454	337,431	339,642
Intergovernmental	10,135,711	9,008,083	7,143,403	7,098,675
Charges for services	1,173,174	1,276,821	1,175,388	1,117,177
Fines and forfeits	64,755	69,531	80,227	80,132
Interest and other investment income	31,747	26,785	13,403	30,822
Increase (decrease) in fair value of investments	(13,544)	(9,410)	(7,661)	(18,705)
Securities lending income	2,664	2,696	4,198	3,121
Other revenues	518,844	627,647	678,358	562,394
Total Revenues	23,793,027	22,307,446	20,238,656	19,617,040
Expenditures				
Current:				
General government	2,107,483	2,067,170	2,282,198	2,390,204
Legislative and judicial	437,109	419,461	406,800	409,685
Commerce	98,826	97,811	92,312	112,139
Education and humanities	5,347,187	5,317,501	5,384,681	5,322,439
Human resources	11,437,873	10,399,966	7,963,372	7,984,895
Justice	839,455	804,747	825,194	802,108
Natural resources and environmental protection	186,641	185,547	201,048	213,283
Public protection and regulation	103,448	92,600	158,617	157,846
Transportation	2,661,224	2,566,382	2,263,175	2,109,125
Debt Service:				
Principal retirement	571,281	547,610	534,078	306,504
Interest and fiscal charges	352,558	355,438	354,688	367,966
Other expenditures	20,431	9,858	12,763	55,983
Securities lending expense	1,190	1,058	2,362	1,593
Capital outlay:				
Buildings	231,483	203,514	330,795	253,894
Total Expenditures	24,396,189	23,068,663	20,812,083	20,487,664
Excess (Deficiency) of Revenues over (under) Expenditures	(603,162)	(761,217)	(573,427)	(870,624)
Other Financing Sources (Uses)				
Transfers in	2,058,253	2,021,428	1,810,448	1,539,696
Transfers out	(2,009,118)	(2,013,769)	(1,833,096)	(1,530,423)
Capitalized leases	17,070	27	10,007	9,546
Issuance of bonds:				
New issues	222,922	256,887	221,310	419,700
Refunding issues	373,712	141,631	127,644	527,118
Premiums	76,777	80,769	27,295	74,049
Discounts	(972)	(689)	(408)	(927)
Certificates of participation	68,575			
Premiums	1,621			
Issuance of notes:				
New issues		383,000	163,290	82,717
Refunding issues		39,765		
Payments to refunded bond escrow agent	(409,405)	(189,883)	(127,035)	(455,473)
Total Other Financing Sources (Uses)	399,435	719,166	399,455	666,003
Net Change in Fund Balances	\$ (203,727)	\$ (42,051)	\$ (173,972)	\$ (204,621)
Debt service as a percentage of noncapital expenditures	3.78%	3.91%	4.29%	3.31%

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

	2011	2010	2009	2008	2007	2006
\$	10,113,502	\$ 9,366,175	\$ 9,560,283	\$ 9,871,590	\$ 9,668,573	\$ 9,465,785
	330,263	330,387	323,012	309,413	303,849	294,575
	8,016,458	8,381,546	7,055,624	6,169,116	5,810,270	5,662,112
	911,202	803,961	774,553	758,805	752,532	781,105
	82,856	86,980	90,812	97,898	80,741	90,118
	29,092	45,214	67,076	149,833	163,833	111,894
	795	(150)	(4)	6,529	11,241	(5,799)
	1,966	1,711	11,060	31,576	36,673	39,918
	822,936	492,508	461,824	474,555	517,266	597,088
	<u>20,309,070</u>	<u>19,508,332</u>	<u>18,344,240</u>	<u>17,869,315</u>	<u>17,344,978</u>	<u>17,036,796</u>
	2,302,228	2,592,283	2,472,452	2,702,730	2,591,176	2,444,023
	392,791	378,475	359,666	338,839	303,799	302,303
	86,506	92,437	94,989	100,535	96,572	81,037
	6,125,603	5,104,048	4,860,442	4,800,460	4,554,565	4,395,948
	8,088,667	8,124,836	7,919,632	7,301,114	6,764,174	6,602,797
	789,602	782,443	737,997	767,270	727,178	710,142
	200,899	193,111	188,039	192,957	195,980	171,407
	163,438	115,857	120,406	97,482	98,517	67,329
	1,959,030	2,014,490	1,977,924	2,090,584	1,825,318	1,661,585
	308,484	386,212	299,940	341,733	285,809	246,404
	351,539	306,139	252,466	210,331	200,297	174,972
	8,002	27,335	25,036	21,025	15,960	26,649
	1,163	933	6,080	26,774	35,318	38,144
	466,335	609,309	442,315	582,550	583,302	446,855
	<u>21,244,287</u>	<u>20,727,908</u>	<u>19,757,384</u>	<u>19,574,384</u>	<u>18,277,965</u>	<u>17,369,595</u>
	<u>(935,217)</u>	<u>(1,219,576)</u>	<u>(1,413,144)</u>	<u>(1,705,069)</u>	<u>(932,987)</u>	<u>(332,799)</u>
	1,852,945	1,955,274	2,157,662	2,357,766	2,216,889	2,124,893
	(1,675,200)	(1,776,171)	(1,880,360)	(2,258,283)	(2,041,824)	(1,969,206)
	6,864	10,182	4,456	3,280	7,364	6,079
	472,123	873,326	655,350	372,135	159,140	445,350
	240,590	347,835	508,520	100,000	105,085	
	34,035	37,442	35,905	46,322	16,610	21,416
	(2,022)	(2,619)	(4,193)			
	737,370	89,710		750,085	520,354	(58)
	(233,642)	(186,602)	(508,320)	(100,000)	(330,193)	
	<u>1,433,063</u>	<u>1,358,253</u>	<u>969,020</u>	<u>1,271,305</u>	<u>653,425</u>	<u>628,474</u>
\$	<u>497,846</u>	<u>138,677</u>	<u>(444,124)</u>	<u>(433,764)</u>	<u>(279,562)</u>	<u>295,675</u>
	<u>3.11%</u>	<u>3.34%</u>	<u>2.89%</u>	<u>2.94%</u>	<u>2.57%</u>	<u>2.49%</u>

