

Commonwealth of Kentucky



*Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 2018*



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Commonwealth of Kentucky Comprehensive Annual Financial
Report for the Fiscal Year Ended June 30, 2018

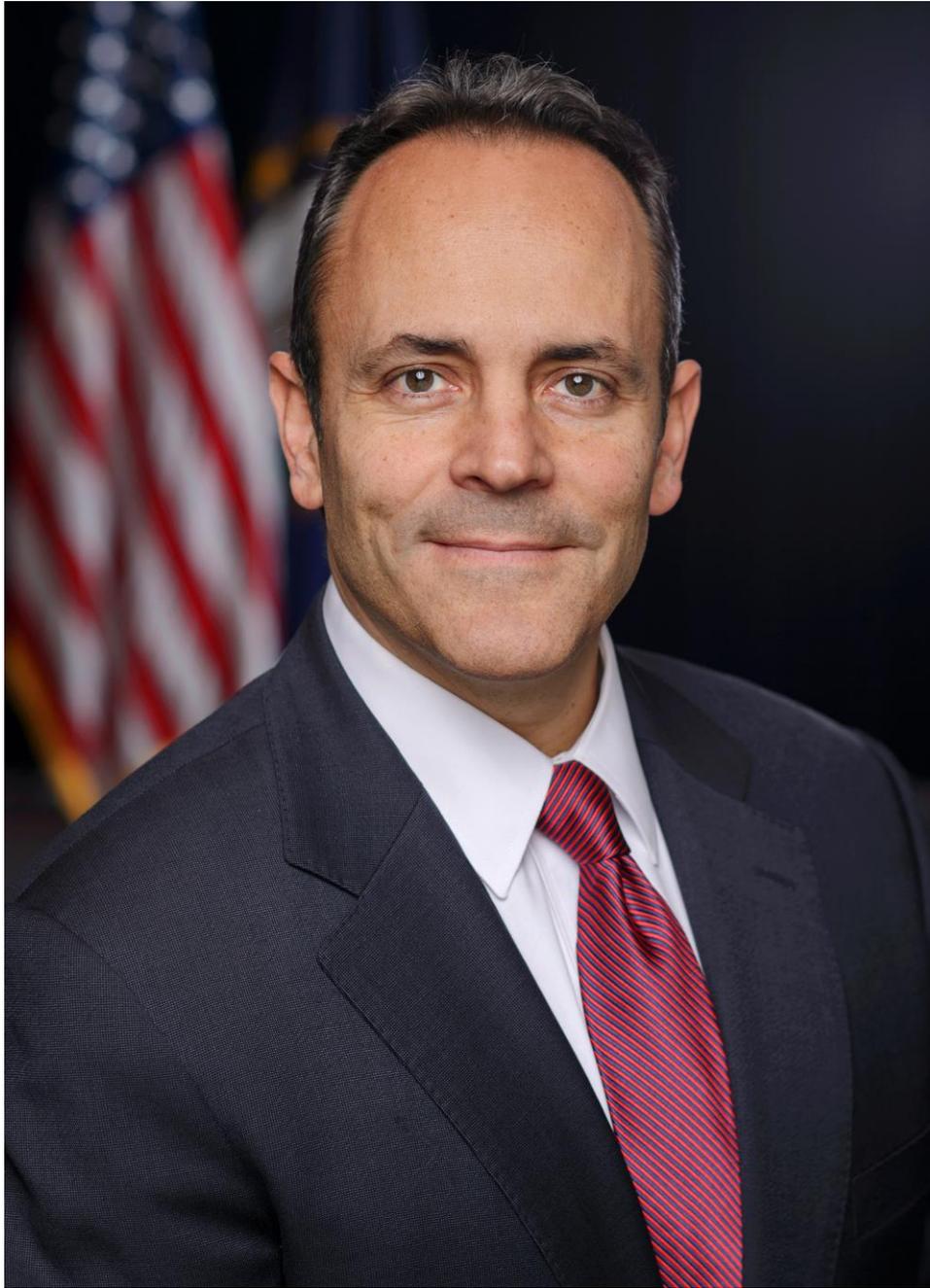
Matthew G. Bevin, Governor



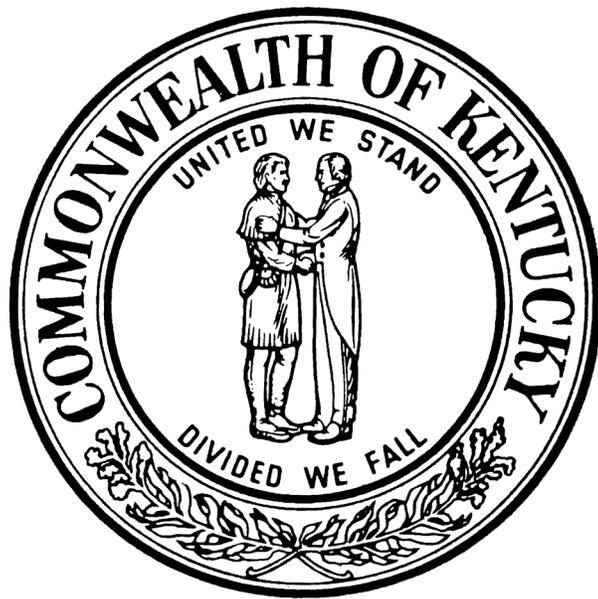
Prepared by:
Finance and Administration Cabinet
William M. Landrum III, Secretary

Office of the Controller
Edgar C. Ross, Controller

Statewide Accounting Services
Donald Sweasy, Executive Director



Matthew G. Bevin
Governor



CONTENTS
INTRODUCTORY SECTION

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

FINANCIAL SECTION

Report of the Auditor of Public Accounts..... 12
Management’s Discussion and Analysis 17

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position 29
Statement of Activities..... 30

Governmental Funds Financial Statements

Balance Sheet-Governmental Funds 33
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position 34
Statement of Revenues, Expenditures, and Changes in Fund Balances 35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds to the Statement of Activities 36

Proprietary Funds Financial Statements

Statement of Fund Net Position 38
Statement of Revenues, Expenses, and Changes in Fund Net Position 40
Statement of Cash Flows..... 42

Fiduciary Funds Financial Statements

Statement of Fiduciary Net Position-All Fiduciary Funds 45
Statement of Changes in Fiduciary Net Position-All Fiduciary Funds 46

Component Units Financial Statements

Statement of Net Position 48
Statement of Activities..... 50

Notes to Financial Statements 55

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

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual (Budgetary Basis)-General Fund..... 158
Budget and Actual (Budgetary Basis)-Budgeted Special Revenue Funds 162

Notes to Required Supplementary Information

Budgetary Reporting..... 172
Budgetary Basis vs. GAAP 173
Infrastructure Assets Reported Using the Modified Approach 174
Entity Risk Pools-Claims Development Information..... 178
Schedule of Contributions - Pensions 180

Schedule of Changes in Net Pension Liability and Related Ratios	190
Schedule of Commonwealth’s Proportionate Share of the Net Pension Liability	192
Schedule of Contributions-OPEB	194
Schedule of Changes in Net OPEB Liability and Related Ratios	200
Schedule of the Commonwealth’s Proportionate Share of the Net OPEB Liability	201

OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Statements and Schedules – Non-Major Funds

Non-Major Governmental Funds

Combining Balance Sheet	206
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	208

Schedule of Fund Activities

Schedule of Revenues by Source-General Fund	211
Schedule of Expenditures by Function, Cabinet, and Object-General Fund	212
Schedule of Revenues and Expenditures by Type-Transportation Fund	214

Internal Service Funds

Combining Statement of Fund Net Position	216
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	218
Combining Statement of Cash Flows.....	220

Capital Assets

Capital Assets Used in the Operation of Governmental Funds by Source	223
Capital Assets Used in the Operation of Governmental Funds	
Schedule by Function	224
Capital Assets Used in the Operation of Governmental Funds	
Schedule of Changes by Function	226

Pension (and Other Post Employment Benefit) Trust Funds

Combined Statement of Fiduciary Net Position.....	228
Combined Statement of Changes in Fiduciary Net Position	229
Combining Statement of Fiduciary Net Position-Pension and OPEB Trust Funds – Pension Funds	230
Combining Statement of Changes in Fiduciary Net Position-Pension and OPEB Trust Funds-Pension	
Funds	232
Combining Statement of Fiduciary Net Position-Insurance Funds	234
Combining Statement of Changes in Fiduciary Net Position-Insurance Funds	236

Agency Funds

Combining Statement of Fiduciary Net Position	239
Combining Statement of Changes in Assets and Liabilities	240

Non-Major Component Units-Combining

Combining Statement of Net Position-Non-Major Component Units	242
Combining Statement of Activities-Non-Major Component Units.....	243

Non-Major Component Units-Authorities

Combining Statement of Net Position-Authorities	248
Combining Statement of Activities-Authorities.....	250
Combining Statement of Cash Flows-Authorities.....	253

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

Combining Statement of Net Position-Universities, Colleges, and Related Entities	256
Combining Statement of Activities-Universities, Colleges, and Related Entities.....	258

STATISTICAL SECTION

Fund Balances – Governmental Funds-	
For the Last Ten Fiscal Years	262
Changes in Fund Balance-Governmental Funds-	
For the Last Ten Fiscal Years	264
Net Position by Component	
For the Last Ten Fiscal Years	266
Government-Wide Expenses, Program Revenues, and Net (Expense)/Revenue	
For the Last Ten Fiscal Years	268
Personal Income Tax Information-Calendar Years 2006 and 2015	272
Assessed and Estimated Actual Value of Taxable Property	
For Calendar Years 2007-2016.....	275
Property Tax Levies and Collections	
For Calendar Years 2007-2016.....	275
Ratios of Outstanding Debt by Type for the Last Ten Fiscal Years.....	276
University and College Revenue Bond Coverage for the Last Ten Fiscal Years	278
Top Ten Manufacturers/Supportive Service Firms	278
Demographic Statistics for the Calendar Years 2007-2016	278
Sources of Personal Income-For Calendar Years 2007-2016.....	279
Operating Indicators By Function for the Last Ten Fiscal Years	280
Capital Asset Statistics By Function for the Last Ten Fiscal Years	281
Operating Information State Government Employees by Function for the Last Ten Fiscal Years	282

INTRODUCTORY SECTION



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Matthew G. Bevin
 Governor

William M. Landrum II
 Secretary

December 12, 2018

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 (KRS) 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, 2018. 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 audit 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, 2018, 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, Kentucky Gas Pipeline Authority, and KentuckyWired Infrastructure Company, Inc.



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, Louisville Arena 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

The national outlook over the next three fiscal quarters calls for robust GDP growth, continued solid employment gains, and a continued reduction in unemployment rates. Real GDP growth is expected to be 3.1 percent over the next three fiscal quarters. This is the best growth since the second half of Fiscal Year 15. The overall unemployment rate is expected to continue to fall, reaching an average of 3.6 percent over the next three fiscal quarters.

The continued ratcheting up of trade tensions bring increased levels of risk to the current, underlying forecast. A shifting global supply landscape may temporarily add to GDP, as exports increase in anticipation of retaliatory tariffs, but the long-term economic impact will be negative. The current forecast was prepared before the implementation of 25 percent tariffs on approximately \$36 billion in Chinese exports and the retaliation by the Chinese with 25 percent tariffs of their own on US exports. Thus far, the tit-for-tat tariffs have targeted intermediate production inputs. However, the Trump administration has threatened broad, significant tariffs on automobiles and other consumer items that would likely lead to significant cost pressures and decreased consumer demand.

The Federal Open Market Committee (FOMC), as expected, raised the federal funds rate by 25 basis points at their June meeting. In addition to raising the benchmark interest rate, the FOMC signaled that the committee is considering increasing the pace at which increases to the federal funds rate could occur at future meetings. Rates will be increased at both of the remaining meetings in calendar 2018. Given the forecast for strong consumer demand, increased real GDP growth, tight labor markets, and increases in personal consumption expenditure price indexes, the FOMC will likely continue to raise interest rates until the target funds rate reaches 3.5 percent in calendar 2020. As a result, the Treasury yield curve will continue to flatten, as short- and intermediate-term rates rise by more than long-term rates.

Kentucky Economy

The solid underlying national economic conditions, which are causing the positive Kentucky outlook, will persist well into the new fiscal year. Personal income of Kentuckians is expected to grow at a solid rate of 4.9 percent over the next three quarters. This strong growth is expected to outperform the excellent national personal income growth of 4.6 percent. In accord with the upward projection of personal income, wages and salaries are estimated to grow 5.1 percent over the forecast horizon.

Increases in both hourly and average weekly earnings, as well as acceleration in employment growth, suggests strengthening in the labor market. While the average Kentuckian will bode well from the strengthened labor market, it should be noted the gap in wages between workers in urban counties compared to those in rural counties will continue to pose a challenge to economic expansion across the Commonwealth. The Quarterly Census of Employment and Wages data published by the Bureau of Labor Statistics identifies significant disparities between the average hourly wages earned across counties within the Commonwealth. The Golden Triangle continues to be the region associated with vigorous population and economic growth; such proliferation does not commonly transpire in rural counties.

Non-farm employment is forecasted to rise by an additional 30,500 jobs over the next three quarters, reflecting growth in nine of the 11 supersector groups. Construction and manufacturing are the bright spots in Kentucky's employment outlook, with expected growth of 5.1 percent and 3.0 percent, respectfully. The two supersectors are expected to gain a combined 11,300 jobs over the forecast horizon. The demand for new construction is a leading economic driver for the recent growth in the goods-producing sector.

The surge in construction employment is multifaceted in nature. Residential housing demand has increased. Following years of high housing inventory, housing inventories are now very low. As a result, construction employment is improving. Unabated popularity in Kentucky's bourbon industry resulted in a spike in distillery growth. This is another source of the increased construction demand. Hotel construction has also increased as more visitors come for the expanding bourbon industry. In addition to tourism development initiatives, economic development initiatives have resulted in record-breaking investments in manufacturing, distribution and export growth in fiscal year 18, building a sturdy platform for Kentucky's employment industries entering fiscal year 19. Investments from Amazon, Braidy Industries, and Toyota Motor Manufacturing of Kentucky will continue to improve the business climate of the Commonwealth's future, as well as pave the way for future economic development.

In its entirety, the service-providing sector is anticipated to enter fiscal year 19 with weak growth of 1.4 percent. The business services group is expected to be the momentum within the service-providing sector, increasing by an estimated 7,500 jobs. Trailing close behind, the leisure and hospitality supersector is forecasted to expand its employment count by 4,200 positions.

While the uptick in Kentucky employment represents a positive trend overall, red flags exist regarding the quality of jobs that are available and will continue to be obtainable into the forecasted quarters. Speculation remains that low-wage jobs will persist having the swiftest rate of growth, while middle-wage employment is expected to continue its decline due to the mismatch between positions available and the skill level of the unemployed. Outside of earnings, hours that employer's offer may miss the mark for those part time workers wishing to achieve fulltime status. Leisure and hospitality services employment is expected to perform well over the next three quarters, gaining 4,200 jobs. Non-farm employment in Kentucky is expected to fare well in the months to come despite some obstacles in a couple supersectors.

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 fiscal year 2018 are:

	<u>Debt Service (thousands)</u>	<u>Ratio to Total General Governmental Expenditures</u>	<u>Debt Per Capita</u>
General Bonded Debt	\$1,132,241	4.3 %	\$1,461

No general obligation bonds were authorized or outstanding at June 30, 2018.

A detailed analysis of the Commonwealth's debt issuance during the fiscal year ended 2017 is presented in Note 15.

Major Initiatives

Fiscal year 2018 was the final fiscal year of the Commonwealth's 2016-18 biennial budget period. The Commonwealth of Kentucky is one of three states that enact a biennial budget in an even-numbered year; meaning that the fiscal year 2017 and 2018 budgets were enacted in the 2016 Regular Session of the Kentucky General Assembly. General Fund revenue exceeded the officially revised estimate by 1.1 percent, or \$119.8 million, in fiscal year 2018. With a combination of other lapses and uses the Commonwealth of Kentucky ended fiscal year 2018 with a General Fund surplus of \$15.8 million which was reserved for Necessary Government Expenses in fiscal year 2018-2019. Road Fund revenues also exceeded the official revenue estimate by .5 percent, or \$7.7 million. The combination of excess revenues and other spending lapses resulted in a Road Fund surplus of \$19.6 million, which will be appropriated to the State Road Construction Account to support projects in the 2018-2020 Biennial Highway Construction Program. In fiscal year 2018, General Fund spending increased by 1.4% and Road Fund spending increased by 1.5%.

The General Fund spending growth was focused in Medicaid (80% of spending growth) and criminal justice (8% of spending growth). Outside of those areas, spending in most other areas declined for the tenth consecutive fiscal year. Some areas of the government have incurred up to 53.1 percent in General Fund budget reductions since fiscal year 2008. The Road Fund spending growth was result of increased spending for programs including County Road Aid, Rural Secondary Aid, Municipal Road Aid, and Energy Recovery Road.

Fiscal year 2018 marked the fourth year since 2014 when significant changes were made to pension benefits provided by the Kentucky Employees Retirement System. The actuarially defined contribution for state employees was fully funded. 98% of the actuarially defined contribution for the Teachers' Retirement System was funded.

In spite of the additional funding provided in fiscal year 2018, the overall status of the pension plans has continued to deteriorate. To address this crisis, in fiscal year 2017, the Commonwealth began consideration of additional pension reforms. The consultants completed their Pension Performance and Best Practices Analysis in August 2017. During the late summer and early fall of 2017, the Administration and the Legislature considered various proposals that would improve the status and affordability of the plans. The result was the controversial 2018 Senate Bill 151 which included future improvements to the funding formulas and benefit modifications that affect primarily future employees. That bill was challenged in court and is currently pending before the Kentucky Supreme Court.