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

	2015	2014	2013	2012
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 21,288,572	\$ 20,986,040	\$ 20,195,976	\$ 19,616,044
Restricted	984,229	1,099,649	1,167,435	1,480,299
Unrestricted	(36,414,312)	(11,812,580)	(10,315,863)	(9,731,379)
Total Governmental Activities Net Position	(14,141,511)	10,273,109	11,047,548	11,364,964
Business-type Activities:				
Invested in Capital Assets, net of related debt	303,571	315,131	328,382	334,611
Restricted	212,629	63,847	913	729
Unrestricted	(403,957)	(594,125)	(876,277)	(1,014,186)
Total Business-Type Activities Net Position	112,243	(215,147)	(546,982)	(678,846)
Primary Government:				
Invested in capital assets, net of related debt	21,592,143	21,301,171	20,524,358	19,950,655
Restricted	1,196,858	1,163,496	1,168,348	1,481,028
Unrestricted	(36,818,269)	(12,406,705)	(11,192,140)	(10,745,565)
Total Primary Government Net Position	\$ (14,029,268)	\$ 10,057,962	\$ 10,500,566	\$ 10,686,118

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

2011	2010	2009	2008	2007	2006
\$ 19,153,511	\$ 18,418,874	\$ 19,547,435	\$ 19,911,942	\$ 17,947,656	\$ 17,633,886
1,286,431	1,206,293	1,094,433	1,139,727	1,237,151	1,376,301
(8,071,118)	(6,803,987)	(5,861,735)	(4,816,142)	(1,807,615)	(1,191,204)
12,368,824	12,821,180	14,780,133	16,235,527	17,377,192	17,818,983
350,505	341,172	330,078	290,365	267,144	254,623
326	9,646	5,615	310,216	359,605	392,318
(1,199,294)	(1,151,091)	(859,772)	(553,995)	(634,297)	(612,782)
(848,463)	(800,273)	(524,079)	46,586	(7,548)	34,159
19,504,016	18,760,046	19,877,513	20,202,307	18,214,800	17,888,509
1,286,757	1,215,939	1,100,048	1,449,943	1,596,756	1,768,619
(9,270,412)	(7,955,078)	(6,721,507)	(5,370,137)	(2,441,912)	(1,803,986)
\$ 11,520,361	\$ 12,020,907	\$ 14,256,054	\$ 16,282,113	\$ 17,369,644	\$ 17,853,142

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

	2015	2014	2013	2012
Function/Program Revenues				
Primary Government:				
Governmental Activities:				
Charges for Services:				
General government	\$ 626,337	\$ 699,518	\$ 681,819	\$ 668,709
Legislative and judicial	25,866	25,584	25,676	21,750
Commerce	58,617	44,538	41,337	53,375
Education and humanities	64,776	43,192	67,290	66,246
Human Resources	164,793	230,057		16,593
Justice	22,755	23,434	27,369	21,500
Natural resources and environmental protection	17,014	45,334	308,890	12,451
Public protection and regulation	87,134	83,516	93,172	92,806
Transportation	299,446	269,701	238,296	249,231
Operating Grants and Contributions	9,270,753	8,211,316	6,294,292	6,381,991
Capital Grants and Contributions	865,320	801,353	806,675	836,370
Total Governmental Activities	11,502,811	10,477,543	8,584,816	8,421,022
Business-Type Activities:				
Charges for Services:				
State Parks	47,931	49,016	48,774	50,064
Kentucky Lottery Corporation				
Kentucky Horse Park	12,407	10,679	9,981	9,161
Insurance Administration	124,106	113,248	112,177	122,962
Kentucky Public Employees' Health Plan	1,712,136	1,692,801	1,680,011	1,681,642
Unemployment Compensation	743,369	561,692	532,298	521,893
Operating Grants and Contributions		174,235	408,125	705,465
Capital Grants and Contributions	149	378	155	1,032
Total Business-Type Activities	2,640,098	2,602,049	2,791,521	3,092,219
Total Primary Government	\$ 14,142,909	\$ 13,079,592	\$ 11,376,337	\$ 11,513,241
Expenses				
Primary Government:				
Governmental Activities:				
General government	\$ 2,557,827	\$ 2,840,370	\$ 3,333,535	\$ 3,002,882
Legislative and judicial	433,354	420,929	406,949	411,579
Commerce	110,041	112,067	112,296	132,078
Education and humanities	5,822,980	5,539,119	5,214,551	5,818,383
Human Resources	11,098,078	10,000,356	7,618,717	7,623,348
Justice	952,071	933,126	936,118	923,628
Natural resources and environmental protection	190,532	192,059	229,245	221,822
Public protection and regulation	107,258	92,798	160,071	156,755
Transportation	1,819,570	2,127,851	1,720,513	1,496,753
Interest expense	341,922	355,842	369,773	403,534
Total Governmental Activities	23,433,633	22,614,517	20,101,768	20,190,762
Business-Type Activities:				
State Parks	110,220	96,587	92,724	93,925
Kentucky Lottery Corporation				
Kentucky Horse Park	19,278	19,511	15,856	13,970
Insurance Administration	116,723	86,063	93,876	38,081
Kentucky Public Employees' Health Plan	1,420,292	1,642,048	1,677,143	1,687,322
Unemployment Compensation	340,223	1,092,231	1,287,408	1,193,572
Total Business-Type Activities	2,006,736	2,936,440	3,167,007	3,026,870
Total Primary Government	\$ 25,440,369	\$ 25,550,957	\$ 23,268,775	\$ 23,217,632
Net (Expense)/Revenue				
Governmental Activities	\$ (11,930,822)	\$ (12,136,974)	\$ (11,516,952)	\$ (11,769,740)
Business-Type Activities	633,362	(334,391)	(375,486)	65,349
Total Primary Government Net Expense	\$ (11,297,460)	\$ (12,471,365)	\$ (11,892,438)	\$ (11,704,391)