In an effort to control costs in fiscal year 2018, the Commonwealth continued the managed care arrangements in the Medicaid program. The increases in Medicaid costs, increased funding for criminal justice, and increased pension funding required significant spending reductions in other areas of government. To further address the Medicaid cost issues, the Commonwealth initiated a process to obtain federal approval of modifications of selected federally mandated components of Medicaid. The modification requests are focused on benefits for the recently expanded Medicaid population, that is, those with income between 100% and 138% of the federally defined poverty level. Those changes were challenged and a decision is currently pending in Federal court. The Commonwealth also continued efforts to achieve savings in the financial arrangements with managed care service providers.

Other policy initiatives initiated during fiscal year 2018 included reduced spending in many areas of government, continued implementation of \$100 million workforce development grants for capital projects, increased funding for student education assistance, continuation of the “Cut the Red Tape” regulatory reform initiative, implementation of the legislation adopting the recommendations of the Kentucky Council on Criminal Justice Reform, passing legislation that further clarifies the rules for the Commonwealth to enter into financial arrangements with private businesses (Public Private Partnerships), and implementing performance funding requirements for the Commonwealths nine Postsecondary institutions.

The Commonwealth’s capital program for the 2016-2018 biennial period included \$1.25 billion in bond-funded projects. That amount is about the average for the previous eight biennial budgets. Capital expenditures during fiscal year 2018 were about \$953 million from all fund sources, up from \$772 million in the previous fiscal year. Those figures exclude capital expenditures on roads and bridges that are separate from the capital budget. About half of the \$1.25 billion of new debt authorized in the 2016-2018 biennial period is General Fund supported, and the rest is Agency Fund supported. The Commonwealth’s public postsecondary institutions share of newly authorized debt was approximately 50%, consisting entirely of agency fund supported bonds. State support of local K-12 school construction projects and a pool of funds to finance capital investments in education and workforce training facilities across the state made up 68 percent of the General Fund supported bond projects. About 14 percent of the General Fund supported bond projects focused on deferred maintenance and renovation projects for various Executive Branch agencies.

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, 2017. This is the 30th 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 staff 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". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

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 12, 2018

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, 2018, is submitted herewith. It contains all funds of the primary government and component units for which it is financially accountable, based on the criteria developed by the Governmental Accounting Standards Board (GASB).

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Edgar C. Ross".

Edgar C. Ross, Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Commonwealth of Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

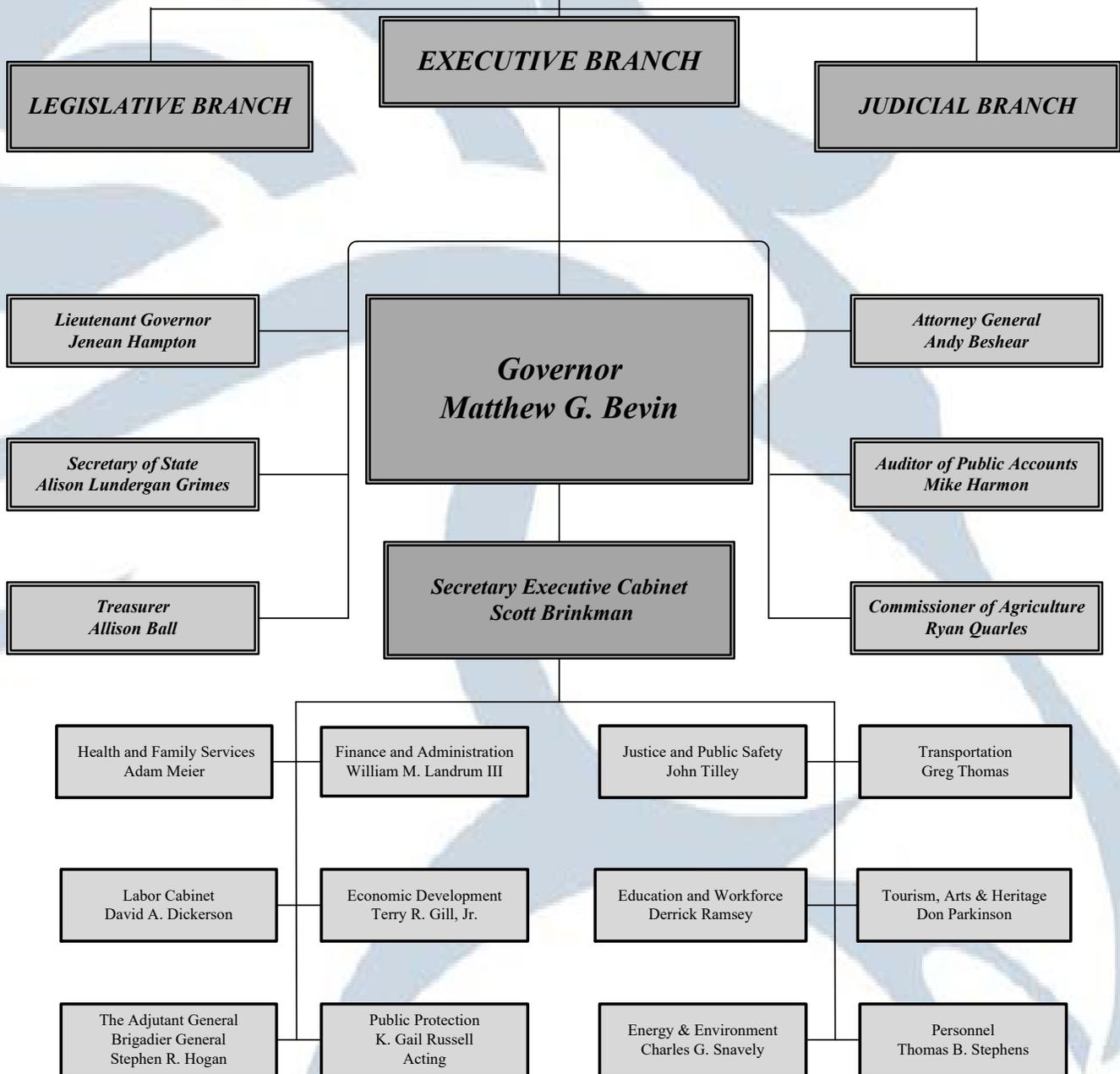
Christopher P. Morill

Executive Director/CEO

COMMONWEALTH OF KENTUCKY

ELECTORATE OF KENTUCKY

"UNITED WE STAND, DIVIDED WE FALL"



*Principal Officials at June 30, 2018

FINANCIAL SECTION



MIKE HARMON
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, 2018, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Certain portions of the Governmental Funds including:

- Debt Service Fund - Turnpike Authority of Kentucky
- Special Revenue Fund - Turnpike Authority of Kentucky
- Special Revenue Fund - Kentucky Wired Infrastructure Company, Inc.

Certain portions of the Proprietary Funds including:

- Within the Insurance Administration Fund:
 - Kentucky Special Fund and Uninsured Employers' Fund
 - Petroleum Storage Tank Environmental Assurance Program

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

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

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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

Certain Fiduciary Funds including:

- Kentucky Teachers' Retirement System
- Kentucky Public Employees' Deferred Compensation Authority
- Kentucky Judicial Form Retirement System
- Kentucky Coal Workers' Pneumoconiosis Fund

Component Units:

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

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
- Murray State University
- Western Kentucky University
- Kentucky Council on Postsecondary Education
- Kentucky State University

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	1.55%	0.10%
Primary Government - Business-Type Activities	23.66%	4.94%
Component Units	93.04%	99.07%
Fund Financial Statements:		
Governmental Funds - Non-Major Funds	39.53%	2.17%
Proprietary Funds - Business-Type Activities - Enterprise Funds	23.61%	4.73%
Proprietary Funds - Governmental Activities - Internal Service Funds	0.09%	1.55%
Fiduciary Funds - Pension and Insurance Trust Funds	56.81%	55.51%
Fiduciary Funds - Agency Funds	1.01%	0.59%
Component Units	93.04%	99.07%

The financial reporting framework used by the Turnpike Authority of Kentucky is different than the financial reporting framework used for the group financial statements. As the auditor of the group financial statements, we have applied audit procedures on the conversion adjustments to the financial statements of the Turnpike Authority of Kentucky, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the Turnpike Authority of Kentucky prior to these conversion adjustments, is based solely on the report of the other auditors.

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

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Page 3

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.

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, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during fiscal year 2018. The implementation of this standard resulted in a prior period adjustment to the Commonwealth's Net Position at July 1, 2017. Our opinion is not modified with respect to this matter.

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 25, budgetary comparison schedules and corresponding notes on pages 158 through 173, and information about infrastructure assets reported using the modified approach on pages 174 through 177, claims development information for entity risk pools on pages 178 and 179, Schedule of Contributions—Pensions on page 180 through 188, Schedule of Changes in Net Pension Liability and Related Ratios on page 190 and 191, the Schedule of Commonwealth's Proportionate Share of the Net Pension Liability on page 192 and 193, the Schedule of Contributions—OPEB on page 194 through 199, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 200, and the Schedule of Commonwealth's Proportionate Share of the Net OPEB Liability on page 201 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 205 through 259 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 by us and the other auditors. 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 pages 261 through 283 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,



Mike Harmon
Auditor of Public Accounts

December 12, 2018, except as to Note 18 for the Supreme Court opinion, which is as of December 13, 2018.

Where December 12, 2018, is the date of the auditor's report and December 13, 2018, is the date of the completion of audit procedures limited to the revision disclosed in Note 18 for the Supreme Court opinion.

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, 2018. 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 and deferred inflows of the Commonwealth's governmental activities exceeded its assets and deferred outflows at fiscal year ending June 30, 2018, by \$17.7 billion, a decrease in net position of \$1.6 billion related to current year activity. Assets of the Commonwealth's business-type activities exceeded liabilities by \$845.8 million, an increase in net position of \$148.9 million related to current year activity. Total net position decreased by \$1.4 billion to (\$16.8) billion.

The assets of component units exceeded liabilities at fiscal year ending June 30, 2018, by \$9.2 billion, a decrease of \$19 million related to current year activity.

This negative net position of the governmental activities increased in fiscal year 2018 when the Commonwealth adopted Governmental Accounting Standards Board (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The provisions of this statement 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 OPEB liability of the Plans. The adoption of this pronouncement resulted in a decrease of \$395 million in the Commonwealth's beginning net position on the 2018 Financial Statements.

There were fluctuations in Governmental Activities; these fluctuations will be discussed by fund under the section titled **Financial Analysis of the Commonwealth's Individual Funds**.

Fund Highlights:

As of the close of fiscal year 2018, the Commonwealth's governmental funds reported combined ending fund balances of \$2.4 billion, a net increase of \$326 million in comparison with the prior year. Approximately 91.8 percent or \$2.2 billion of the ending fund balance is restricted. There is unrestricted (committed, assigned, or unassigned) fund balance of \$84.4 million available for spending either at the government's discretion or upon legislative approval.

Enterprise funds reported net position of \$845.8 million, of which \$963 million was restricted or invested in capital assets and the balance of (\$116.9) million was unrestricted.

Long-Term Debt:

The Commonwealth's total long-term debt obligations (bonds and notes payable) decreased by \$141 million to \$7.6 billion during the current fiscal year.

There were fluctuations in Primary Governmental Activities, these fluctuations will be discussed by fund under the section titled **Financial Analysis of the Commonwealth's Individual Funds**.

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; claims development information; and pension related schedules) 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 55.

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 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 (\$16.8) billion at the end of fiscal year 2018, as compared to (\$15.8) billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$24 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 \$1.9 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 (\$42.4) billion; therefore, funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net position when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities-shown in Note 16 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, 2018 and June 30, 2017, 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	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 5,119,826	\$ 5,642,245	\$ 2,048,210	\$ 2,065,498	\$ 7,168,036	\$ 7,707,743
Capital Assets	24,993,076	24,664,221	298,404	297,831	25,291,480	24,962,052
Other Assets	-	377			-	377
Total Assets	30,112,902	30,306,843	2,346,614	2,363,329	32,459,516	32,670,172
Deferred outflows of resources	7,884,961	7,679,502	90,016	51,293	7,974,977	7,730,795
Non Current Liabilities	49,927,264	49,961,437	1,165,461	1,241,503	51,092,725	51,202,940
Other Liabilities	2,997,427	3,940,411	411,872	419,765	3,409,299	4,360,176
Total Liabilities	52,924,691	53,901,848	1,577,333	1,661,268	54,502,024	55,563,116
Deferred inflows of resources	2,767,760	598,768	13,490	3,757	2,781,250	602,525
Net investment in capital assets	23,354,312	22,688,638	274,521	287,610	23,628,833	22,976,248
Restricted	1,208,350	954,449	688,144	562,392	1,896,494	1,516,841
Unrestricted	(42,257,250)	(40,157,358)	(116,858)	(100,405)	(42,374,108)	(40,257,763)
Total Net Position	\$ (17,694,588)	\$ (16,514,271)	\$ 845,807	\$ 749,597	\$ (16,848,781)	\$ (15,764,674)

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 fiscal year 2018. The Commonwealth received program revenues of \$15.1 billion and general revenues (including transfers) of \$12.8 billion for total revenues of \$27.8 billion during fiscal year 2018. Expenses for the Commonwealth during fiscal year 2018 were \$29.2 billion, which resulted in a total decrease of the Commonwealth's net position in the amount of \$1.4 billion, net of contributions, transfers and special items.

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

	2018 Governmental Activities	2017 Governmental Activities	2018 Business-Type Activities	2017 Business-Type Activities	2018 Total	2017 Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,640,937	\$ 1,553,090	\$ 2,370,383	\$ 2,495,138	\$ 4,011,320	\$ 4,048,228
Operating Grants and Contributions	10,211,396	9,956,021	9,946	5,578	10,221,342	9,961,599
Capital Grants and Contributions	825,730	837,491			825,730	837,491
General Revenues:						
Income Taxes	5,105,025	4,863,684			5,105,025	4,863,684
Sales Taxes	6,062,029	5,905,042			6,062,029	5,905,042
Property Taxes	628,810	596,752			628,810	596,752
Other Taxes	438,533	423,460			438,533	423,460
Investment Earnings			20,086	(1,329)	20,086	(1,329)
Other	531,603	542,066	6,943	11,609	538,546	553,675
Total Revenues	<u>25,444,063</u>	<u>24,677,606</u>	<u>2,407,358</u>	<u>2,510,996</u>	<u>27,851,421</u>	<u>27,188,602</u>
Expenses:						
Governmental Activities:						
General Government	3,112,212	2,771,326			3,112,212	2,771,326
Legislative and Judicial	489,661	489,343			489,661	489,343
Commerce	151,184	299,840			151,184	299,840
Education and Humanities	7,138,207	7,328,124			7,138,207	7,328,124
Human Resources	12,488,174	11,988,867			12,488,174	11,988,867
Justice	1,360,214	1,216,143			1,360,214	1,216,143
Natural Resources and Environmental Protection	232,219	191,666			232,219	191,666
Public Protection and Regulation	148,967	150,344			148,967	150,344
Transportation	1,864,030	1,674,300			1,864,030	1,674,300
Interest Expense	306,124	210,456			306,124	210,456
Business-type Activities:						
State Parks			153,913	124,685	153,913	124,685
Kentucky Horse Park			20,310	21,143	20,310	21,143
Kentucky Public Employees Health Plan			1,614,792	1,510,884	1,614,792	1,510,884
Insurance Administration			(85,034)	39,370	(85,034)	39,370
Unemployment Compensation			282,583	345,909	282,583	345,909
Total Expenses	<u>27,290,992</u>	<u>26,320,409</u>	<u>1,986,564</u>	<u>2,041,991</u>	<u>29,277,556</u>	<u>28,362,400</u>
Increase (Decrease) in Net Position Before Transfers	(1,846,929)	(1,642,803)	420,794	469,005	(1,426,135)	(1,173,798)
Transfers	271,843	192,425	(271,848)	(192,425)		
Change in Net Position	<u>(1,575,086)</u>	<u>(1,450,378)</u>	<u>148,946</u>	<u>276,580</u>	<u>(1,426,135)</u>	<u>(1,173,798)</u>
Net Position, July 1, as restated	(16,119,502)	(15,063,893)	696,861	473,017	(15,422,641)	(14,590,876)
Net Position, June 30	<u>\$ (17,694,588)</u>	<u>\$ (16,514,271)</u>	<u>\$ 845,807</u>	<u>\$ 749,597</u>	<u>\$ (16,848,781)</u>	<u>\$ (15,764,674)</u>

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 \$1.6 billion. Approximately 48.1 percent of the governmental activities' total revenue came from taxes, while 40.1 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.

State Programs	Program Expenses	Program Revenues	Net Program (Expenses)	
			Revenue	
General Government	\$ 3,112,212	\$ 947,020	\$	(2,165,192)
Legislative and Judicial	489,661	31,945		(457,716)
Commerce	151,184	89,674		(61,510)
Education and Humanities	7,138,207	1,084,844		(6,053,363)
Human Resources	12,488,174	9,147,932		(3,340,242)
Justice	1,360,214	72,099		(1,288,115)
Natural Resources and Environmental Protection	232,219	100,580		(131,639)
Public Protection and Regulation	148,967	99,774		(49,193)
Transportation	1,864,030	1,104,195		(759,835)
Interest Expense	306,124			(306,124)
Totals	\$ 27,290,992	\$ 12,678,063	\$	(14,612,929)

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 \$148.9 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.