2011	2010	2009	2008	2007	2006
\$ 438,993	\$ 384,050	\$ 366,634	\$ 494,587	\$ 375,662	\$ 374,655
21,177	20,226	28,561	15,225	14,558	13,667
36,774	40,657	47,770	41,821	42,267	34,390
78,996	55,926	50,988	68,609	85,538	102,783
484,958	103,025	121,752	200,913	197,556	106,238
22,121	21,641	20,611	24,096	22,189	33,185
43,338	41,123	35,959	42,511	39,412	33,205
83,816	73,066	71,078	66,495	64,260	63,341
218,846	230,918	238,110	16,849	215,869	202,569
7,071,327	7,621,275	6,575,144	5,554,089	5,261,989	5,139,428
697,927	773,661	550,416	750,184	658,132	597,282
<u>9,198,273</u>	<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>
49,437	50,802	52,439	57,605	56,208	52,751
772,349	772,497	810,544	778,211	744,222	742,312
7,798	6,880	6,423	6,763	6,632	6,010
110,829	121,445	93,438	129,870	130,994	178,305
1,752,908	1,548,458	1,392,971	1,270,899	1,158,078	595,435
471,876	1,556,290	412,430	381,410	357,396	377,265
953,112	3,849	363,028	53,838	46,798	45,573
2,326		4,633	1,735	476	112
<u>4,120,635</u>	<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>\$ 13,318,908</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>
\$ 3,212,093	\$ 4,377,373	\$ 3,837,639	\$ 4,370,883	\$ 3,708,700	\$ 2,714,165
400,786	376,743	360,872	335,635	313,010	305,466
113,156	124,263	112,825	107,774	96,486	103,996
6,036,864	5,148,482	4,887,919	4,852,742	4,608,914	4,421,812
7,652,130	7,725,161	7,611,725	6,904,568	6,468,225	6,259,383
887,611	876,065	822,301	845,153	803,120	794,698
198,067	192,518	197,086	197,265	191,052	207,369
164,052	113,558	121,952	97,360	116,770	68,108
1,340,012	1,175,210	1,331,764	1,170,102	1,123,493	1,263,891
377,725	332,639	265,984	254,488	266,388	250,622
<u>20,382,496</u>	<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>
92,777	101,861	98,795	104,672	111,973	90,283
566,117	568,183	619,902	599,490	563,549	558,435
14,804	13,521	11,411	12,799	10,624	9,690
232,100	107,286	(18,953)	117,817	176,338	70,683
1,624,444	1,497,656	1,434,951	1,288,981	1,152,794	507,282
1,521,994	1,958,414	1,317,067	493,397	450,629	396,052
4,052,236	4,246,921	3,463,173	2,617,156	2,465,907	1,632,425
<u>\$ 24,434,732</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>
\$ (11,184,223)	\$ (11,076,444)	\$ (11,443,044)	\$ (11,860,591)	\$ (10,718,726)	\$ (9,688,767)
68,399	(186,700)	(327,267)	63,175	34,897	365,338
<u>\$ (11,115,824)</u>	<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>