State Programs	Program Expenses	Program Revenues	Net Program (Expenses)	
			Revenue	
State Parks	\$ 153,913	\$ 53,320	\$	(100,593)
Kentucky Horse Park	20,310	9,542		(10,768)
Kentucky Public Employees Health Plan	1,614,792	1,795,381		180,589
Insurance Administration	(85,034)	116,676		201,710
Unemployment Compensation	282,583	405,410		122,827
Totals	\$ 1,986,564	\$ 2,380,329	\$	393,765

Agency Funds:

During the fiscal year, the Commonwealth of Kentucky transferred the assets and liabilities of the Coal Workers' Pneumoconiosis Fund (CWPF) through a loss portfolio transfer agreement to the Kentucky Employers' Mutual Insurance (KEMI) Authority, which is a nonprofit, independent, self-supporting mutual corporation and political subdivision of the Commonwealth. As a result, the CWPF is no longer categorized as an enterprise fund and is now presented as an agency fund on page 239.

Overall Analysis

Financial highlights for the State as a whole during fiscal year ended June 30, 2018, include the following:

- The liabilities of the State's governmental activities exceed assets (net position) at the close of the fiscal year. Liabilities exceeded assets by \$17.7 billion and the State's business-type activities now have assets that exceed liabilities (net position) by \$845.8 million.
- The State's total net position decreased during the year by \$1.4 billion. Net position of governmental activities decreased by \$1.6 billion, while net position of business-type activities increased by \$148.9 million.
- The net position of the governmental activities continues to be a negative because of the implementation of GASB 68 and 71 in 2015, and this year GASB 75.

FINANCIAL ANALYSIS OF THE COMMONWEALTH'S INDIVIDUAL FUNDS

At June 30, 2018, the Commonwealth's governmental funds reported combined ending fund balances of \$2.4 billion, a net increase of \$325.5 million in comparison with the prior year. \$112 million is non-spendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The \$2.2 billion is restricted for certain purposes and is not available to fund current operations. The \$84 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, 2018, was negative \$59 million. The balance reported reflects a decrease of \$65.9 million from the previously reported amount. The major factor for the decrease in fund balance was increased spending in Medicaid and criminal justice although spending in other areas decreased.

The fund balance is segregated into non-spendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of \$5.8 million represents the non-spendable amount.

Major Special Revenue Funds

The major special revenue funds experienced normal cyclical changes in revenues and expenditures. The revenues increased by \$209 million from the previous year, a change of 1.5 percent. Expenditures increased by \$247.5 million from the previous year, a change of 1.8 percent. The Transportation Fund experienced a slight increase in revenues and a small decrease in expenditures, resulting in an increase in fund balance of \$72.8 million.

Proprietary Funds - The Commonwealth's proprietary funds reported net position of \$730 million, which included \$845.8 million in the enterprise funds and (\$115.5) million in the internal service funds. This is a total increase in net position of \$106 million from the previous year. This change in net position involved mainly from one fund, the Unemployment Compensation Fund which had an increase of \$126 million for the 2018 fiscal year. This change is not unusual because it is consistent with changes in net positions from previous years.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the official revenue forecast for the General Fund was decreased. The General Fund revenues, for the year, were more than the final budgetary estimates by approximately \$108 million. Actual expenditures for the year were approximately \$135 million less than the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - Capital Assets - The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$26.8 billion, with accumulated depreciation of \$1.5 billion, leaving a net book value of \$25.3 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 1.3 percent in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$1 billion for the year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$111.8 million. Additional information on the Commonwealth's capital assets can be found in Note 6 of the "Notes to the Financial Statements" of this report.

Infrastructure Assets – The Commonwealth has elected to utilize the "Modified Approach" as it relates to guidelines set forth in the GASB (Government Accounting Standards Board) Statement Number 34. Under this alternative method the Commonwealth expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include nearly 63,836 lane miles of roads and approximately 9,027 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 nine years.

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

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

The Commonwealth of Kentucky's bonded debt increased by \$42 million to \$6.7 billion, a 1.0% increase during the current fiscal year. The major factors in this increase is the issuance of new debt to advance refund debt outstanding to reduce future interest cost and the issuance of new debt to fund new projects authorized during fiscal year 2018. No general obligation bonds were authorized or outstanding at June 30, 2018. Additional information on the Commonwealth's long-term debt obligations can be found in Note 16 of the notes to the financial statements of this report.

During the fiscal year, there were changes in credit ratings provided by Moody's Investors Service and Standard & Poor's Rating Services. On July 20, 2017, Moody's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "Aa3" from "Aa2". Moody's also downgraded the Commonwealth's issuer credit rating to "Aa3" from "Aa2" and its rating on the Commonwealth's appropriation debt to "A1" from "Aa3". At the same time, Moody's lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A1" from "Aa3". The outlook on all ratings is stable. On May 18, 2018, Standard & Poor's downgraded the Commonwealth's issuer credit rating to "A" from "A+" and its rating on the Commonwealth's appropriation debt to "A-" from "A". At the same time, Standard & Poor's lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A-" from "A" and on lease debt issued by various Kentucky county public properties corporations backed by appropriations from Administrative Office of the Courts to "BBB+" from "A-". The outlook on all ratings is stable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

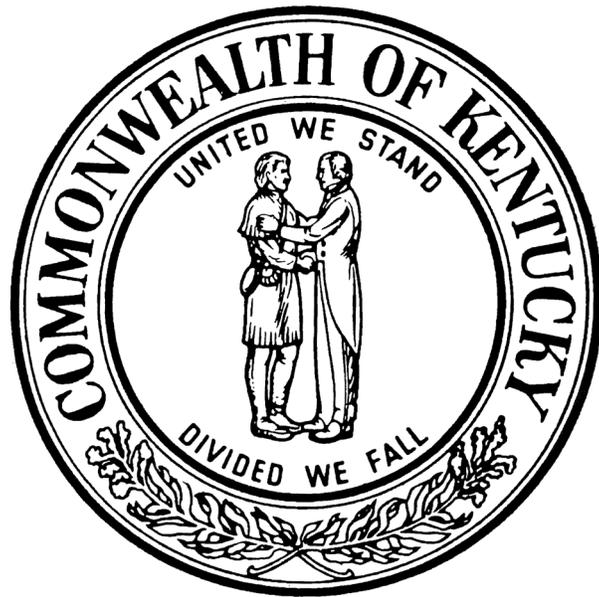
The positive national conditions are carrying over into Kentucky. This trend is expected to continue into the next fiscal year. The national outlook over the next fiscal year has called for increased GDP growth, continued employment gains and a reduction in unemployment rates. Real GDP growth is expected to be 3.1 percent over the next three fiscal quarters, the best growth since the last two quarters of fiscal year 2015.

Over the past two years, Kentucky has been aggressive in creating a pro-business climate resulting in the creation of additional manufacturing, service and technology jobs. Personal income of Kentuckians is expected to grow at a solid rate of 4.9 percent over the first three quarters of fiscal year 2019. The unemployment rate for the Commonwealth of Kentucky is currently 4.5 percent and is expected to continue to fall over the next fiscal year.

Revenue projections for fiscal year 2019 represent another consecutive year of growth in the state. Fiscal year 2019 General Fund revenues are expected to grow 3.3%.

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents (Note 5)	\$ 984,877	\$ 581,963	\$ 1,566,840	\$ 1,567,875
Cash on deposit with the federal Government (Note 5)		543,456	543,456	
Cash with fiscal agents (Note 5)	113,074		113,074	
Restricted cash (Note 5)	6,383		6,383	
Investments, net of amortization (Note 5)	1,587,825	351,970	1,939,795	1,895,129
Invested security collateral (Note 5)	322,131	197,472	519,603	
Receivables, net (Note 4)	1,904,263	284,406	2,188,669	3,760,101
Notes receivable	4,368	142	4,510	
Capital lease receivable (Note 4)	191,665		191,665	
Internal balances (Note 7)	(68,593)	68,593		
Inventories	66,553	16,758	83,311	65,685
Prepaid expenses	5,651	3,450	9,101	31,419
Unamortized cost of issuance	1,629		1,629	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (Note 5)				846,139
Investments (Note 5)				2,135,581
Capital assets (Note 6):				
Land	240,416	24,121	264,537	421,134
Improvements other than buildings	30,527	171,262	201,789	657,540
Buildings	1,554,098	356,941	1,911,039	9,369,312
Machinery and equipment	706,982	23,222	730,204	1,703,755
Other capital assets				867,995
Easements and other intangibles	194,463	4,638	199,101	66,524
Less: Accumulated depreciation and amortization	(1,235,810)	(289,541)	(1,525,351)	(5,587,253)
Construction in progress	2,800,627	7,761	2,808,388	844,960
Infrastructure	20,701,773		20,701,773	1,096,005
Total Capital Assets	24,993,076	298,404	25,291,480	9,439,972
Other assets				483,355
Total Assets	30,112,902	2,346,614	32,459,516	20,225,256
Deferred outflows of resources (Note 16)	7,884,961	90,016	7,974,977	583,574
Liabilities				
Accounts payable (Note 4)	1,235,709	39,092	1,274,801	677,664
Tax refunds payable	378,302		378,302	
Unearned revenue	5,058	3,715	8,773	233,401
Other liabilities		4,100	4,100	138,538
Liabilities from restricted assets				10,173
Obligations under securities lending	322,131	197,473	519,604	
Noncurrent liabilities:				
Due within one year (Note 16)	1,056,227	167,492	1,223,719	537,476
Due in more than one year (Note 16)	49,927,264	1,165,461	51,092,725	8,673,996
Total Liabilities	52,924,691	1,577,333	54,502,024	10,271,248
Deferred inflows of resources (Note 16)	2,767,760	13,490	2,781,250	1,345,538
Net Position				
Net investment in capital assets	23,354,312	274,521	23,628,833	5,388,501
Restricted for:				
Debt service	175,892		175,892	344,484
Capital projects	464,794		464,794	257,018
Highways	567,664		567,664	
Unemployment benefits		688,144	688,144	
Other purposes (Note 1)				3,911,929
Unrestricted	(42,257,250)	(116,858)	(42,374,108)	(709,888)
Total Net Position	\$ (17,694,588)	\$ 845,807	\$ (16,848,781)	\$ 9,192,044

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, 2018
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 3,112,212	\$ 799,460	\$ 138,789	\$ 8,771
Legislative and judicial	489,661	27,852	4,093	
Commerce	151,184	73,820	17,193	(1,339)
Education and humanities	7,138,207	59,137	1,024,921	786
Human resources	12,488,174	221,671	8,912,555	13,706
Justice	1,360,214	27,348	44,751	
Natural resources and environmental protection	232,219	40,587	59,993	
Public protection and regulation	148,967	93,860	5,914	
Transportation	1,864,030	297,202	3,187	803,806
Interest expense	306,124			
Total Governmental Activities	<u>27,290,992</u>	<u>1,640,937</u>	<u>10,211,396</u>	<u>825,730</u>
Business-Type Activities:				
State Parks	153,913	53,320		
Kentucky Horse Park	20,310	9,542		
Kentucky Public Employees Health Plan	1,614,792	1,795,381		
Insurance Administration	(85,034)	116,676		
Unemployment Compensation	282,583	395,464	9,946	
Total Business-Type Activities	<u>1,986,564</u>	<u>2,370,383</u>	<u>9,946</u>	
Total Primary Government	<u>\$ 29,277,556</u>	<u>\$ 4,011,320</u>	<u>\$ 10,221,342</u>	<u>\$ 825,730</u>
Component Units:				
Authorities:				
Kentucky Housing Corporation	\$ 281,675	\$ 82,560	\$ 218,658	\$
Kentucky Higher Education Student Loan Corporation	37,745	25,535		
Kentucky Lottery Corporation	769,259	1,035,203		
Kentucky Public Transportation Infrastructure Authority	49,655	50,603		9,454
Universities, Colleges, & Related Entities:				
University of Kentucky	3,199,348	2,499,731	418,204	28,086
University of Louisville	1,748,543	1,256,483	98,271	
Kentucky Community and Technical College System	562,668	105,818	105,891	10,565
Other component units	1,859,176	801,898	401,385	30,757
Total Component Units	<u>\$ 8,508,069</u>	<u>\$ 5,857,831</u>	<u>\$ 1,242,409</u>	<u>\$ 78,862</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				
Special items				
Extraordinary items				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position at July 1, As Restated (Note 2)				
Net Position at June 30				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Totals	
\$ (2,165,192)	\$	\$ (2,165,192)	
(457,716)		(457,716)	
(61,510)		(61,510)	
(6,053,363)		(6,053,363)	
(3,340,242)		(3,340,242)	
(1,288,115)		(1,288,115)	
(131,639)		(131,639)	
(49,193)		(49,193)	
(759,835)		(759,835)	
(306,124)		(306,124)	
<u>(14,612,929)</u>		<u>(14,612,929)</u>	
	(100,593)	(100,593)	
	(10,768)	(10,768)	
	180,589	180,589	
	201,710	201,710	
	122,827	122,827	
	<u>393,765</u>	<u>393,765</u>	
<u>(14,612,929)</u>	<u>393,765</u>	<u>(14,219,164)</u>	
			\$ 19,543
			(12,210)
			265,944
			10,402
			(253,327)
			(393,789)
			(340,394)
			(625,136)
			<u>(1,328,967)</u>
6,062,029		6,062,029	
4,604,710		4,604,710	
500,315		500,315	
628,810		628,810	
38,001		38,001	
142,095		142,095	
50,093		50,093	
208,344		208,344	
9,798		9,798	1,357,530
16,562	20,086	20,086	127,080
505,243	6,943	16,562	(7,081)
		512,186	215,799
271,843	(271,848)	(5)	
<u>13,037,843</u>	<u>(244,819)</u>	<u>12,793,024</u>	<u>1,693,328</u>
(1,575,086)	148,946	(1,426,140)	364,361
(16,119,502)	696,861	(15,422,641)	8,827,683
<u>\$ (17,694,588)</u>	<u>\$ 845,807</u>	<u>\$ (16,848,781)</u>	<u>\$ 9,192,044</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 page206

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents (Note 5)	\$ 198,380	\$ 65,881	\$	\$ 107,164	\$ 70,076	\$ 37	\$ 493,895	\$ 935,433
Cash with fiscal agents (Note 5)						47,367		47,367
Restricted cash (Note 5)			6,383					6,383
Investments, net of amortization (Note 5)	4,468	385,866		441,964	394,125	364	346,532	1,573,319
Invested security collateral	30,074	70,077		89,864	71,577		60,539	322,131
Receivables, net (Note 4)	939,192	144,873	593,226	81,489	5,361		138,979	1,903,120
Notes receivable			231	2,310			1,738	4,279
Capital lease receivable (Note 4)						191,665		191,665
Interfund receivables (Note 7)	300	261		65,397			126,742	192,700
Interfund loans receivable (Note 7)		2,716					10,991	13,707
Inventories	5,769	56,336	98	2,209				64,412
Total Assets	<u>\$ 1,178,183</u>	<u>\$ 726,010</u>	<u>\$ 599,938</u>	<u>\$ 790,397</u>	<u>\$ 541,139</u>	<u>\$ 239,433</u>	<u>\$ 1,179,416</u>	<u>\$ 5,254,516</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable (Note 4)	\$ 557,083	\$ 83,460	\$ 445,111	\$ 53,263	\$ 3,816	\$	\$ 31,122	\$ 1,173,855
Tax refunds payable	378,303							378,303
Interfund payables (Note 7)	72,695	1,559	66,338	1,439	356		126,404	268,791
Interfund loans payable (Note 7)				6,100				6,100
Obligations under securities lending	30,074	70,077		89,865	71,577		60,538	322,131
Unearned revenue							1,684	1,684
Total Liabilities	<u>1,038,155</u>	<u>155,096</u>	<u>511,449</u>	<u>150,667</u>	<u>75,749</u>	<u></u>	<u>219,748</u>	<u>2,150,864</u>
Deferred inflows of resources								
Unavailable	199,168	3,250	138,417	47,393	596	191,665	107,919	688,408
Fund Balances:								
Nonspendable (Note 1)	5,769	56,336	98	2,209		47,367	697	112,476
Restricted for (Note 1)		511,328		555,690	464,794	401	686,132	2,218,345
Committed to (Note 1)				19,796			158,120	177,916
Assigned to (Note 1)				14,642			6,800	21,442
Unassigned (Note 1)	(64,909)		(50,026)					(114,935)
Total Fund Balances	<u>(59,140)</u>	<u>567,664</u>	<u>(49,928)</u>	<u>592,337</u>	<u>464,794</u>	<u>47,768</u>	<u>851,749</u>	<u>2,415,244</u>
Total Liabilities and Fund Balances	<u>\$ 1,178,183</u>	<u>\$ 726,010</u>	<u>\$ 599,938</u>	<u>\$ 790,397</u>	<u>\$ 541,139</u>	<u>\$ 239,433</u>	<u>\$ 1,179,416</u>	<u>\$ 5,254,516</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, 2018**

(Expressed in Thousands)