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

	2015	2014	2013	2012
General Revenues and				
Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Sales and gross receipt	\$ 5,714,300	\$ 5,575,312	\$ 5,292,465	\$ 5,505,336
Individual income	4,064,705	3,752,868	3,748,008	3,474,027
Corporate income	540,132	456,601	423,093	370,485
Property	570,998	553,339	556,986	534,189
License and privilege	13,742	21,170	21,091	26,792
Severance	235,068	251,231	461,866	170,980
Inheritance and estate	52,616	51,513	20,503	68,119
Miscellaneous taxes	190,700	184,605	203,467	148,305
Unrestricted grants and contributions	10,348	12,663	16,332	14,640
Unrestricted investment earnings	4,264	(37)	2,179	(21,439)
Gain on sale of capital assets	7,259	10,969	8,885	10,363
Miscellaneous general	413,140	496,504	544,186	493,133
Transfers	108,470	(4,214)	(22,093)	(12,293)
Total General Revenues and Transfers	<u>11,925,742</u>	<u>11,362,524</u>	<u>11,276,968</u>	<u>10,782,637</u>
Change in Net Position	(5,080)	(774,450)	(239,984)	(987,103)
Net Position at July 1, as Restated	(14,136,431)	11,047,559	11,287,532	12,352,067
Net Position at June 30	<u>\$ (14,141,511)</u>	<u>\$ 10,273,109</u>	<u>\$ 11,047,548</u>	<u>\$ 11,364,964</u>
Business-Type Activities:				
Unrestricted grants and contributions	\$	\$	\$	\$
Unrestricted investment earnings	14,971	13,546	(16,154)	
Gain on sale of capital assets		32		55,123
Miscellaneous general	5,693	648,434	501,411	
Transfers	(108,470)	4,214	22,093	
Total General Revenues and Transfers	<u>(87,806)</u>	<u>666,226</u>	<u>507,350</u>	<u>55,123</u>
Change in Net Position	545,556	331,835	131,864	192,756
Net Position at July 1, as Restated	(433,313)	(546,982)	(678,846)	(871,602)
Net Position at June 30	<u>\$ 112,243</u>	<u>\$ (215,147)</u>	<u>\$ (546,982)</u>	<u>\$ (678,846)</u>
Change in Net Position				
Governmental Activities	\$ (5,080)	\$ (774,450)	\$ (239,984)	\$ (987,103)
Business-Type Activities	<u>545,556</u>	<u>331,835</u>	<u>131,864</u>	<u>192,756</u>
Total Primary Government Changes in Net Position	<u>\$ 540,476</u>	<u>\$ (442,615)</u>	<u>\$ (108,120)</u>	<u>\$ (794,347)</u>

2011	2010	2009	2008	2007	2006
\$ 5,152,345	\$ 4,880,831	\$ 4,777,321	\$ 4,828,223	\$ 4,623,126	\$ 4,433,893
3,451,268	3,125,824	3,359,471	3,512,908	2,975,875	2,863,269
317,578	235,654	278,103	397,842	961,204	1,013,768
509,961	504,189	534,441	497,326	503,853	492,532
29,690	29,198	37,442	33,049	42,738	73,679
366,633	325,077	362,965	310,294	279,924	290,203
45,144	38,058	43,237	51,423	49,574	40,498
168,847	152,016	146,977	163,842	164,715	161,663
14,071	9,365	10,263	11,923	731	723
7,146	9,531	(9,977)	31,335	57,070	58,428
9,727	22,682	12,730	10,123	3,288	4,637
444,309	388,144	319,408	596,079	421,772	499,657
206,078	172,007	264,032	126,716	169,150	187,101
<u>10,722,797</u>	<u>9,892,576</u>	<u>10,136,413</u>	<u>10,571,083</u>	<u>10,253,020</u>	<u>10,120,051</u>
(461,426)	(1,183,868)	(1,306,631)	(1,289,508)	(465,706)	431,284
<u>12,830,250</u>	<u>14,005,048</u>	<u>16,086,764</u>	<u>17,525,035</u>	<u>17,842,898</u>	<u>17,387,699</u>
<u>\$ 12,368,824</u>	<u>\$ 12,821,180</u>	<u>\$ 14,780,133</u>	<u>\$ 16,235,527</u>	<u>\$ 17,377,192</u>	<u>\$ 17,818,983</u>
\$ 208	\$ 47,657	\$ (28,261)	\$ 16,531	\$ 83,846	\$ 26,793
56,203	1,844	38	59	72	30
597	35,792	48,894	18,746	8,628	25,900
21,902	(172,007)	(264,032)	(126,716)	(169,150)	(187,101)
<u>(206,078)</u>	<u>(86,714)</u>	<u>(243,361)</u>	<u>(91,380)</u>	<u>(76,604)</u>	<u>(134,378)</u>
(127,168)	(273,414)	(570,628)	(28,205)	(41,707)	230,960
(58,769)	(526,859)	46,549	74,791	34,159	(196,801)
<u>(789,694)</u>	<u>(800,273)</u>	<u>(524,079)</u>	<u>46,586</u>	<u>(7,548)</u>	<u>34,159</u>
<u>\$ (848,463)</u>	<u>\$ (800,273)</u>	<u>\$ (524,079)</u>	<u>\$ 46,586</u>	<u>\$ (7,548)</u>	<u>\$ 34,159</u>
\$ (461,426)	\$ (1,183,868)	\$ (1,306,631)	\$ (1,289,508)	\$ (465,706)	\$ 431,284
(58,769)	(273,414)	(570,628)	(28,205)	(41,707)	230,960
<u>(520,195)</u>	<u>(1,457,282)</u>	<u>(1,877,259)</u>	<u>(1,317,713)</u>	<u>(507,413)</u>	<u>662,244</u>