Total Fund Balances - Governmental Funds	\$	2,415,244
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	319,887	
Buildings, equipment, and other depreciable assets	1,912,899	
Infrastructure	20,701,773	
Accumulated depreciation	(930,171)	
Construction in progress	<u>2,691,504</u>	24,695,892
Certain revenues are earned but not available, and therefore, are deferred in the funds.		
		688,408
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
		4,036
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.		
		(115,489)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital lease obligations	(40,733)	
Compensated absences	(228,923)	
Pollution remediation obligations	(8,039)	
Judgements and contingencies	(314,367)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	(115,575)	
Net pension obligations and related deferred outflows/inflows	<u>(36,196,046)</u>	(36,903,683)
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	(6,784,200)	
Notes payable	(1,008,140)	
Unamortized premiums and discounts	(518,579)	
Less deferred amounts on refundings	(54,649)	
Accrued interest payable	<u>(113,428)</u>	(8,478,996)
Net Position of Governmental Activities	\$	<u>(17,694,588)</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, 2018
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 10,416,040	\$ 1,349,235	\$	\$ 438,663	\$	\$	\$ 141,672	\$ 12,345,610
Licenses, fees, and permits	19,020	150,800	1	208,174			13,620	391,615
Intergovernmental	10,414		10,922,495	47,503	23,799		13	11,004,224
Charges for services	260,503	8,957	1,647	610,644	10	135,641	239,857	1,257,259
Fines and forfeits	28,941	16		8,568			16,944	54,469
Interest and other investment income	1,777	6,067	1,485	5,990	10,867	321	6,050	32,557
Increase (decrease) in fair value of investments	(7,838)	(1,621)	(45)	(898)	(3,884)		306	(13,980)
Securities lending income	1,042	2,427		3,113	2,479		2,097	11,158
Other revenues	42,797	4,392	64,206	345,148	2,221	10,364	140,575	609,703
Total Revenues	<u>10,772,696</u>	<u>1,520,273</u>	<u>10,989,789</u>	<u>1,666,905</u>	<u>35,492</u>	<u>146,326</u>	<u>561,134</u>	<u>25,692,615</u>
Expenditures								
Current:								
General government	1,645,422		102,240	189,070			333,031	2,269,763
Legislative and judicial	417,462		4,033	23,617				445,112
Commerce	26,033		16,902	50,557			273	93,765
Education and humanities	4,859,599		1,013,566	74,008			73,166	6,020,339
Human resources	2,542,035		8,954,747	987,985			21,883	12,506,650
Justice	848,440		45,771	113,532			1,763	1,009,506
Natural resources and environmental protection	63,982		57,022	44,617			5,374	170,995
Public protection and regulation	16,195		5,796	87,019			1,738	110,748
Transportation	12,364	1,269,734	729,530	118,059			160,912	2,290,599
Debt service:								
Principal retirement						545,402	181,423	726,825
Interest and fiscal charges						219,354	93,937	313,291
Other expenditures						4,434	1,808	6,242
Securities lending	874	2,036		2,610	2,080		1,759	9,359
Capital outlay:								
Buildings					338,373			338,373
Total Expenditures	<u>10,432,406</u>	<u>1,271,770</u>	<u>10,929,607</u>	<u>1,691,074</u>	<u>340,453</u>	<u>769,190</u>	<u>877,067</u>	<u>26,311,567</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>340,290</u>	<u>248,503</u>	<u>60,182</u>	<u>(24,169)</u>	<u>(304,961)</u>	<u>(622,864)</u>	<u>(315,933)</u>	<u>(618,952)</u>
Other Financing Sources (Uses)								
Transfers in	269,465	3,119	11	459,195	33,784	595,286	902,443	2,263,303
Transfers out	(690,017)	(178,825)	(109,547)	(377,507)	(109,320)		(610,462)	(2,075,678)
Capitalized leases	15,299	43	94	1,874	1			17,311
Issuance of bonds:								
New issues					517,155		127,247	644,402
Refunding issues						138,140	163,646	301,786
Premiums					20,851	60,196	31,133	112,180
Payments to refunded bond escrow agent						(139,170)	(167,087)	(306,257)
Total Other Financing Sources (Uses)	<u>(405,253)</u>	<u>(175,663)</u>	<u>(109,442)</u>	<u>83,562</u>	<u>462,471</u>	<u>654,452</u>	<u>446,920</u>	<u>957,047</u>
Net Change in Fund Balances	(64,963)	72,840	(49,260)	59,393	157,510	31,588	130,987	338,095
Fund Balances at July 1	6,274	506,495	(667)	533,384	307,284	16,180	720,762	2,089,712
Increase (decrease) in inventories	(451)	(11,671)	(1)	(440)				(12,563)
Fund Balances at June 30	<u>\$ (59,140)</u>	<u>\$ 567,664</u>	<u>\$ (49,928)</u>	<u>\$ 592,337</u>	<u>\$ 464,794</u>	<u>\$ 47,768</u>	<u>\$ 851,749</u>	<u>\$ 2,415,244</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)**

Net Change in Fund Balances-Total Governmental Funds	\$	338,095
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	(87,537)	
Donated assets, fair market value	255	
Buildings, equipment, and other depreciable assets	9,263	
Infrastructure	446,504	
Accumulated depreciation	<u>(77,224)</u>	291,261
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		107,653
Certain expenditures are reported in the funds; however, they increase assets reported on the Statement of Net Position and have been eliminated from the Statement of Activities:		
Prepaid expenses	5,651	
Inventories	<u>(12,563)</u>	(6,912)
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.		51,351
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	6,806	
Compensated absence payments	6,740	
Pollution remediation payments	2,418	
Litigation payments	(1,807)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	5,075	
Excess contributions to pension funds	<u>(2,408,729)</u>	(2,389,497)
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	(1,058,368)	
Repayment of bond principal	700,618	
Payment to refunded bond escrow agent	306,257	
Accrued interest	73,355	
Loss on refunding	11,592	
Unamortized issue costs	<u>(491)</u>	32,963
Change in Net Position of Governmental Activities	\$	<u>(1,575,086)</u>

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.

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 Plan

The Kentucky Public Employees Health Insurance Plan 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 page216

COMMONWEALTH OF KENTUCKY
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018
(Expressed in Thousands)

	Business-Type Activities-		
	State Parks	Kentucky Horse Park	Insurance Administration
Assets			
Current assets:			
Cash and cash equivalents (Note 5)	\$	\$ 778	\$ 137,587
Cash on deposit with the federal government (Note 5)			
Cash with fiscal agents (Note 5)			
Invested security collateral (Note 5)			197,472
Receivables, net (Note 4)	2,118	543	103
Interfunds receivable (Note 7)	29		
Inventories	1,214	34	15,510
Prepaid expenses	52		3,148
Total Current Assets	<u>3,413</u>	<u>1,355</u>	<u>353,820</u>
Noncurrent assets:			
Investments, net of amortization (Note 5)	1,767	468	272,721
Receivables, net		142	
Capital assets (Note 6):			
Land	19,668	4,453	
Improvements other than buildings	134,930	36,332	
Buildings	253,059	103,882	
Machinery and equipment	14,862	5,945	2,415
Easements and other intangibles	2,322		2,316
Less: Accumulated depreciation and amortization	(238,004)	(50,005)	(1,532)
Construction in progress	7,761		
Total Capital Assets	<u>194,598</u>	<u>100,607</u>	<u>3,199</u>
Other assets			
Total Noncurrent Assets	<u>196,365</u>	<u>101,217</u>	<u>275,920</u>
Total Assets	<u>199,778</u>	<u>102,572</u>	<u>629,740</u>
Deferred outflows of resources (Note 16)	<u>54,668</u>	<u>6,296</u>	<u>23,155</u>
Liabilities			
Current liabilities:			
Accounts payable (Note 4)	6,290	776	1,109
Interfunds payable (Note 7)	542	54	97
Interfund loans payable (Note 7)	1,781		
Claims liability (Note 16)			63,071
Claims adjustment liability (Note 16)			5,076
Capital lease obligations (Note 11) (Note 16)	1,772	352	
Compensated absences (Note 16)	4,567	515	1,003
Unearned revenue	3,100	615	
Other liabilities			
Obligations under securities lending			197,473
Total Current Liabilities	<u>18,052</u>	<u>2,312</u>	<u>267,829</u>
Noncurrent liabilities:			
Claims liability (Note 16)			634,591
Claims adjustment liability (Note 16)			49,700
Capital lease obligations (Note 11) (Note 16)	20,671	1,086	
Compensated absences (Note 16)	708	27	439
Net pension liability (Note 8) (Note 16)	213,028	25,241	101,714
Net OPEB Liability (Note 9) (Note 16)	39,614	4,600	19,252
Other liabilities (Note 16)			
Total Noncurrent Liabilities	<u>274,021</u>	<u>30,954</u>	<u>805,696</u>
Total Liabilities	<u>292,073</u>	<u>33,266</u>	<u>1,073,525</u>
Deferred inflows of resources (Note 16)	<u>4,342</u>	<u>799</u>	<u>7,489</u>
Net Position			
Net investment in capital assets	172,154	99,169	3,198
Restricted for:			
Unemployment benefits			
Unrestricted	(214,123)	(24,366)	(431,317)
Total Net Position	<u>\$ (41,969)</u>	<u>\$ 74,803</u>	<u>\$ (428,119)</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, 2018	Activities- Internal Service Funds
\$ 437,794	\$ 5,804	\$ 581,963	\$ 49,444
	543,456	543,456	65,707
98,340	183,302	197,472	1,143
71,038		284,406	2,528
		71,067	2,142
250		16,758	
607,422	732,562	3,450	
		1,698,572	120,964
77,014		351,970	14,506
		142	88
		24,121	17,752
		171,262	3,133
		356,941	338,425
		23,222	132,714
		4,638	1,675
		(289,541)	(305,641)
		7,761	109,123
		298,404	297,181
77,014		650,516	311,775
684,436	732,562	2,349,088	432,739
5,897		90,016	62,151
16,044	14,873	39,092	15,074
		693	1,702
		1,781	935
90,856		153,927	31,003
		5,076	757
280		2,124	3,895
		6,365	4,302
4,100		3,715	127
		4,100	
111,280	14,873	197,473	
		414,346	57,795
		634,591	197,209
		49,700	5,017
		21,757	6,374
15		1,189	1,467
21,212		361,195	270,915
4,018		67,484	52,689
	29,545	29,545	
25,245	29,545	1,165,461	533,671
136,525	44,418	1,579,807	591,466
860		13,490	18,913
		274,521	286,912
	688,144	688,144	
552,948		(116,858)	(402,401)
\$ 552,948	\$ 688,144	\$ 845,807	\$ (115,489)

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(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	\$ 53,320	\$	\$
Horse park admissions and sales		9,542	
Insurance receipts			116,676
Unemployment insurance receipts			
Internal service fund receipts			
Other services	4,582	705	1,624
Total Operating Revenues	57,902	10,247	118,300
Operating Expenses:			
Personal services	93,991	10,248	28,897
Utilities, rental, and other services	17,603	4,112	4,493
Commodities and supplies	25,153	1,226	558
Grants and subsidies	217		9
Depreciation and amortization	12,858	4,635	205
Travel	327	13	270
Claims expense	158	24	(118,550)
Claims adjustment expense			(4,303)
Other expenses	1,183		23
Total Operating Expenses	151,490	20,258	(88,398)
Operating Income (Loss)	(93,588)	(10,011)	206,698
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	75	9	
Interest and other investment income			9,760
Interest expense	(2,423)	(52)	(9,380)
Other revenues (expenses)			6,016
Total Nonoperating Revenues (Expenses)	(2,348)	(43)	6,396
Income (Loss) before Capital Contributions and Transfers	(95,936)	(10,054)	213,094
Transfers in	50,507	2,910	836
Transfers out	(969)		(15,557)
Change in Net Position	(46,398)	(7,144)	198,373
Net Position at July 1, As Restated	4,429	81,947	(626,492)
Net Position at June 30	\$ (41,969)	\$ 74,803	\$ (428,119)

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, 2018	Activities- Internal Service Funds
\$	\$	\$	\$
		53,320	
		9,542	
1,688,079		1,804,755	
	395,464	395,464	
			232,516
107,302		114,213	26,946
1,795,381	395,464	2,377,294	259,462
10,829		143,965	110,125
1,257	11	27,476	49,957
837	(20,747)	7,027	52,362
	303,319	303,545	761
		17,698	17,926
6		616	127
1,520,467		1,402,099	59,507
77,296		72,993	1,393
4,100		5,306	
1,614,792	282,583	1,980,725	292,158
180,589	112,881	396,569	(32,696)
		84	1,257
10,236	9,946	29,942	261
		(11,855)	(482)
39		6,055	78
10,275	9,946	24,226	1,114
190,863	122,827	420,795	(31,582)
	4,953	59,206	101,923
(312,500)	(2,028)	(331,054)	(18,990)
(121,637)	125,752	148,947	51,351
674,585	562,392	696,861	(166,840)
\$ 552,948	\$ 688,144	\$ 845,807	\$ (115,489)

COMMONWEALTH OF KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	Business-Type Activities -		
	State Parks	Kentucky Horse Park	Insurance Administration
Cash Flows from Operating Activities			
Cash received from customers - public	\$ 52,558	\$ 10,648	\$ 114,285
Cash received from customers - state	1,791	65	1,965
Cash payments to suppliers for goods and services	(41,161)	(5,776)	(5,536)
Cash payments for employee salaries and benefits	(66,317)	(7,534)	(21,702)
Cash payments for claims expense	(158)	(24)	(65,877)
Cash payments from other sources	4,581	706	(61)
Cash payments to other sources	(1,183)		(41,445)
Net Cash Provided (Used) by Operating Activities	<u>(49,889)</u>	<u>(1,915)</u>	<u>(18,371)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	50,507	2,910	836
Transfers to other funds	(969)		(15,557)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>49,538</u>	<u>2,910</u>	<u>(14,721)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	2,270	(626)	(75)
Principal paid on revenue bond maturities and equipment contracts	(1,119)	(391)	
Interest paid on revenue bonds and equipment contracts	(2,422)	(52)	
Proceeds from the sale of capital assets	75	9	
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,196)</u>	<u>(1,060)</u>	<u>(75)</u>
Cash Flows from Investing Activities			
Purchase of investment securities	(5)		(10,383)
Proceeds from the sale of investment securities		236	65,160
Interest and dividends on investments			9,332
Net Cash Provided (Used) in Investing Activities	<u>(5)</u>	<u>236</u>	<u>64,109</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,552)	171	30,942
Cash and Cash Equivalents at July 1	1,552	607	106,645
Cash and Cash Equivalents at June 30	<u>\$ 0</u>	<u>\$ 778</u>	<u>\$ 137,587</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (93,588)	\$ (10,011)	\$ 206,698
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	12,858	4,635	205
Miscellaneous nonoperating income (expense)			(42,463)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	(750)	566	(1,135)
Interfund receivables	46		1
Inventories	352	182	
Prepaid expenses			
Other assets		(10)	
(Increase) decrease in deferred outflows	(23,762)	(2,104)	(5,298)
Increase (decrease) in liabilities:			
Accounts payable	1,511	(601)	(382)
Interfund payables	(48)	(18)	
Claims liability			(185,285)
Claims adjustment liability			(3,340)
Compensated absences	(392)	8	(183)
Unearned revenue	1,734	615	
Pension liability	41,414	3,696	4,795
OPEB liability	6,572	717	3,161
Other liabilities	(4)		
Increase (decrease) in deferred inflows	4,168	410	4,855
Net Cash Provided (Used) by Operating Activities	<u>\$ (49,889)</u>	<u>\$ (1,915)</u>	<u>\$ (18,371)</u>
Noncash Investing, Capital, and Financing Activities			
Change in fair value of investments	\$	\$	\$ (9,868)
Capital assets acquired through leases	(15,173)		
Total Noncash Investing, Capital, and Financing Activities	<u>\$ (15,173)</u>	<u>\$</u>	<u>\$ (9,868)</u>

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

Enterprise Funds			Governmental
Kentucky			Activities -
Public			Internal
Employees	Unemployment	Totals	Service
Health Plan	Compensation	June 30, 2018	Funds
\$ 190,443	\$ 258,747	\$ 626,681	\$ 37,219
1,489,096		1,492,917	225,351
(5,051)	20,736	(36,788)	(100,040)
(4,314)		(99,867)	(86,204)
(1,584,626)	(323,776)	(1,650,685)	(42,056)
105,504	29,546	(318,550)	299
191,052	(14,747)	92,422	(3,602)
		106,130	30,967
39	4,953	59,245	101,923
(312,500)	(2,028)	(331,054)	(18,990)
(312,461)	2,925	(271,809)	82,933
		1,569	(37,291)
		(1,510)	(5,785)
		(2,474)	(476)
		84	627
		(2,331)	(42,925)
		(10,388)	(35)
73,874		139,270	(1,422)
10,236	9,946	29,514	(5)
84,110	9,946	158,396	(1,462)
(37,299)	(1,876)	(9,614)	69,513
475,093	7,680	591,577	45,638
\$ 437,794	\$ 5,804	\$ 581,963	\$ 115,151
\$ 180,589	\$ 112,881	\$ 396,569	\$ (32,696)
		17,698	17,926
		(42,463)	(2,000)
(10,993)	7,133	(5,179)	26
		47	2,976
		534	266
43		43	
	(143,850)	(143,860)	
49		(31,115)	(22,635)
	6,037	9,791	2,427
3,226		(66)	1,337
10,819		(174,466)	16,237
		(3,340)	371
9		(558)	(267)
		2,349	(17)
5,211		55,116	27,159
838		11,288	8,356
4,100	3,052	7,148	
(2,839)		6,594	11,501
\$ 191,052	\$ (14,747)	\$ 106,130	\$ 30,967
\$	\$	\$ (9,868)	\$
\$	\$	(15,173)	\$
\$	\$	(25,041)	\$

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, 2018
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 5)	\$ 1,599,768	\$ 113,645
Investments, net of amortization (Note 5)		162,107
Pension trust fund investments (Note 5):		
Corporate and government bonds	15,411,667	
Common stocks	18,598,299	
Mortgages	149,902	
Alternatives	1,364,063	
Derivatives	(1,165)	
Real estate	1,829,168	
Other	3,111,061	
Invested security collateral	706,849	237,371
Receivables, net	721,224	77,126
Prepaid expenses	126	
Capital assets, net	20,761	
Total Assets	<u>43,511,723</u>	<u>590,249</u>
Liabilities		
Investments - accounts payable	458,469	
Accounts payable	23,528	152,490
Amounts held in custody for others		200,388
Obligations under securities lending	706,849	237,371
Total Liabilities	<u>1,188,846</u>	<u>590,249</u>
Net Position		
Restricted for:		
Pension and other post employment benefits	42,322,877	
Total Net Position	<u>\$ 42,322,877</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, 2018
(Expressed in Thousands)**

	Pension (and Other Post Employment Benefit) Trust Funds
Additions	
Contributions:	
Employer	\$ 2,744,945
Member	943,289
Non-Employer	16
Total Contributions	<u>3,688,250</u>
Other Contributions:	
Participant fees	7,916
Other receipts	127,620
Total Other Contributions	<u>135,536</u>
Investment income:	
Net increase (decrease) in fair value of investments	3,130,433
Interest	541,549
Dividends	275,441
Real estate operating income, net	29,958
Securities lending income, net	17,793
Total Investment Income	<u>3,995,174</u>
Less: Investment expense	204,566
Less: Securities lending expense	8,888
Net Investment Income	<u>3,781,720</u>
Total Additions	<u>7,605,506</u>
Deductions	
Benefit payments	4,296,482
Refunds	66,022
Administrative expenses	58,860
Self funding insurance costs	6,787
Healthcare premiums subsidies	371,842
Other deductions, net	161,091
Total Deductions	<u>4,961,084</u>
Change in Net Position	2,644,422
Net Position - Restricted for Pension and Other Post Employment Benefits	
Net Position at July 1	39,678,455
Net Position at June 30	<u>\$ 42,322,877</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 page218

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018

(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)	\$ 587,492	\$ 176,578	\$ 222,455	\$ 91,467
Restricted cash (Note 5)				
Investments, net of amortization (Note 5)	18,399	138,746		83,703
Accounts receivable, net	436,645	195,525	32,866	6,618
Interest receivable	1,796	1,749		
Inventories	42,162	16,270		
Prepaid expenses	13,338	5,060		
Other current assets	1,140	10,389	5,033	66,234
Total Current Assets	<u>1,100,972</u>	<u>544,317</u>	<u>260,354</u>	<u>248,022</u>
Noncurrent assets:				
Restricted cash (Note 5)	309,690	35,816	90,001	
Long-term investments (Note 5)	46,608	780,885	18,087	234,063
Restricted long-term investments (Note 5)	1,587,324	17,358	62,856	
Long-term receivables, net	279,444	87,120	2,595	528,882
Capital assets (Note 6):				
Land	86,021	103,450	31,388	1,089
Improvements other than buildings	316,466	32,682	23,487	
Buildings	3,739,459	1,405,308	839,126	5,541
Machinery and equipment	630,367	365,570	180,080	4,099
Infrastructure			51,379	
Other capital assets	376,751	290,872	68,324	
Easements and other intangibles				
Less: Accumulated depreciation and amortization	(1,998,002)	(1,085,939)	(523,124)	(7,181)
Construction in progress	231,480	177,078	54,117	
Total Capital Assets	<u>3,382,542</u>	<u>1,289,021</u>	<u>724,777</u>	<u>3,548</u>
Other assets	1,110	116,945	22,720	6,262
Total Noncurrent Assets, Net	<u>5,606,718</u>	<u>2,327,145</u>	<u>921,036</u>	<u>772,755</u>
Total Assets	<u>6,707,690</u>	<u>2,871,462</u>	<u>1,181,390</u>	<u>1,020,777</u>
Deferred outflows of resources (Note 16)	42,293	9,680	64,138	24,491
Liabilities				
Current liabilities:				
Accounts payable and accruals	347,002	169,366	20,863	20,932
Current portion of long-term debt:				
Notes payable (Note 16)	770	21,423		34,898
Bonds payable (Note 16)	44,297	15,985		23,865
Capital lease obligations (Note 11)(Note 16)	11,578	2,831	22,113	
Compensated absences (Note 17)	885	16,813	930	
Claims liability		140,017		
Prize liability				
Unearned revenues	121,709	48,406	10,606	
Payable from restricted assets				
Other current liabilities	28,545	8,875	3,872	70,350
Total Current Liabilities	<u>554,786</u>	<u>423,716</u>	<u>58,384</u>	<u>150,045</u>
Noncurrent liabilities:				
Notes payable (Note 16)	18,087	82,824		
Bonds payable (Note 16)	1,102,042	264,886		463,793
Capital lease obligations (Note 11)	78,604	19,944	150,514	
Prize liability				
Compensated absences (Note 17)	5,715		8,373	
Net pension liability (Note 8) (Note 16)			314,222	102,815
Net OPEB liability (Note 9) (Note 16)	236,573		62,317	19,475
Other long-term liabilities	247,747	156,096		14,382
Total Noncurrent Liabilities	<u>1,688,768</u>	<u>523,750</u>	<u>535,426</u>	<u>600,465</u>
Total Liabilities	<u>2,243,554</u>	<u>947,466</u>	<u>593,810</u>	<u>750,510</u>
Deferred inflows of resources (Note 16)	563,137	61,275	184,600	2,495
Net Position				
Net investment in capital assets	1,835,152	811,884	572,176	3,548
Restricted for:				
Debt service	24	26,698		222,166
Capital projects	54,789	687	31,714	
Other purposes (Note 1)	1,037,348	841,792	137,821	35,815
Unrestricted	1,015,979	191,340	(274,593)	30,734
Total Net Position	<u>\$ 3,943,292</u>	<u>\$ 1,872,401</u>	<u>\$ 467,118</u>	<u>\$ 292,263</u>

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

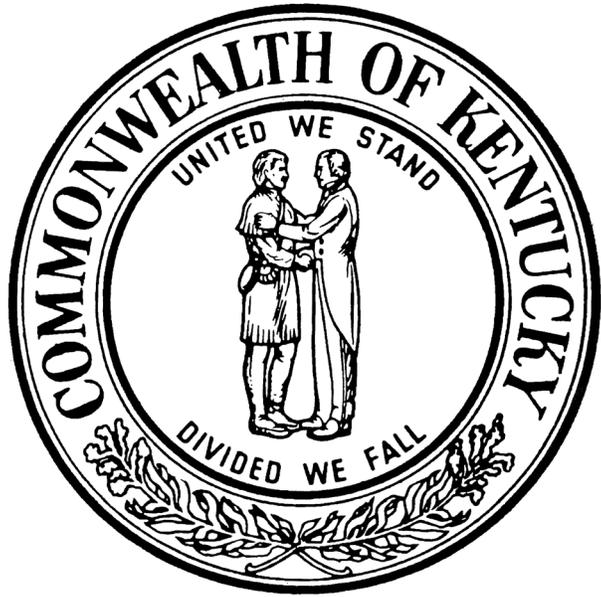
Authorities				
Kentucky Higher Education Student Loan Corporation	Kentucky Lottery Corporation	Kentucky Public Transportation Infrastructure Authority	Non-Major Component Units	All Component Units Totals June 30, 2018
\$ 12,326	\$ 17,682	\$ 2,887	\$ 456,988	\$ 1,567,875
	2,600	93,951	28,949	125,500
	1,836		314,149	556,833
359	31,628	13,647	207,977	925,265
20,445			2,648	26,638
			7,253	65,685
705	67		12,249	31,419
152,099	948		76,915	312,758
185,934	54,761	110,485	1,107,128	3,611,973
43,455	5,182		236,495	720,639
8,526	10,083		240,044	1,338,296
			468,043	2,135,581
816,266			1,093,891	2,808,198
	423		198,763	421,134
	8,079		284,905	657,540
9,389			3,371,799	9,369,312
		1,043,155	514,250	1,703,755
1,704	7,929		1,471	1,096,005
		66,524	122,415	867,995
				66,524
(10,716)	(10,990)		(1,951,301)	(5,587,253)
377	5,441	1,109,679	382,285	844,960
	45		2,924,587	9,439,972
868,624	20,751	1,109,679	23,515	170,597
1,054,558	75,512	1,220,164	4,986,575	16,613,283
25,915			6,093,703	20,225,256
			417,057	583,574
2,582	5,753	15,476	95,690	677,664
60,460			4,059	121,610
		1,000	68,236	153,383
2,405	228		9,752	46,274
	31,061		22,017	43,278
			1,853	141,870
			52,680	31,061
5,143	6,131	3,240	10,173	233,401
70,590	43,173	19,716	12,382	10,173
			276,842	138,538
				1,597,252
815,356		763,166	16,209	117,120
	12,907		1,239,893	4,649,136
	1,136		119,689	368,751
			2,052	12,907
111,601			1,785,971	17,276
21,139			338,116	2,314,609
370			97,982	677,620
948,466	14,043	763,166	3,599,912	516,577
1,019,056	57,216	782,882	3,876,754	8,673,996
17,443			516,588	10,271,248
				1,345,538
377	5,441	495,276	1,688,278	5,412,132
95,102			494	344,484
6,085			146,197	233,387
(57,590)	12,855	(57,994)	1,853,068	3,911,929
\$ 43,974	\$ 18,296	\$ 437,282	\$ 2,117,418	\$ 9,192,044

COMMONWEALTH OF KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2018
(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	\$ 3,199,348	\$ 1,748,543	\$ 562,668	\$ 281,675
Total Expenses	<u>3,199,348</u>	<u>1,748,543</u>	<u>562,668</u>	<u>281,675</u>
Program Revenues:				
Charges for services	2,499,731	1,256,483	105,818	82,560
Operating grants and contributions	418,204	98,271	105,891	218,658
Capital grants and contributions	28,086		10,565	
Total Program Revenues	<u>2,946,021</u>	<u>1,354,754</u>	<u>222,274</u>	<u>301,218</u>
Net Program (Expense) Revenue	<u>(253,327)</u>	<u>(393,789)</u>	<u>(340,394)</u>	<u>19,543</u>
General Revenues:				
Unrestricted grants and contributions	128,912	244,409	362,318	
Unrestricted investment earnings	7,882	67,247	4,039	
Gain on sale of capital assets			(6,602)	
Miscellaneous general	328,466	37,587	14,943	
Total General Revenues	<u>465,260</u>	<u>349,243</u>	<u>374,698</u>	
Change in Net Position	<u>211,933</u>	<u>(44,546)</u>	<u>34,304</u>	<u>19,543</u>
Net Position at July 1, As Restated (Note 2)	3,731,359	1,916,947	432,814	272,720
Net Position at June 30	<u>\$ 3,943,292</u>	<u>\$ 1,872,401</u>	<u>\$ 467,118</u>	<u>\$ 292,263</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, 2018
\$ 37,745	\$ 769,259	\$ 49,655	\$ 1,859,176	\$ 8,508,069
37,745	769,259	49,655	1,859,176	8,508,069
25,535	1,035,203	50,603	801,898	5,857,831
		9,454	401,385	1,242,409
25,535	1,035,203	60,057	30,757	78,862
(12,210)	265,944	10,402	1,234,040	7,179,102
			(625,136)	(1,328,967)
	(240)	960	621,891	1,357,530
			47,192	127,080
	(266,417)	2,515	(479)	(7,081)
	(266,657)	3,475	98,705	215,799
			767,309	1,693,328
(12,210)	(713)	13,877	142,173	364,361
56,184	19,009	423,405	1,975,245	8,827,683
\$ 43,974	\$ 18,296	\$ 437,282	\$ 2,117,418	\$ 9,192,044



NOTES TO FINANCIAL STATEMENTS

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

Note 1	Significant Accounting Policies	55
Note 2	Changes in Accounting Principles, Reporting Practices, and Prior-Period Adjustments	69
Note 3	Stewardship, Compliance, and Accountability	71
Note 4	Disaggregation of Accounts Payable and Accounts Receivable	72
Note 5	Equity in Pooled Cash and Investments, Cash, and Investments	74
Note 6	Capital Assets	86
Note 7	Interfund Transactions	88
Note 8	Pension Plans and Other Post Employment Benefits	90
Note 9	Other Postemployment Benefits	108
Note 10	Employee Benefit Plan	130
Note 11	Lease Obligations	130
Note 12	Risk Management	131
Note 13	Risk Pool	132
Note 14	Defeasance of Long-Term Debt	135
Note 15	Related Organizations	137
Note 16	Long-Term Obligations	137
Note 17	Commitments and Contingencies	148
Note 18	Subsequent Events	151

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 No. 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 Statement No. 14, as amended. 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, Turnpike Authority of Kentucky, and Kentucky Wired Infrastructure Company, Inc. 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 154 and 155 for a complete list of component unit 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 secretary of the Personnel Cabinet, six members elected by the retirement systems, and ten 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 998 participating employers. Under provisions of the Plans, employees of the Commonwealth and agencies thereof, including persons in the public

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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. The board includes three ex officio members and four members appointed by the Governor.

KentuckyWired Infrastructure Company, Incorporated

The KentuckyWired Infrastructure Company, Inc. (KWIC) was formed as a nonprofit corporation operating in the state of Kentucky. It was formed to finance the “Next Generation Kentucky Information Highway project (NGKIH). NGKIH will provide reliable, high-speed internet access across Kentucky, connecting key public sites and promoting economic development. The board consists of three members appointed by the Governor.

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 Tourism, Arts and Heritage 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 unit 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.

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

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

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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 secretary of the Transportation Cabinet (Chair), the secretary of the Finance and Administration Cabinet (Vice Chair), 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.

Bluegrass State Skills Corporation (KRS 154.12-205)

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

Kentucky State Fair Board (KRS 247.090)

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

Kentucky Center for the Arts Corporation (KRS 153.410)

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

Kentucky Authority for Educational Television (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 of Education on matters of curriculum. The Council on Post-secondary 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.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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

This authority is a body corporate and politic that operates to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions by insuring eligible student loans. The authority is governed by a board of directors consisting of fifteen members appointed by the governor. KHEAA also oversees the Kentucky Educational Savings Plan Trust and the Commonwealth Postsecondary Education Prepaid Trust Fund, also known as Kentucky's Affordable Prepaid Tuition (KAPT), both of which are component units of KHEAA. Commonwealth funds are appropriated for program and operating support to the authority, creating a financial benefit/burden relationship.

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 sixteen members: thirteen 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

The Kentucky Horse Park Foundation, Inc., is a legally separate tax-exempt Kentucky corporation that receives, holds, and administers gifts and grants in the name of the Kentucky Horse Park (the Park). Although the Park does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the foundation holds and invests is restricted by the donors to the activities of the Park. The foundation's fiscal year

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

ended May 31, 2018, and amounts included are for the year then ended. The Commonwealth provides significant operating support to the foundation, creating a financial benefit/burden relationship.

Louisville Arena Authority, Incorporated

The Louisville Arena Authority, Inc., was created in 2005 and oversees the financial process of the KFC Yum! Center. The Arena Authority guided the development, financing and construction process of the \$238 million arena. The Arena Authority's fiscal year ended December 31, 2017, and amounts included are for the year then ended. The Governor appoints the majority of the board of directors and due to the TIF arrangement: the Commonwealth has created a financial benefit/burden relationship.

Universities, Colleges, and Related Entities (KRS 164.350)

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

C. Government-Wide Financial Statements

Government-Wide Financial Statements - The Statement of Net 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, 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 Major Component Units are as follows:

Restricted Net Position

(Expressed in Thousands)

Restricted for Other Purposes:	Major Component Units
Loans	\$ 63,706
Education	13,123
Instruction	138,420
Scholarships and Fellowships	1,037,573
Research	806,039
Totals	\$ 2,058,861

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

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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 2018, the total amount of sales and gross receipts tax reported in the government wide statements was \$6,062,029,000 and comprised of:

Sales and Gross Receipts Tax
(Expressed in Thousands)

Sales and Use Tax	\$	3,633,586
Motor Fuels Tax		708,222
Motor Vehicles Usage Tax		531,188
Healthcare Provider Tax		297,840
Tobacco Products Tax		260,281
Insurance Premiums Tax		163,782
Limited Liability Entity Tax		237,223
Alcoholic Beverage Tax		146,454
Telecommunications Tax		61,467
Transient Room Tax		13,491
Parimutuel and Race Track Admission Tax		8,495
Total Sales and Gross Receipts Tax	\$	6,062,029

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 thirty days following the end of the accounting period. Revenues expected to be collected after thirty days beyond the end of the fiscal year are considered unavailable and are reported as deferred inflows. Unearned revenues 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.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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.).

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, Petroleum Storage Tank Environmental Assurance Program, Mine Subsidence Insurance Program, and Kentucky Reclamation Guaranty Program.

Kentucky Public Employees Health Plan – a major fund that accounts for the revenues and expenses incurred in the commercial operation of the health insurance program for state employees, boards of education, and quasi-governmental agencies.

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

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

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

Specific activities reported under Internal Service Funds are:

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

Fiduciary Funds

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

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

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

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

1. Commonwealth Choice benefit spending accounts
2. Special Deposit Trusts holding monies for specific purposes
3. County Fees Fund holding monies for Kentucky Counties with a population of 70,000 or more
4. Coal Workers’ Pneumoconiosis holding monies for Kentucky Employees Mutual Insurance.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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

E. Presentation of Component Units

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

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

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

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

- Bluegrass State Skills Corporation
- Kentucky Agricultural Finance Corporation
- Kentucky Artisan Center at Berea
- Kentucky Center for the Arts Corporation
- Kentucky Economic Development Finance Authority
- Kentucky Educational Television Authority
- Kentucky Grain Insurance Corporation
- Kentucky Horse Park Foundation
- Kentucky Higher Education Assistance Authority
- Kentucky Infrastructure Authority
- Kentucky River Authority
- Kentucky State Fair Board
- Kentucky Council on Postsecondary Education
- Louisville Arena Authority
- 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 2018, the primary government provided \$264,418,000 to the University of Kentucky, \$179,789,000 to the Kentucky Community and Techni-

cal College System, \$131,430,000 to the University of Louisville, and \$230,433,000 to the Kentucky Higher Education Assistance Authority. The Commonwealth contributed capital in the amount of \$9,454,000 to the Kentucky Public Transportation Infrastructure Authority. In addition, the State received \$262,841,000 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 ninety 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, 2018, are \$1,140,282,000.