**COMMONWEALTH OF KENTUCKY
PERSONAL INCOME TAX INFORMATION
CALENDAR YEARS 2004 and 2013**

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

Ky Federal AGI (from Ky form 740) Income Level	Calendar Year 2013			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Resident Taxpayer				
less than \$25,001	734,130	42.07%	\$ 225,514,228	6.53%
\$25,001-\$50,000	419,941	24.07%	539,579,669	15.65%
\$50,001-\$100,000	390,859	22.40%	1,010,739,398	29.31%
\$100,001-\$200,000	160,383	9.19%	851,611,670	24.69%
\$200,001-\$500,000	32,655	1.87%	445,733,015	12.93%
Greater than \$500,000	6,784	0.39%	375,418,996	10.89%
Total Resident	1,744,752	100.00%	3,448,596,976	100.00%
Non-Resident Taxpayer				
less than \$25,001	60,119	37.51%	6,479,848	3.28%
\$25,001-\$50,000	28,423	17.73%	14,868,656	7.52%
\$50,001-\$100,000	29,685	18.52%	27,353,892	13.84%
\$100,001-\$200,000	19,424	12.12%	30,027,584	15.19%
\$200,001-\$500,000	11,605	7.24%	27,832,584	14.08%
Greater than \$500,000	11,017	6.87%	91,140,116	46.10%
Total Non-Resident	160,273	100.00%	197,702,680	100.00%
Totals	1,905,025		\$ 3,646,299,656	

Personal Income Tax Rates

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

	2013	(A)	2004
Personal Income Tax Revenue	\$ 3,646,299,656	(A)	\$ 2,876,262,504
Personal Income	111,991,000,000	(B)	85,484,500,000
Average Effective Rate	3.3%		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 2004

<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
775,013	47.40%	\$ 201,638,526	7.33%
408,347	24.98%	541,863,564	19.69%
341,805	20.90%	939,466,043	34.14%
86,695	5.30%	495,324,582	18.00%
18,614	1.14%	275,563,177	10.01%
4,598	0.28%	297,947,095	10.83%
1,635,072	100.00%	2,751,802,987	100.00%

<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
47,402	40.54%	4,684,388	3.76%
22,101	18.90%	11,547,473	9.28%
20,406	17.45%	19,465,682	15.64%
11,454	9.80%	19,002,252	15.27%
7,270	6.22%	17,271,153	13.88%
8,294	7.09%	52,488,569	42.17%
116,927	100.00%	124,459,517	100.00%
1,751,999		\$ 2,876,262,504	

5.8%
\$8,001 -75,000

6.0%
\$75,001 and UP



COMMONWEALTH OF KENTUCKY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FOR CALENDAR YEARS 2005-2014
(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	
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%
2014	237,120,455	252,255,803	174,481,430	174,481,430	411,601,885	426,737,233	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 2005-2014
(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 **
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
2014	575,958	547,198	95.0%	16,237	563,435	97.8%	64.37

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)

	2015	2014	2013	2012
Governmental Activities Debt				
Revenue Bonds (2)	\$ 6,154,942	\$ 6,291,646	\$ 6,427,591	\$ 6,555,730
Notes (2)	1,467,573	1,868,377	1,648,642	1,669,372
Capital Leases (2)	71,493	55,444	211,963	46,069
Total Government Activities Debt	<u>7,694,008</u>	<u>8,215,467</u>	<u>8,288,196</u>	<u>8,271,171</u>
Business-Type Activities Debt				
Capital Leases (2)	12,262	13,065	1,153,410	14,119
Total Business-Type Activities Debt	<u>12,262</u>	<u>13,065</u>	<u>1,153,410</u>	<u>15,291</u>
Total Primary Government Debt	<u>\$ 7,706,270</u>	<u>\$ 8,228,532</u>	<u>\$ 9,441,606</u>	<u>\$ 8,286,462</u>
Total Debt Ratios				
Ratio of Total Debt to Personal Income	<u>6.67%</u>	<u>7.35%</u>	<u>8.74%</u>	<u>7.97%</u>
Total Debt Per Capita (1)	<u>\$ 1,753.30</u>	<u>\$ 1,872.12</u>	<u>\$ 2,160.87</u>	<u>\$ 1,896.50</u>
Net Bonded Debt				
Gross Bonded Debt	\$ 6,154,942	\$ 6,291,646	\$ 6,427,591	\$ 6,555,730
Less: Debt Service Funds	138,192	125,732	124,951	120,304
Net Bonded Debt	<u>\$ 6,016,750</u>	<u>\$ 6,165,914</u>	<u>\$ 6,302,640</u>	<u>\$ 6,435,426</u>
Net Bonded Debt Ratios				
Ratio of Net Bonded Debt to Governmental Funds Revenues	<u>26.97%</u>	<u>27.64%</u>	<u>31.14%</u>	<u>32.81%</u>
Net Bonded Debt Per Capita (1)	<u>\$ 1,373.56</u>	<u>\$ 1,407.61</u>	<u>\$ 1,438.82</u>	<u>\$ 1,472.85</u>

(1) Per Capita calculations are based on the population figures for the prior year. (See Demographics Schedule on page 250)