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.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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

Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund that expends the resources.

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

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

K. Inventories and Prepaid Expenses

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

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

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

Inventories are valued at cost (first-in, first-out, or average cost). In the Governmental Activities column of the government-wide Statement of Net 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; and 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 acquisition 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 No. 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 2018 do not contain the Center’s capital assets. The Finance and Administration Cabinet, Office 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.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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 pages 66 and 67.

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 statewide 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. This area 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. This area also 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.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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 – 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 statewide 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 – 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 300 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. The budget reserve trust fund had a balance of \$93,779,983 on June 30, 2018.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Constraints on Fund Balance

(Expressed in Thousands)

	General Fund	Major Special Revenue Funds		
		Transportation Fund	Federal Fund	Agency Revenue Fund
Fund Balances:				
Nonspendable:				
Inventories	\$ 5,769	\$ 56,336	\$ 98	\$ 2,209
Cash with fiscal agents				
Restricted for:				
Government administration				121,586
Legislative and Judicial				20,037
Commerce				141,661
Education				16,835
Health and human services				115,013
Environmental and natural resources				24,427
Justice				26,849
Public Protection				86,663
Transportation		511,328		2,619
Debt service				
Committed to:				
Government administration				6,003
Education				748
Health and human services				3
Environmental and natural resources				652
Justice				30
Transportation				12,360
Assigned to:				
Government administration				5,759
Legislative and Judicial				2,817
Commerce				274
Education				1,600
Health and human services				196
Environmental and natural resources				193
Justice				3,790
Public Protection				
Transportation				13
Unassigned	(64,909)		(50,026)	
Total Fund Balances	\$ (59,140)	\$ 567,664	\$ (49,928)	\$ 592,337

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$	\$	\$
	47,367	64,412 47,367
318,780		440,366
7,192		27,229
41,701		183,362
35,192		52,027
5,957		120,970
16,088		40,515
8,589		35,438
37		86,700
31,258		545,205
	401	401
		6,003
		748
		3
		652
		30
		12,360
		5,759
		2,817
		274
		1,600
		196
		193
		3,790
		-
		13
		(114,935)
<u>\$ 464,794</u>	<u>\$ 47,768</u>	<u>\$ 1,563,495</u>

N. Deferred Outflows/Inflows

GASB Statement No. 63 provides financial reporting guidance relative to deferred outflows of resources, a consumption of net assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, an acquisition of net assets by the entity that is applicable to a future reporting period. GASB Statement No. 68, GASB Statement No. 71, and GASB Statement No. 75 provide financial reporting guidance relative to deferred inflows/outflows as a result of pension OPEB related transactions.

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 16.0 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 17.

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 17 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. Judgmental 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 \$3,253,382,962 of conduit debt, the proceeds of which are used to promote the purposes set forth in KRS 103.200 and 103.210.

Q. Pensions

Kentucky has three retirement systems (Systems): Kentucky Retirement Systems, Teachers' Retirement System of the State of Kentucky, and Kentucky Judicial Form Retirement System. For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary positions of the Systems (as defined in Q.) and additions to/deductions from the Systems' fiduciary net positions have been determined on the same basis as they are reported by the Systems. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Future Changes in Accounting Standards

As of June 30, 2018, the Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Commonwealth.

GASB Statement No. 83 – Certain Asset Retirement Obligations. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2018.

The requirements of this Statement establish accounting and financial reporting standards for legal obligations to retire certain capital assets. GASB Statement No. 18 addressed only municipal landfills, but governments have legal obligations to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance of this statement.

GASB Statement No. 84 – Fiduciary Activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

The requirements of this statement will clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements. Currently, GASB Statement No. 34 requires governments to report fiduciary activities in fiduciary funds, but that statement does not provide a clear definition of what establishes a fiduciary activity.

GASB Statement No. 87 – Leases. The requirements of this statement are effective for periods beginning after December 15, 2019.

The requirements of this Statement are to improve accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain asset and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources based on the payment provisions of the contract.

GASB Statement No. 88 – Certain Debt Disclosures. The requirements of this statement are effective for periods beginning after June 15, 2018.

The requirements of this Statement will improve existing standards for disclosure of debt. The Statement requires that direct borrowings and direct placements of debt should be distinguishable from other types of debt for all disclosures. These disclosures include the amount of unused lines of credit, assets pledged as collateral for debt, and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, and subjective acceleration clauses. GASB Statement No. 89 – Interest Cost. The requirements of this statement are effective for periods beginning after December 15, 2019.

The requirements of this Statement will enhance the relevance of capital asset information and simplify financial reporting. This Statement clarifies the timing of interest cost recognition for construction period costs.

GASB Statement No. 90 – Majority Equity Interests. The requirements of this statement are effective for periods beginning after December 15, 2018.

The requirements of this Statement clarify whether a majority equity interest should be reported as an investment or as a component unit and to provide consistent measurement of elements of acquired organizations and 100% equity interests in component units.

Note 2

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

The following Accounting Pronouncement was adopted and implemented during the fiscal year.

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

This statement establishes general principles for disclosing information about the accounting and financial reporting for Postemployment Benefits Other Than Pensions that is provided to the employees of state and local governmental employers.

All applicable provisions of this new statement have been incorporated into the Notes to the Financial Statements.

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 75 and includes a reduction of capital assets in the amount of \$235,631. The effect on net position is an increase of \$394,769,000.

Business Type Activities: Business Type Activities restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$52,736,000.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

Enterprise Service Funds:

Kentucky State Parks – Kentucky State Parks restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$30,837,000.

Kentucky Horse Park – Kentucky Horse Park restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$3,515,000.

Insurance Administration – Insurance Administration restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$15,204,000.

Kentucky Public Employees Health Plan – Kentucky Public Employees Health Plan restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$3,179,000.

Internal Service Funds:

Fleet Management – Fleet Management restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$1,296,000.

Computer Services - Computer Services restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$27,892,000.

Prison Industries – Prison Industries restated net position due to the implementation of GASB 75 and includes an increase of capital assets of \$235,631. The effect on net position is a decrease of \$13,000.

Central Printing – Central Printing restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$661,000.

Property Management – Property Management restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$9,862,000.

Risk Management – Risk Management restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$1,513,000.

Component Units – Authorities:

Kentucky River Authority – Kentucky River Authority restated net position due to the implementation of GASB 75 and a prior year correction to cash. The effect on net position is a decrease of \$108,000.

Kentucky Higher Education Assistance Authority – Kentucky Higher Education Assistance Authority restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$1,710,000.

Kentucky State Fair Board – Kentucky State Fair Board restated net position due the implementation of GASB 75. The effect on net position is a decrease of \$11,301,000.

Kentucky Authority for Educational Television – Kentucky Authority for Educational Television restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$9,549,000.

Kentucky Economic Development Finance Authority – Kentucky Economic Development Finance Authority restated net position due to the implementation of GASB 75. The effect on net position is an increase of \$789,000.

Kentucky Artisan Center – Kentucky Artisan Center restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$672,000.

Kentucky Infrastructure Authority – Kentucky Infrastructure Authority restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$696,000.

Kentucky Housing Corporation - Kentucky Housing Corporation restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$15,412,000.

Kentucky Higher Education Student Loan Corporation - Kentucky Higher Education Student Loan Corporation restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$16,729,000.

Kentucky Public Transportation Infrastructure Authority - Kentucky Public Transportation Infrastructure Authority restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$6,318,000.

Component Units – Universities, Colleges, and Related Entities:

University of Kentucky – University of Kentucky restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$245,336,000.

University of Louisville – University of Louisville restated net position due to the implementation of GASB 75 and the addition of the University Medical Center, Inc. The effect on net position is an increase of \$234,450,000.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

Kentucky Community and Technical College System – Kentucky Community and Technical College System restated net position due the implementation of GASB 75. The effect on net position is a decrease of \$72,377,000.

Eastern Kentucky University – Eastern Kentucky University restated net position due the implementation of GASB 75. The effect on net position is a decrease of \$61,358,000.

Western Kentucky University – Western Kentucky University restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$52,271,000.

Morehead State University – Morehead State University restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$27,339,000.

Murray State University – Murray State University restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$32,141,000.

Northern Kentucky University – Northern Kentucky University restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$47,064,000.

Kentucky State University – Kentucky State University restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$13,888,000.

Kentucky Council on Postsecondary Education – Kentucky Council on Postsecondary Education restated net position due to the implementation of GASB 75. The effect on net position is a decrease of \$4,009,000.

Restatement of all Component Units - results in an overall decrease in net position of \$383,039,000.

Note 3

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Governmental Activities – The Governmental Activities has a net position deficit of \$17,694,588. The deficit is a result of the recognition of the net OPEB liability, in accordance with GASB 74 and 75.

B. General Fund – The General Fund has a net position deficit of \$59,140,000. The deficit is a result of increased costs in Medicaid, increased cost in the criminal justice system and additional contributions to the retirement system.

C. Federal Fund – The Federal Fund has a net position deficit of \$49,928,000. The deficit is a result of expenditure accruals, which will be funded in future periods.

D. Enterprise Funds – State Parks has a net position deficit of \$41,969,000. The deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB 68, 71 and 75. The Insurance Administration Fund has a net position deficit of \$428,119,000. The deficit is a result of accumulated claims liability estimated by actuarial methods for the risk pools, which will be funded in future periods.

E. Internal Service Funds – The Risk Management Fund has a net position deficit of \$230,207,000. 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 \$5,725,000. 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 \$177,150,000. This deficit is a result of the recognition of the net OPEB liability, in accordance with GASB 75.

F. Component Units – Authorities – The Kentucky Authority for Educational Television has a net position deficit of \$31,695,000. This deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB 68, 71 and 75. Louisville Arena Authority has a net position deficit of \$21,770,000. The deficit is a result of loss on debt refinance and realized loss on investments.

G. Component Unites – Universities, Colleges, and Related Entities - Eastern Kentucky University has a net position deficit of \$93,746,000. This deficit is a result of an increase in KERS/KTRS pensions, which increased deferred inflows. The Kentucky Council on Postsecondary Education has a net position deficit of \$20,910,000. This deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB 68, 71 and 75.

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, 2018. 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, 2018. 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			
Current Payables						
Personal services	\$ 115,613	\$ 463	\$ 5,054	\$ 121,130	\$ 18,277	\$ 139,407
Utilities, rental and other services	19,628	359	3,394	23,381	943	24,324
Commodities and supplies	7,212	199	1,081	8,492	498	8,990
Claims			4,464	4,464	1,550	6,014
Grants and subsidies	822,556	11,680	24	834,260	15,974	850,234
Capital outlay	25,871	18,327	1,020	45,218	442	45,660
Travel	1,249	21	5	1,275	12	1,287
Judgements					1	1
Interest Payable	114,727	67	32	114,826	65	114,891
Other	82,657	6		82,663	1,330	83,993
Total Current Payables	\$ 1,189,513	\$ 31,122	\$ 15,074	\$ 1,235,709	\$ 39,092	\$ 1,274,801
Current Receivables						
Charges for services	\$ 82,513	\$ 88,628	\$ 921	\$ 172,062	\$ 95,035	\$ 267,097
Taxes receivable	1,917,976	102,816		2,020,792	16	2,020,808
Investment receivable		2,775		2,775	5,113	7,888
Intergovernmental revenue	637,519	5		637,524	7,645	645,169
Other	58,952	54,669	222	113,843	201,699	315,542
Allowances for uncollectibles	(932,819)	(109,914)		(1,042,733)	(25,102)	(1,067,835)
Total Current Receivables	\$ 1,764,141	\$ 138,979	\$ 1,143	\$ 1,904,263	\$ 284,406	\$ 2,188,669

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Taxes Receivable
(Expressed in Thousands)

	Governmental Activities		Total Primary Government
	Major Funds	Non-Major Funds	
Current Taxes Receivable			
Sales and gross receipts	\$ 908,895	\$ 3,835	\$ 912,730
Individual income	757,182		757,182
Corporate	83,344		83,344
Property	123,864		123,864
License and privilege	2,128	4,864	6,992
Coal severance	20,042	2,290	22,332
Inheritance and estate	8,270	105	8,375
Miscellaneous	14,267	91,722	105,989
Total Current Taxes Receivable	<u>\$ 1,917,992</u>	<u>\$ 102,816</u>	<u>\$ 2,020,808</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, Kentucky Community and Technical College System, 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, 2018, are as follows (Expressed in Thousands):

	Principal	Interest	Total
2019	\$ 25,140	\$ 6,460	\$ 31,600
2020	9,030	6,251	15,281
2021	6,985	5,906	12,891
2022	6,730	5,671	12,401
2023	21,120	5,448	26,568
2024-2028	37,335	22,944	60,279
2029-2033	44,430	14,230	58,660
2034-2038	40,895	3,965	44,860
Total leases receivable	<u>\$ 191,665</u>	<u>\$ 70,875</u>	<u>\$ 262,540</u>

Note 5

EQUITY IN POOLED CASH AND INVESTMENTS, CASH, AND INVESTMENTS

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

PRIMARY GOVERNMENT

Custodial Credit Risk-Deposits – The custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. At year end, the carrying amount of the Commonwealth's deposits for the Primary Government, excluding pension and OPEB trust funds, was \$1,811,789,000 and the bank balance was \$1,811,789,000. 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 \$3,119,964 in securities lending income. On June 30, 2018, the fair value of the securities transferred was \$551,384,757 and the fair value of the securities purchased by the Commonwealth was \$559,501,939. 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, 2018, 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, 2018

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.

KentuckyWired Infrastructure Company, Inc. has no policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Company's Guaranteed Investment Contracts have maturities ranging from two to eight years.

The primary government's investments excluding the pension and OPEB trust funds at June 30, 2018, 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	\$ 1,148,876	\$ 1,148,876
Cash with Fiscal Agents	119,457	119,457
Cash with Federal Government	543,456	543,456
Total Cash	<u>\$ 1,811,789</u>	<u>\$ 1,811,789</u>

Investments Managed Based Upon Duration

Debt Securities

	Fair Value	Effective
Cash Equivalents	\$ 616,538	0.04
Fixed Income Mutual Funds	266,256	0.01
U.S. Government & Agency Obligations	1,224,133	0.53
Mortgage-Backed Securities	142,212	1.64
Corporate Obligations	130,377	1.05
Asset Backed Securities	114,278	0.52
Municipal Obligations	300	0.82
Total Debt Securities	<u>2,494,094</u>	
Portfolio Effective Weighted Duration		<u>0.45</u>

Other Investments

Fixed Income Mutual Funds	23,932
Common Stock	3,520
Securities Lending Investments	702,070
Guaranteed Investment Contract (two to eight years)	118,157
Total Other Investments	<u>847,679</u>
Total Investments	<u>\$ 3,341,773</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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, 2018, and the ratings are presented in the following table.

Investments and Credit Ratings

Primary Government

(Expressed in Thousands)

	Standard & Poor's/Moody's Credit Ratings						Total Fair Value of Investments
	AAA/Aaa	AA/Aa	A	BBB/Baa	Unrated	NA	
Cash Equivalents	\$		\$		\$		\$
Fixed Income Mutual Funds	266,256	118,100	177,665	320,773	23,932		616,538
U.S. Government & Agency Obligations	5,827	1,218,306					1,224,133
Mortgage-Backed Securities		142,212					142,212
Corporate Obligations	2,942	53,012	74,423				130,377
Common Stock						3,520	3,520
Asset Backed Securities	114,278						114,278
Municipal Obligations				300			300
Guaranteed Investment Contracts		118,157					118,157
Securities Lending						702,070	702,070
Total Investments	\$ 389,303	\$ 1,649,787	\$ 252,088	\$ 300	\$ 320,773	\$ 729,522	\$ 3,341,773

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, 2018, the primary government had no investments which would constitute a concentration of credit risk.

KentuckyWired Infrastructure Company, Inc. has no limit on the amount that may be invested in any one issuer. At June 30, 2018, all investments of the Company were held with Natixis Funding Corp.

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.

Fair Value Measurement Techniques

The Commonwealth groups its assets measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value.

This hierarchy requires the Commonwealth to maximize the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Each fair value measurement is placed into the proper level based on the level of significant input.

These levels are:

- Level 1-Valuation is based upon quoted prices for identical instruments in active markets.
- Level 2-Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3-Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

The primary government's, excluding the pension and OPEB trust funds, has the following valuation measurements, by type, as of June 30, 2018.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Fair Value Measurements and Techniques

Primary Government

(Expressed in Thousands)

	<u>Total Fair Value</u>	<u>Fair Value Measurement Using</u>			<u>Amortized or Historical Cost</u>
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Investments					
Cash Equivalents	\$ 616,538	\$ 616,538	\$	\$	\$
U.S. Agencies/Treasuries	1,224,133	1,224,133			
Fixed Income Mutual Funds	266,256		266,256		23,932
Guaranteed Investment Contracts	118,157			118,157	
Mortgage Backed Securities	138,068		138,068		
Corporate Debt	134,520		134,520		
State and Municipal Obligations	300		300		
Asset Backed Securities	114,278		114,278		
Common Stock					3,520
Securities Lending					702,070
Total Investments	\$ 2,612,251	\$ 1,840,671	\$ 653,423	\$ 118,157	\$ 729,522

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 \$176,304,000 and the bank balance was \$176,304,000.

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 \$2,172,760 which are uninsured and not registered in the name of the Commonwealth but are held by the counterparty.

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, 2018, are presented on the following page. All investments are presented by investment type.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Cash and Investments by Type
Pension and OPEB Trust Funds

(Expressed in Thousands)

I. Cash

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash	\$ 176,304	\$ 176,304
Total Cash	<u>\$ 176,304</u>	<u>\$ 176,304</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>
Fixed Income Mutual Funds	\$ 8,132	\$ 1,998	\$ 6,134	\$
U.S. Government & Agency Obligations	1,240,565	147	1,733	1,238,685
Corporate Obligations	2,462,840	20,834	46,772	2,395,234
Mortgage-Backed Securities	149,902			149,902
Asset-Backed Securities	34,611		34,611	
Municipal Obligations	347,111			347,111
Other	3,150	3,150		
Total Debt Securities	<u>4,246,311</u>	<u>\$ 26,129</u>	<u>\$ 89,250</u>	<u>\$ 4,130,932</u>

Investments Managed Based Upon Duration

Debt Securities

	<u>Fair Value</u>	<u>Modified</u>	<u>Macaulay</u>
Cash Equivalents	404,596	1.75	
Fixed Income Mutual Funds	35,032	2.78	
U.S. Government & Agency Obligations	768,280	4.56	
Mortgage-Backed Securities	122,097	4.69	
Corporate Obligations	635,930	4.55	
Asset Backed Securities	105,032	4.95	
Municipal Obligations	24,725	3.61	
Guaranteed Investment Contract\Annuities	669,256		3.41
Other	2,086,031	3.16	
Other	536,872		8.81
Total Debt Securities	<u>5,387,851</u>		
Portfolio Weighted Modified Duration		<u>3.58</u>	
Portfolio Weighted Macaulay Duration			<u>5.82</u>

Other Investments

U.S. Government & Agency Obligations	922,540
Cash Equivalents	1,407,879
Corporate Obligations	2,041,463
Common Stock	22,718,158
Pooled Investments	397,055
Municipal Obligations	52,222
Limited Partnerships	179,923
Real Estate	1,214,198
Securities Lending	706,849
Other Investments	3,318,859
Total Other Investments	<u>32,959,146</u>
Total Investments	<u>\$ 42,593,308</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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, 2018, 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	\$ 838,436
AA+	16,474
AA	1,750,423
AA-	7,684
A+	41,231
A	674,591
A-	61,017
BBB+	64,377
BBB	738,130
BBB-	102,345
BB+	117,800
BB	471,546
BB-	164,753
B+	113,810
B	597,797
B-	70,714
CCC+	16,499
CCC	39,746
CCC-	1,989
CC	8,314
D	7,271
Not Rated	3,548,363
Total Credit Risk Debt Securities	<u>9,453,310</u>
Cash Equivalents	1,407,879
U.S. Government & Agencies	4,181,723
Corporate Obligations	620,225
Common Stock	21,636,430
Limited Partnerships	189,200
Real Estate	1,230,422
Securities Lending	706,849
Other	3,167,270
Total Investments	<u>\$ 42,593,308</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of the Kentucky Public Employees' Deferred Compensation Authority's (KPEDCA) there is a policy limiting the amount of investment in a single issuer to 5% or less of the investment portfolios fair value. The following KPEDCA Fund investment contracts represent 5% or more of investments held in trust for Plan benefits at June 30, 2018.

<u>Asset Description</u>	<u>Amount</u>
Fixed Contract Fund	\$669,256,000
T Rowe Price Mid Cap Growth	349,711,000
Fidelity Contrafund	319,351,000
Vanguard Institutional Index Fund	299,272,000
Fidelity Growth Co	296,604,000
Vanguard Wellington	267,968,000

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, 2018, are presented on the following page.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

Foreign Currency Risk

Pension and OPEB Trust Funds (Expressed in Thousands)

Foreign Currency	Short Term	Equity	Debt	None Designated	Total
Argentine Peso	\$	\$ 136	\$	\$	\$ 136
Australian Dollar	5,863	157,402	24,033		187,298
Bermudian Dollar		80,548	4,113		84,661
Brazilian Real		75,181			75,181
British Pound Sterling	9,771	530,419	41,949		582,139
Canadian Dollar	178	334,179	85,795		420,152
Cayman Islands Dollar		43,116	1,870		44,986
Chilean Peso		19,187			19,187
Chinese Yuan	10	153,573	5,718		159,301
Columbian Peso		18,523	1,373		19,896
Czech Koruna		437			437
Danish Krone	55	114,026			114,081
Egyptian Pound		1,945			1,945
Euro	10,863	2,541,982	83,439		2,636,284
Guernsey Pound		13,695			13,695
Hong Kong Dollar	2,914	372,217			375,131
Hungarian Forint		699			699
Indian Rupee		105,549			105,549
Indonesian Rupiah		53,032			53,032
Israeli Shekel	1	27,206			27,207
Japanese Yen	2,047	1,051,837	248		1,054,132
Jersey Pound		65,060	8,755		73,815
Korean Won		79,859	3,097		82,956
Liberian Dollar		2,161			2,161
Macanese Pataca		893			893
Malaysian Ringgit		37,767			37,767
Mexican Peso		91,997	7,942		99,939
Netherlands Antillean Guilder		27,064	518		27,582
New Taiwan Dollar	179	58,020			58,199
New Zealand Dollar		20,844			20,844
Norwegian Krone	2,295	68,040			70,335
Pakistani Rupee		391			391
Panamanian Balboa		28,412			28,412
Papua New Guinean Kina		389			389
Philippine Peso		14,519			14,519
Polish Zloty		4,332			4,332
Pound Sterling		340,197			340,197
Qatari Rial		1,998			1,998
Russian Ruble		36,561			36,561
Singapore Dollar	422	72,776			73,198
Sol		137			137
South African Rand	5	64,924			64,929
South Korean Won		46,700			46,700
Swedish Krona	1	187,181			187,182
Swiss Franc	1	271,213	5,518		276,732
Taiwan Dollar		27,061			27,061
Thai Bhat		24,655			24,655
Trinidadian Dollar			700		700
Turkish Lira		20,588			20,588
UAE Dirham		1,557			1,557
Uruguayan Peso			1,628		1,628
Various	7,083	(34)			7,049
American Funds Euro Pacific Growth Fund		94,777			94,777
Dodge & Cox International Stock Fund		40,710			40,710
DFA International Small Cap		22,656			22,656
Total Securities Subject To Foreign Currency Risk	41,688	7,448,294	276,696		7,766,678
USD (Securities Held By Intl Investment Mgrs)				15,252,273	15,252,273
Total International Investment Securities	\$ 41,688	\$ 7,448,294	\$ 276,696	\$ 15,252,273	\$ 23,018,951

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 an initial fair value of 102 percent or 105 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, 2018, 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, 2018. More detail on those individual investment derivatives may be found in the audited financial statements of Kentucky Retirement Systems.

Fair Value Measurement Techniques

The Pension and OPEB trust funds group assets measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. This hierarchy requires the Pension and OPEB trust funds to maximize the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Each fair value measurement is placed into the proper level based on the level of significant input.

These levels are:

- Level 1-Valuation is based upon quoted prices for identical instruments in active markets.
- Level 2-Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3-Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar technique

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

The Pension and OPEB trust funds, have the following valuation measurements, by type, as of June 30, 2018. More detail on the valuation measurements may be found in the audited financial statements of each retirement system.

Fair Value Measurements and Techniques
Pension and OPEB Trust Funds

(Expressed in Thousands)

	Fair Value Measurement Using				
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized or Historical Cost
U.S. Agencies/Treasuries	\$ 1,246,963	\$ 1,189,353	\$ 57,610	\$	\$
Guaranteed investment contracts					669,256
Cash Equivalents	1,408,013	495,471	587,986	324,556	9,277
Mortgage Backed Securities	248,952		247,574	1,378	
Corporate Debt	3,700,867	34,790	3,062,870	603,207	
State and Municipal Obligations	1,323,607	710,959	612,648		
Asset Backed Securities	34,611		34,611		
Real Estate	-				
Common Stock	24,217,711	16,447,760	2,581,624	5,188,327	
Securities Lending					706,849
Other:	9,027,177	826,652	165,654	8,034,871	25
Total Investments	\$ 41,207,901	\$ 19,704,985	\$ 7,350,577	\$ 14,152,339	\$ 1,385,407

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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 \$1,592,449,000 and bank balance was \$1,055,172,000.

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, 2018.

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;	\$ 156,305
b) collateralized with securities held by the pledging financial institution; or	604,206
c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commonwealth's name.	123,946
Total Deposits Subject To Custodial Credit Risk	<u>\$ 884,457</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	\$ 914,035
(b) the counterparty's trust department or agent but not in the Commonwealth's name.	(61,214)
Total Non-Current Cash And Investments Subject To Custodial Credit Risk	<u>\$ 852,821</u>

Investment Types:

	<u>Type A</u> <u>(counterparty)</u>	<u>Type B</u> <u>(trust or agent)</u>
Debt Securities		
Cash Equivalents	\$ 2	\$ (39,041)
Fixed Income Mutual Funds	8,167	
Corporate Obligations	17,406	
U.S. Government & Agency Obligations	19,557	
Total Debt Securities	<u>45,132</u>	<u>(39,041)</u>
Other Investments		
Cash Equivalents		(9,455)
Fixed Income Mutual Funds	95,649	(16,284)
Common Stock	60,051	(50,052)
Funds Held In Trust By Others	515,856	58,770
Limited Partnerships	197,347	
Other Various		(5,152)
Total Other Investments	<u>868,903</u>	<u>(22,173)</u>
Total Type A	<u>914,035</u>	Total Type B <u>(61,214)</u>
Total Non-Current Cash And Investments Subject To Custodial Credit Risk		<u>\$ 852,821</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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, 2018.

Cash And Investments By Type
Discretely Presented Major Component Units

(Expressed in Thousands)

I. Cash

	Carrying Amount	Bank Balance
Cash	\$ 647,633	\$ 642,675
Money Market	413,430	413,430
Other	531,386	(933)
Total Cash	<u>\$ 1,592,449</u>	<u>\$ 1,055,172</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	Fair Value	< 1 year	1-5 Years	6-10 Years	> 10 Years
Cash Equivalents	\$ 169,950	\$ 161,783	\$	\$ 8,167	\$
Fixed income Mutal Funds	146,258	7,317	137,482	995	464
U.S. Government & Agency Obligations	43	43			
Corporate Obligations	25,146	22,944	2,202		
Guaranteed Investment Contract/Annuities	7,819		804	7,015	
Total Debt Securities	<u>349,216</u>	<u>\$ 192,087</u>	<u>\$ 140,488</u>	<u>\$ 16,177</u>	<u>\$ 464</u>

Investments Managed Based Upon Duration

Debt Securities	Fair Value	Effective	Modified
Cash Equivalents			
Money Market Funds	68,853		
Fixed Income Mutual Funds	192,170		4.19
Fixed Income Mutual Funds	48,521		3.27
U.S. Government & Agency Obligations	2,389	1.910	
U.S. Government & Agency Obligations	144,963	4.68	
U.S. Government & Agency Obligations	11,146	0.63	
U.S. Government & Agency Obligations	11,919		
Mortgage Backed Securities	1,096	10.83	
Mortgage Backed Securities	92,804	4.64	
Corporate Debt	5,041	2.69	
Total Debt Securities	<u>578,902</u>		
Portfolio Effective Weighted Duration		<u>4.45</u>	
Portfolio Modified Weighted Duration			<u>4.00</u>

Other Investments

Cash Equivalents	9,455
Fixed Income Mutual Funds	233,191
Common Stock	687,947
Corporate Bonds	57,821
Limited Partnerships	565,353
Alternatives	262,103
Real Estate	253,359
Funds Held In Trust By Others	58,770
Other	46,309
Total Other Investments	<u>2,174,308</u>
Total Investments	<u>\$ 3,102,426</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Credit Risk of Debt Securities

The major discretely presented component units, investments as of June 30, 2018, 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)

	Standard & Poor's/Moody's Credit Ratings							Total Fair Value of Investments
	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba or Lower	Unrated	NA	
Cash Equivalents	\$ 365,114					\$ 142,333	\$ 68,853	\$ 576,300
Fixed Income Mutual Funds	27,862	12,170	47,579	24,679	3,262	968,833	221,903	1,306,288
U.S. Government & Agency Obligations	160,047					2,406	7,964	170,417
Mortgage Backed Securities	93,900							93,900
Corporate Obligations	2,067	301	1,415	1,258				5,041
Contracts/Annuities	1,358	804				7,015		9,177
Other						941,303		941,303
Total Investments	\$ 650,348	\$ 13,275	\$ 48,994	\$ 25,937	\$ 3,262	\$ 2,061,890	\$ 298,720	\$ 3,102,426

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 GNMA, U.S. Treasury and Dreyfus. These investments are 29%, 46% and 22%, respectively, of the KHC's total investments.

Fair Value Measurement Techniques

Additional information regarding the fair value measurements can be found in the note to the audited financial statements of the individual component units.

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, 2018. The university has \$3,525,000 in a pooled private equity fund, \$6,166,000 in a pooled private real estate fund and \$4,261,000 in pooled international equity.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Note 6

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018
(Expressed in Thousands):

	Primary Government			Ending Balance
	Beginning Balance	Additions	Decreases	
Primary Government:				
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 241,921	\$ 240	\$ (1,745)	\$ 240,416
Construction in progress	2,835,265	455,056	(489,694)	2,800,627
Infrastructure	20,328,629	452,139	(78,995)	20,701,773
Easements and Other Intangibles	96,968	255		97,223
Total capital assets not being depreciated	<u>23,502,783</u>	<u>907,690</u>	<u>(570,434)</u>	<u>23,840,039</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	30,475	52		30,527
Buildings	1,524,738	34,492	(5,132)	1,554,098
Machinery and Equipment	689,562	58,677	(41,257)	706,982
Easements and Other Intangibles	97,240			97,240
Total capital assets, being depreciated/amortized	<u>2,342,015</u>	<u>93,221</u>	<u>(46,389)</u>	<u>2,388,847</u>
<i>Less accumulated depreciation/amortization:</i>				
Improvements other than buildings	(12,418)	(950)		(13,368)
Buildings	(676,762)	(36,223)	4,334	(708,651)
Machinery and Equipment	(460,813)	(52,826)	35,583	(478,056)
Easements and Other Intangibles	(30,584)	(5,151)		(35,735)
Total accumulated depreciation	<u>(1,180,577)</u>	<u>(95,150)</u>	<u>39,917</u>	<u>(1,235,810)</u>
Total capital assets, being depreciated/amortized, net	<u>1,161,438</u>	<u>(1,929)</u>	<u>(6,472)</u>	<u>1,153,037</u>
Governmental activities capital assets, net	<u>\$ 24,664,221</u>	<u>\$ 905,761</u>	<u>\$ (576,906)</u>	<u>\$ 24,993,076</u>
Business-type activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 24,077	\$ 44	\$	\$ 24,121
Construction in progress	14,064	1,918	(8,221)	7,761
Total capital assets, not being depreciated	<u>38,141</u>	<u>1,962</u>	<u>(8,221)</u>	<u>31,882</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	154,164	17,098		171,262
Buildings	352,047	4,913	(19)	356,941
Machinery and Equipment	23,264	316	(358)	23,222
Easements and Other Intangibles	2,322	2,316		4,638
Total capital assets, being depreciated/amortized	<u>531,797</u>	<u>24,643</u>	<u>(377)</u>	<u>556,063</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(83,428)	(5,485)		(88,913)
Buildings	(172,471)	(11,275)	17	(183,729)
Machinery and Equipment	(14,406)	(822)	247	(14,981)
Easements and Other Intangibles	(1,802)	(116)		(1,918)
Total accumulated depreciation	<u>(272,107)</u>	<u>(17,698)</u>	<u>264</u>	<u>(289,541)</u>
Total capital assets, being depreciated/amortized, net	<u>259,690</u>	<u>6,945</u>	<u>(113)</u>	<u>266,522</u>
Business-type activities capital assets, net	<u>\$ 297,831</u>	<u>\$ 8,907</u>	<u>\$ (8,334)</u>	<u>\$ 298,404</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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

(Expressed in Thousands)

	Governmental Activities	Business-type Activities
General Government	\$ 13,610	\$
Legislative and Judicial	2,103	
Commerce	2,582	
Education and Humanities	1,870	
Human Resources	4,231	
Justice	22,090	
Natural Resources and Environmental Protection	2,474	
Public Protection and Regulation	783	
Transportation	27,481	
Capital assets held by government's internal service funds are charged to the various functions based on usage of the assets	17,926	
State Parks		12,858
Horse Park		4,635
Insurance Administration		205
Total depreciation expense by activities	\$ 95,150	\$ 17,698

Discretely presented major component units

Capital asset activity for the year ended June 30, 2018

(Expressed in Thousands):

	Component Units			
	Beginning Balance	Additions	Retirements	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 221,200	\$ 2,992	\$ (1,821)	\$ 222,371
Construction in progress	438,781	391,453	(367,559)	462,675
Infrastructure	1,084,143	13,299	(2,908)	1,094,534
Totals, capital assets not being depreciated	1,744,124	407,744	(372,288)	1,779,580
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	335,398	37,237		372,635
Buildings	5,359,672	654,296	(16,455)	5,997,513
Machinery and Equipment	1,757,800	235,812	(58,527)	1,935,085
Easements and Other Intangibles	66,501	23		66,524
Total capital assets, being depreciated/amortized	7,519,371	927,368	(74,982)	8,371,757
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(127,202)	(12,620)		(139,822)
Buildings	(1,964,320)	(194,887)	8,055	(2,151,152)
Machinery and Equipment	(1,244,900)	(154,972)	54,894	(1,344,978)
Total accumulated depreciation	(3,336,422)	(362,479)	62,949	(3,635,952)
Total capital assets, being depreciated/amortized, net	4,182,949	564,889	(12,033)	4,735,805
Component units capital assets, net	\$ 5,927,073	\$ 972,633	\$ (384,321)	\$ 6,515,385