(2) See Note 15 for Debt Amounts

2011	2010	2009	2008	2007	2006
\$ 6,241,628	\$ 5,959,846	\$ 4,429,520	\$ 3,617,080	\$ 3,442,634	\$ 3,546,468
1,715,915	1,089,740	1,059,520	1,516,350	910,310	554,790
30,877	32,341	26,638	30,968	39,079	28,450
<u>7,988,420</u>	<u>7,081,927</u>	<u>5,515,678</u>	<u>5,164,398</u>	<u>4,392,023</u>	<u>4,129,708</u>
3,542	127	211	212	197	307
<u>3,542</u>	<u>127</u>	<u>211</u>	<u>212</u>	<u>197</u>	<u>307</u>
<u>\$ 7,991,962</u>	<u>\$ 7,082,054</u>	<u>\$ 5,515,889</u>	<u>\$ 5,164,610</u>	<u>\$ 4,392,220</u>	<u>\$ 4,130,015</u>
<u>7.81%</u>	<u>7.09%</u>	<u>5.45%</u>	<u>5.21%</u>	<u>4.64%</u>	<u>4.54%</u>
<u>\$ 1,838.81</u>	<u>\$ 1,641.60</u>	<u>\$ 1,292.01</u>	<u>\$ 1,217.65</u>	<u>\$ 1,044.26</u>	<u>\$ 989.60</u>
\$ 6,241,628	\$ 5,959,846	\$ 4,429,520	\$ 3,617,080	\$ 3,442,634	\$ 3,546,468
137,921	197,802	353,391	405,028	415,386	403,002
<u>\$ 6,103,707</u>	<u>\$ 5,762,044</u>	<u>\$ 4,076,129</u>	<u>\$ 3,212,052</u>	<u>\$ 3,027,248</u>	<u>\$ 3,143,466</u>
<u>31.11%</u>	<u>29.54%</u>	<u>22.22%</u>	<u>17.97%</u>	<u>17.77%</u>	<u>18.45%</u>
<u>\$ 1,404.36</u>	<u>\$ 1,335.63</u>	<u>\$ 954.77</u>	<u>\$ 757.30</u>	<u>\$ 719.73</u>	<u>\$ 753.21</u>

**COMMONWEALTH OF KENTUCKY
UNIVERSITY AND COLLEGE REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS**
(Expressed in Thousands, Except Ratio Data)

Fiscal Year Ending June 30	Revenue Stream Available For Debt Service	Debt Service Requirement	Coverage Ratio
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
2015	4,598,823 **	1,958,552	2.35

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	2015			2006		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
United Parcel Service, Inc.	12,961	1	0.69%	10,788	1	0.56%
Humana Inc.	11,464	2	0.61%	7,304	4	0.38%
Toyota Motor Corp	11,078	3	0.59%	8,731	3	0.46%
Ford Motor Co.	8,491	4	0.45%	9,500	2	0.50%
Amazon.com	7,232	5	0.39%			
General Electric Co	6,843	6	0.36%	6,968	5	0.36%
FMR LLC	3,900	7	0.21%			
Xerox Coporation	3,837	8	0.20%			
Citigroup	3,099	9	0.17%	3,700	9	0.19%
Berkshire Hathaway Inc.	2,620	10	0.14%			
Delta Air Lines, Inc				4,900	6	0.26%
Dana Corp.				4,676	7	0.24%
Johnson Controls, Inc.				4,198	8	0.22%
Lexmark International, Inc				3,450	10	0.18%
	<u>71,525</u>		<u>3.81%</u>	<u>64,215</u>		<u>3.36%</u>

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

**DEMOGRAPHIC STATISTICS
FOR CALENDAR YEARS 2005-2014**

For the Year Ended December 31	Estimated Population	Per Capita Income	Unemployment Rate
2005	4,173,405	\$ 28,513	5.9%
2006	4,206,074	29,352	5.7%
2007	4,241,474	31,111	5.4%
2008	4,269,245	31,826	6.4%
2009	4,314,113	32,306	10.3%
2010	4,346,266	32,376	10.2%
2011	4,369,356	33,667	9.4%
2012	4,380,415	35,041	8.2%
2013	4,395,295	36,214	8.0%
2014	4,413,457	37,654	6.5%

SOURCE: <http://www.bea.gov>
<https://kylmi.ky.gov>

COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR CALENDAR YEARS 2005-2014
(Expressed in Thousands, Except Percent Data)

Source	2005**		2006**		2007**		2008**		2009**	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,520,500	1.7%	\$ 532,750	0.6%	\$ 1,040,750	1.0%	\$ 932,500	0.9%	\$ 1,364,000	1.4%
Agriculture services, forestry, fisheries and others	369,750	0.4%	422,500	0.4%	407,250	0.4%	421,500	0.4%	319,250	0.3%
Mining	1,879,750	2.1%	2,128,750	2.3%	2,227,000	2.2%	2,475,000	2.4%	2,121,000	2.1%
Manufacturing	16,364,000	18.0%	17,033,000	18.0%	17,069,000	17.2%	16,305,750	16.1%	13,446,500	13.5%
Construction	5,133,750	5.6%	5,225,750	5.5%	5,292,750	5.3%	5,356,750	5.3%	5,045,000	5.1%
Wholesale and retail trade	10,857,250	11.9%	11,430,750	12.1%	11,726,500	11.8%	11,870,500	11.8%	11,548,500	11.6%
Finance, insurance and real estate	5,487,250	6.0%	5,922,750	6.3%	6,345,250	6.4%	6,390,750	6.3%	5,979,500	6.0%
Transportation and public utilities	5,452,500	6.0%	5,653,750	6.0%	6,237,000	6.3%	6,008,000	5.9%	6,062,250	6.1%
Services	26,222,250	28.9%	27,810,500	29.3%	29,033,250	29.4%	30,718,250	30.4%	31,714,500	31.6%
Government and government enterprises	17,594,750	19.4%	18,420,500	19.5%	19,826,000	20.0%	20,809,250	20.5%	22,249,500	22.3%
Earnings by Place of Work	<u>\$ 90,881,750</u>	<u>100.0%</u>	<u>\$ 94,581,000</u>	<u>100.0%</u>	<u>\$ 99,204,750</u>	<u>100.0%</u>	<u>\$ 101,288,250</u>	<u>100.0%</u>	<u>\$ 99,850,000</u>	<u>100.0%</u>

Source	2010**		2011**		2012**		2013**		2014**	
	Amount	Percent								
Farm	\$ 1,208,000	1.2%	\$ 811,000	0.8%	\$ 1,062,000	1.0%	\$ 1,954,000	1.7%	\$ 1,790,189	1.5%
Agriculture services, forestry, fisheries and others	316,000	0.3%	280,000	0.3%	330,000	0.3%	346,000	0.3%	399,410	0.3%
Mining	2,353,000	2.3%	2,256,000	1.3%	2,224,000	1.3%	1,853,000	1.7%	1,808,635	1.6%
Manufacturing	14,293,000	14.0%	12,563,000	12.2%	15,736,000	15.4%	15,937,000	14.2%	16,681,907	14.4%
Construction	4,726,000	4.6%	5,101,000	5.0%	5,568,000	5.4%	5,938,000	5.3%	6,662,114	5.8%
Wholesale and retail trade	11,456,000	11.2%	12,021,000	11.7%	12,306,000	12.0%	12,328,000	11.0%	12,726,539	11.0%
Finance, insurance and real estate	5,956,000	5.8%	6,507,000	6.3%	6,931,000	6.8%	7,269,000	6.5%	7,567,461	6.6%
Transportation and public utilities	6,130,000	6.0%	6,199,000	6.1%	6,529,000	6.4%	6,402,000	5.7%	6,745,081	5.8%
Services	32,939,000	32.1%	34,521,000	33.1%	34,471,000	33.1%	36,784,000	32.9%	38,137,251	33.0%
Government and government enterprises	23,014,000	22.5%	23,727,000	23.2%	22,879,000	22.3%	23,180,000	20.7%	22,994,107	19.9%
Earnings by Place of Work	<u>\$ 102,391,000</u>	<u>100.0%</u>	<u>\$ 103,986,000</u>	<u>100.0%</u>	<u>\$ 108,036,000</u>	<u>100.0%</u>	<u>\$ 111,991,000</u>	<u>100.0%</u>	<u>\$ 115,512,694</u>	<u>100.0%</u>

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

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

* 2002 annual estimates computed with BEA table SQ5 by adding 4 quarters of 2002 and dividing by 4.

** Annual estimates computed with BEA table SQ5N by adding 4 quarters of each year and dividing by 4.

Quarterly charts show each quarter as an annualized amount based on amounts to date.

Amounts are based on the North American Industry Classification System (NAICS) instead of the Standard Industrial Classification (SIC) system used in previous years. This affects comparability of amounts. NAICS will be used in the future fiscal years.

**COMMONWEALTH OF KENTUCKY
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Personnel										
Number of Full Time Employees- Executive Branch	32,547	31,819	31,961	32,270	32,365	32,309	31,334	33,851	33,204	34,947
Health Insurance Expenditures - Percentage Increase/(decrease)	2.5%	2.0%	7.4%	(3.5%)	4.5%	18.7%	(1.3%)	6.1%	(1.8%)	29%
Education										
K-12 Enrollment	680,519	678,884	677,394	647,827	644,963	636,188	671,147	671,542	668,337	664,606
K-12 Attendance Rate	94.50%	94.60%	94.52%	94.05%	94.05%	94.18%	94.17%	94.18%	94.60%	94.31%
K-12 Graduation Rate	87.90%	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	20	19.9	19.6	19.8	19.6	19.4	19.4**	20.9	20.7	20.6
GED Graduates	1,663	7,083	8,890	9,469	10,294	9,357	9,382	10,307	9,757	9,054
College Going Rate for 9th Graders	NA	47%	39%	42%	42%	42%	44%	38%	38%	37%
Postsecondary Education Enrollment	215,509	220,963	225,415	235,833	232,318	223,893	211,179	212,994	206,419	202,197
Bachelor's and Higher Degrees Awarded	32,706	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	21,576	20,814	21,785	21,471	20,785	20,798	21,470	22,219	20,772	19,943
Probation and Parole Population - Daily Average	46,008	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	1,243,432	997,556	829,826	825,648	815,460	788,236	748,296	722,559	710,000	699,595
Food Stamp Recipients-Monthly Average	788,485	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	42,995	47,996	49,148	48,817	50,583	48,894	48,368	48,743	68,260	69,696
Children with substantiated incidences	19,858	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	3,448	3,939	3,919	3,355	3,390	5,910	3,085	4,310	4,000	4,600
Waste Management Inspections	6,866	6,484	6,239	6,062	6,155	7,060	6,731	6,443	7,500	7,200
Acres of Land Reforested	5,472	3,573	8,309	10,396	4,827	4,520	5,580	5,105	2,000	1,600
Mine Permits Issued	446	515	606	719	691	608	688	848	954	1,025
Mine Reclamation and Enforcement Inspections	20,011	21,450	23,003	26,942	25,392	25,686	24,890	26,062	22,898	22,001
Mine Safety-Completed Inspections	2,651	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	17%	19%	19%	19%	15%	18%	14%	15%	15%	14%
Statewide Road Maintainance Rating (Target Score = 80)	83.7	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)	(0.31%)	(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	0.13%	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)	45.4%	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

NA Information is not available

**COMMONWEALTH OF KENTUCKY
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government										
Number of Buildings	312	312	313	310	292	326	309	558	566	297
Number of Vehicles	299	303	305	377	394	365	356	411	487	258
Land (Acres)	15,264	15,263	15,251	15,041	14,968	14,614	14,293	13,352	14,108	13,294
Commerce										
Number of Resort Parks	17	17	17	17	17	17	17	17	17	17
Number of Recreation Parks	23	21	21	21	23	23	24	24	24	24
Number of Historic Sites	11	11	11	9	10	10	11	11	11	10
Area of State Parks (Acres)	45,409	45,180	45,180	45,180	42,397	42,035	42,597	42,428	42,428	45,137
Education and Humanities										
Number of Buildings	65	65	65	65	66	73	72	70	69	70
Number of Vehicles	64	68	83	89	105	101	113	123	134	209
Land (Acres)	385	387	387	387	388	388	388	372	388	388
Human Resources										
Number of Buildings	160	182	182	182	182	200	196	196	193	190
Number of Vehicles	19	18	24	23	45	46	40	150	165	215
Land (Acres)	1,206	1,206	1,206	1,206	1,206	1,206	1,206	1,007	1,206	1,206
Justice										
Number of Buildings	447	449	452	459	465	508	479	482	449	440
Number of Vehicles	1,720	1,715	1,753	2,043	2,102	1,863	1,861	1,696	1,668	3,911
Land (Acres)	8,735	8,735	8,735	8,685	8,865	8,867	8,903	6,166	5,314	9,044
Natural Resources and Environmental Protection										
Number of Buildings	22	20	20	20	21	26	26	26	27	25
Number of Vehicles	807	797	793	847	827	916	815	847	1319	2622
Land (Acres)	66,187	65,609	64,585	62,661	60,003	59,149	58,325	51,175	50,983	64,134
Public Protection and Regulation										
Number of Vehicles	146	140	149	132	118	121	90	76	86	44
Transportation										
Number of Lane Miles -State Maintained Highways	64,187	63,407	63,196	63,175	63,135	62,913	62,823	62,419	62,071	62,193
Number of State maintained Bridges	9,011	9,000	8,976	8,972	8,957	8,933	8,870	8,842	8,974	8,974
Land (Acres)	1,656	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**

	2015	2014	2013	2012
<u>FULL-TIME EMPLOYEES</u>				
FUNCTION				
General government	4,671	4,775	5,089	4,669
Legislative and judicial	3,578	3,540	4,159	3,503
Commerce	1,633	1,699	1,520	1,914
Education and humanities	2,613	2,671	2,671	2,701
Human resources	7,466	7,523	7,470	7,481
Justice	7,832	7,896	8,054	8,070
Natural resources and environmental protection	1,387	1,445	1,608	1,614
Public protection and regulation	1,124	1,120	1,034	1,097
Transportation	4,629	4,650	4,690	4,682
Total full-time employees	34,933	35,319	36,295	35,731
<u>PART-TIME and TEMPORARY EMPLOYEES</u>				
FUNCTION				
General government	650	662	649	663
Legislative and judicial	421	445	426	484
Commerce	479	494	488	498
Education and humanities	200	212	211	227
Human resources	123	137	126	119
Justice	16	19	21	24
Natural resources and environmental protection	13	13	18	26
Public protection and regulation	17	14	18	20
Transportation	77	68	88	40
Total part-time and temporary employees	1,996	2,064	2,045	2,101
Total Employees	36,929	37,383	38,340	37,832

2011	2010	2009	2008	2007	2006
4,738	4,841	4,706	4,855	4,984	5,004
3,502	3,597	3,759	3,730	3,626	3,445
1,972	2,023	2,038	2,141	2,155	2,212
2,696	2,712	2,760	2,967	2,984	2,906
7,517	7,482	7,182	7,387	7,751	8,411
8,016	7,938	7,955	8,090	7,967	7,932
1,648	1,675	1,649	1,601	1,673	1,659
1,113	1,127	1,102	1,208	1,194	1,199
4,670	4,713	4,467	4,549	4,711	4,715
<u>35,872</u>	<u>36,108</u>	<u>35,618</u>	<u>36,528</u>	<u>37,045</u>	<u>37,483</u>
657	662	659	649	757	781
476	483	539	574	554	583
384	1,376	1,496	1,506	1,548	1,516
198	306	219	228	281	306
108	124	91	71	165	114
26	39	27	58	33	50
31	56	31	27	67	54
30	31	14	15	54	34
138	133	129	156	202	165
<u>2,048</u>	<u>3,210</u>	<u>3,205</u>	<u>3,284</u>	<u>3,661</u>	<u>3,603</u>
<u>37,920</u>	<u>39,318</u>	<u>38,823</u>	<u>39,812</u>	<u>40,706</u>	<u>41,086</u>

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