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

(Expressed in Thousands)

Kentucky Housing Corporation	\$ 400
Kentucky Higher Education Student Loan Corporation	261
University of Kentucky	164,360
University of Louisville	161,462
Kentucky Community and Technical College System	34,810
Kentucky Lottery Corporation	1,186
Total depreciation expense by functions/programs	\$ 362,479

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Note 7

INTERFUND TRANSACTIONS

Interfund Transfers In and Out

The table below shows the interfund operating transfers for fiscal year 2018
 (Expressed in Thousands):

Transfers In	Transfers Out				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$	\$ 89	\$ 42,872	\$
Transportation Fund				1,831	1,288
Federal Fund				11	
Agency Revenue Fund	37,412		14,592		381
Capital Projects Fund		11,925	62	18,964	
Debt Service	300,553	166,900	94,607	7,073	4
Non-Major Governmental Funds	305,410			300,873	
State Parks Fund	43,549		166	237	6,525
Kentucky Horse Park Fund	2,292			43	575
Insurance Administration Fund			31		48
Unemployment Compensation Fund				4,930	
Internal Service Funds	801			623	100,499
Fiduciary Funds				50	
Total	\$ 690,017	\$ 178,825	\$ 109,547	\$ 377,507	\$ 109,320

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 2018
 (Expressed in Thousands):

Interfund Receivables	Interfund Payables				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$	\$	\$ 6	\$
Transportation Fund			54		207
Agency Revenue Fund	320	25	64,998		
Non-Major Governmental Funds	3,813			6,105	52
State Parks Fund	29				
Kentucky Public Employees Health Plan	66,169	1,534	1,282	1,428	2
Internal Service Funds	2,364		4		95
Total	\$ 72,695	\$ 1,559	\$ 66,338	\$ 7,539	\$ 356

Reasons for interfund payables and receivables:

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

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

Transfers Out

Non-Major Governmental Funds	State Parks Fund	Kentucky Public Employees Health Plan	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Fiduciary Funds	Total
\$ 13,725	\$	\$ 187,500	\$ 8,015	\$	\$ 17,008	\$ 256	\$ 269,465
							3,119
							11
399,075			5,082	2,028	578	47	459,195
1,996	49		160		628		33,784
24,453	920				776		595,286
171,160		125,000					902,443
30							50,507
							2,910
						757	836
23							4,953
							101,923
			2,300				2,350
<u>\$ 610,462</u>	<u>\$ 969</u>	<u>\$ 312,500</u>	<u>\$ 15,557</u>	<u>\$ 2,028</u>	<u>\$ 18,990</u>	<u>\$ 1,060</u>	<u>\$ 2,426,782</u>

Interfund Payables

Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Total
\$ 1	\$ 244	\$ 13	\$	\$	\$ 36	\$ 300
	1,781				935	2,977
13					41	65,397
126,381					1,382	137,733
						29
9	253	21	97		243	71,038
	45	20				2,528
<u>\$ 126,404</u>	<u>\$ 2,323</u>	<u>\$ 54</u>	<u>\$ 97</u>	<u>\$</u>	<u>\$ 2,637</u>	<u>\$ 280,002</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), 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.

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 Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, by telephone at (800) 928-4646 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 and is 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. 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 Plan issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement plans. That report may be obtained by writing to the Kentucky Judicial Form Retirement System, Suite 302, Whitaker Bank Building, 305 Ann Street, Frankfort, Kentucky 40601, or by telephone at (502) 564-5310, or online at www.kjfrs.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, by telephone at (800) 618-1687, or online at www.ktrs.ky.gov.

**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:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65 or has less than 27 years of service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65, or does not meet the rule of 87 (age plus service) and is younger than age 57, whichever is smaller.	No reduced retirement benefit

**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. Age 60 with 5 years of service. No Money Purchase calculations.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 55 or has less than 20 years service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 60 or has less than 25 years service, whichever is smaller.	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 troopers employed in a hazardous duty position by the Kentucky State Police.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service	Final Compensation X Benefit Factor 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 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. Age 60 with 5 years of service. No Money Purchase calculations.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 55 or has less than 20 years service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 60 or has less than 25 years service, whichever is smaller.	No reduced retirement benefit

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Judicial Retirement Plan
Governance KRS 21.345 through KRS 21.570
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. Individuals commencing participation on or after January 1, 2014, will participate in the hybrid plan.			
Benefit Formula:	Final Average Compensation X Benefit Factor 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 retirement after 12/31/2008.			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 greater than 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 will never be reduced below 60.			Accumulated Hypothetical account as either a lump sum or as one of a variety of annuity options, calculated by dividing their accumulated Hypothetical Account by an actuarial factor.
Reduced Retirement Benefit:	5% per year for each year under normal retirement age.			With at least 5 years of service is eligible for a full refund of their accumulated Hypothetical Account as a lump sum.

**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 Benefit Factor 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.	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 greater 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%. The age requirement will never be reduced below 60.			Members who have attained the age of 65 and have at least 5 years of active service credit in the Legislators Plan and any other state-supported retirement system; or at least age 57 and service with Legislators and other state-supported retirement systems of the Commonwealth plus age equals at least 87.
Reduced Retirement Benefit:	5% per year for each year under normal retirement age.			With at least 5 years of service is eligible for a full refund of their accumulated Hypothetical Account as a lump sum.

Kentucky Teachers' Retirement System
Governance KRS 161.220 through KRS 161.716
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:	Reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service.	Reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Single Employer Defined Benefit Plans
Source of Changes in Net Pension Liability and Related Ratios
(Expressed in Thousands)

	Fiscal Year 2018		
	Kentucky Legislators Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
Total Pension Liability			
Service Costs	\$ 701	\$ 4,912	\$ 8,297
Interest	5,280	23,780	51,768
Differences between expected and actual experience	(6,362)	(8,857)	8,143
Changes in assumptions	(160)	(2,090)	136,602
Benefit payments/refunds	(4,257)	(23,011)	(56,960)
Other			
Net change in total pension liability	(4,798)	(5,266)	147,850
Total pension liability at July 1	78,364	376,771	795,422
Total pension liability at June 30	<u>\$ 73,566</u>	<u>\$ 371,505</u>	<u>\$ 943,272</u>
Pension Plan Fiduciary Net Position			
Contributions - employer	\$ 2,401	\$ 11,954	\$ 63,240
Contributions - member	311	1,607	5,348
Net investment income	7,936	34,713	26,795
Benefit payments/refunds	(4,257)	(23,011)	(56,960)
Administrative expenses			(182)
Other	87		(517)
Net change in plan fiduciary net position	6,478	25,263	37,724
Pension plan fiduciary net position at July 1	61,894	267,455	218,013
Pension plan fiduciary net position at June 30	<u>\$ 68,372</u>	<u>\$ 292,718</u>	<u>\$ 255,737</u>
Net pension liability at June 30	<u>\$ 5,194</u>	<u>\$ 78,787</u>	<u>\$ 687,535</u>
Pension plan fiduciary net position as a %			
of the total pension liability	92.94%	78.79%	27.11%
Covered-employee payroll	\$ 4,404	\$ 30,287	\$ 54,065
Net Pension liability as a % of covered employee payroll	117.9%	260.1%	1271.7%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

	Kentucky Employees Retirement System		State Police Retirement System
	Non-Hazardous	Hazardous	
Employer Contribution	41.06%	21.44%	72.47%
State Contribution as a percentage of nonemployer special funding situation			
Member Contribution	5.00%	8.00%	8.00%
Employer Contributions made in thousands	\$463,067	\$34,725	\$35,735
Special Funding Contributions made in thousands			
As of the measurement date:			
Actuarial Valuation Date	June 30, 2016, with standard roll forward	June 30, 2016, with standard roll forward	June 30, 2016, with standard roll forward
Measurement Date	June 30, 2017	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level percent of pay	Level percent of pay	Level percent of pay
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	5.25% decrease from 6.75%	6.25% decrease from 7.5%	5.25% decrease from 6.75%
Inflation Rate	2.3% decrease from 3.25%	2.3% decrease from 3.25%	2.3% decrease from 3.25%
Payroll Growth Assumptions	0.00% decrease from 4.00%	0.00% decrease from 4.00%	0.00% decrease from 4.00%
Projected salary increases	KERS Non-Hazardous and State Police Retirement System active member salaries are assumed to increase at the rate of 19.5% in year one and decreasing to 3.55% for year ten and beyond. KERS Hazardous increases will be 15.5% in year one decreasing to 3.05% year ten and beyond. A decrease of .95% when compared to the prior year.		
Mortality Tables	Pre-retirement mortality: RP-2000 Combined Mortality Table projected with scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%.) Post-retirement mortality (non-disabled) : RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). Post-retirement mortality (disabled): RP-2000 Combined Disability Mortality Table Projected with Scale BB to 2013. Male mortality rates are set back four years. These mortality assumptions assume a margin for future mortality improvement.		
Date of Experience Study	The period July 1, 2008 - June 30, 2013	The period July 1, 2008 - June 30, 2013	The period July 1, 2008 - June 30, 2013
Update procedures applied	The total pension liability, was rolled-forward from the valuation date to the fiscal year end June 30, 2017, using generally accepted actuarial principles.		
Membership Information			
Retirees and beneficiaries receiving benefits	40,813	2,823	1,393
Inactive members	44,848	4,363	278
Active plan members	36,725	4,061	910
Total	<u>122,386</u>	<u>11,247</u>	<u>2,581</u>
Number of participating employers	354	7	1

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

<u>Judicial Retirement Plan</u>	<u>Legislators Retirement Plan</u>	<u>Kentucky Teachers' Retirement System</u>
Traditional plan 42.73% Hybrid plan 2.5%	Traditional plan 68.6% Hybrid plan 1.7%	30.39%
		28.25%
Members entering the plan on or after September 1, 2008, must contribute 6%. Members entering the plan on or after July 1, 1978, and prior to September 1, 2008, contribute 5% of official salary.		University members contribute 10.40% of salary. Non-university members contribute 12.855% of salary.
Traditional plan \$11,885 Hybrid plan \$69	Traditional plan \$2,385 Hybrid plan \$15	\$17,732
		\$959,696
July 1, 2017	July 1, 2017	June 30, 2016
June 30, 2017	June 30, 2017	June 30, 2017
Entry age normal funding method	Entry age normal funding method	Entry age normal
Interest + 1% Unfunded past liability	Interest + 1% Unfunded past liability	Level funding
Market Value	Market Value	Five-year smoothed Market
6.24% from 6.85% Defined Benefit Plan; 6.85% prior year. 4.0% Hybrid Cash Plan 3.00%	6.45 % Defined Benefit Plan; prior year 6.85 % 4.0% Hybrid Cash Plan 3.00%	7.50%
		3.00%
1.0% for the next five years, thereafter 3.5%	1.0% for the next five years, thereafter 3.5%	3.50% to 7.30% including inflation
RP 2000 Mortality Tables with white collar adjustment with Pre- and Post-Commencement Rates with projected mortality improvements after year 2000 under Project Scale AA (males and female scales.)		Mortality rates were based on RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males of one year for females.
Information not available	Information not available	The period July 1, 2010 - June 30, 2015
Standard roll forward methods using generally accepted actuarial techniques.		Standard roll forward using generally accepted actuarial techniques.
332	220	51,563
17	43	9,240
249	103	71,848
<u>598</u>	<u>343</u>	<u>132,651</u>

1

1

207

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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 Legislator's Plan target asset allocation as of June 30, 2017, (see the discussion of the Judicial Plan's investment policy in Note 5) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.05%
International Equity	5.45%
Fixed Income	0.55%
Cash	-1.85%

The Judicial Defined Benefit Plan discount used to measure the total pension liability was 6.24%, a decrease from the 6.41% discount rate used as of July 1, 2016. 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 rates. 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, 2055. 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, 2017, for the periods thereafter to determine the total pension liability. The discount used to measure the total pension liability on the second bases was 6.50% for 38 years, and 3.11% thereafter. This is equivalent to an average assumed rate of return of approximately 6.24%.

The following presents the net pension liability of the Judicial Plan, calculated using the discount rate of (6.24%), 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 (5.24%) or 1% point higher (7.24%) than the current rate:

Kentucky Judicial Retirement System			
(Expressed in Thousands)			
	1% Decrease (5.24%)	Current Discount Rate (6.24%)	1% Increase (7.24%)
Net Pension Liability	\$ 116,098	\$ 78,787	\$ 47,027

Kentucky Legislators' Retirement System

The discount used to measure the total pension liability was 6.45%, a decrease from the 6.85% discount rate used as of July 1, 2016. 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 Defined Benefit 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, 2068. 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, 2017, for the periods thereafter to determine the total pension liability. The discount used to measure the total pension liability on the second bases was 6.50% for 51 years, and 3.11% thereafter. This is equivalent to an average assumed rate of return of approximately 6.45%.

The following presents the net pension liability of the Legislators Plan, calculated using the discount rate of 6.45%, as well as what the Legislator Plan's pension liability would be if it was calculated using a discount rate that is 1% point lower (5.45%) or 1% point higher (7.45%) than the current rate:

Kentucky Legislators' Retirement System			
(Expressed in Thousands)			
	1% Decrease (5.45%)	Current Discount Rate (6.45%)	1% Increase (7.45%)
Net Pension Liability	\$ 12,311	\$ 5,194	\$ (866)

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

The long-term expected return on plan assets is based on an actuarial valuation performed as of June 30, 2016. The pension liability was rolled-forward from the valuation date to the fiscal year end June 30, 2017 using generally accepted actuarial principles. 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 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

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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: (See the discussion of investment policy in Note 5)

State Police Retirement System

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.5%	5.75%
International Equity	17.5%	7.38%
Global Bonds	10%	2.63%
Global Credit	17%	3.63%
Real Estate	5%	6.63%
Absolute Return	10%	5.63%
Real return	10%	5.13%
Private Equity	10%	8.25%
Cash	3%	1.88%
Total	<u>100%</u>	

Kentucky Retirement Systems Non-Hazardous Retirement Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
U.S. Equity	17.50%	5.75%
International Equity	17.50%	7.38%
Global Bonds	10.00%	2.63%
Global Credit	17.00%	3.63%
Real Estate	5.00%	6.63%
Absolute Return	10.00%	5.63%
Real return	10.00%	5.13%
Private Equity	10.00%	8.25%
Cash	3.00%	1.88%
Total	<u>100%</u>	

Kentucky Retirement Systems Hazardous Retirement Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
U.S. Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash Equivalent	2.00%	1.88%
Total	<u>100%</u>	

The discount rate used to measure the total pension liability of SPRS and KERS non-hazardous was 5.25%, a decrease from 6.75%. . The discount rate used to measure KERS Hazardous is 6.25%, a decrease from the prior year of 7.5%. The projection of cash flow used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate in all future years. Contributions are projected to be sufficient to finance all the future benefit payments of the current plan members. The discount rate determination does not use a municipal bond rate. The following presents the net pension liability of KSPRS and KERS Non-Hazardous calculated using the discount rate of 5.25%, and KERS Hazardous using the discount rate of 6.25%, as well as what the net position liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher.

State Police Retirement System

(Expressed in Thousands)

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability	\$ 806,575	\$ 687,535	\$ 589,650

Kentucky Employees' Retirement System - Non-Hazardous

(Expressed in Thousands)

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability	\$ 11,276,196	\$ 9,876,038	\$ 8,711,876

The Commonwealth's proportionate share of the net pension liability (assets) is 74.01%.

Kentucky Employees' Retirement System - Hazardous

(Expressed in Thousands)

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net Pension Liability	\$ 617,378	\$ 485,358	\$ 375,810

The Commonwealth's proportionate share of the net pension liability (assets) is 97.69%.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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 investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	42.0%	4.4%
International Equity	20.0%	5.3%
Fixed Income	16.0%	1.5%
Additional Categories *	9.0%	3.6%
Real Estate	5.0%	4.4%
Private Equity	6.0%	6.7%
Cash	2.0%	0.8%
Total	100%	

*Includes Hedge Funds, High Yield and Non-US Developed Bond

The discount rate used to measure the total pension liability was 4.49% an increase from the prior year rate of 4.2%. 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 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2037. 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 4.49%, 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 (3.49%) or 1-percentage-point higher (5.49%) than the current rate:

	(Expressed in Thousands)		
	1% Decrease (3.49%)	Current Discount Rate (4.49)	1% Increase (5.49%)
State as employer	\$ 591,999	\$ 475,148	\$ 383,671
State as a nonemployer special funding situation	34,434,049	26,999,500	22,316,472
Total Net Pension Liability	\$ 35,026,048	\$ 27,474,648	\$ 22,700,143

The Commonwealth's proportionate share of the net pension liability (assets) is 95.54%.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Kentucky Judicial Retirement System

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized pension expenses of \$112,000 for the Kentucky Judicial Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

	Kentucky Judicial Form Retirement System	
	<i>(Expressed in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72	\$ 4,151
Changes in assumptions		976
Net difference between projected and actual earnings on investments	5,693	21,054
Contributions subsequent to the measurement date	11,954	
Total	\$ 17,719	\$ 26,181

The \$11,954,000 reported as deferred outflows of resources related to pensions resulting from contributions after the measurement date will be recognized as a reduction of net pension liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

		Kentucky Judicial Retirement System
		<i>(Expressed in Thousands)</i>
Year ended June 30:		
	2019	\$ (12,699)
	2020	(3,128)
	2021	(1,368)
	2022	(3,266)
	2023	5
	Thereafter	38

Kentucky Legislators Retirement System

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized pension expense/(income) of (\$5,369,000) for the Kentucky Legislators Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

	Kentucky Legislators Retirement System	
	<i>(Expressed in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16	\$ 1,332
Changes in assumptions		36
Net difference between projected and actual earnings on investments	1,279	4,564
Change in proportionate share		
Contributions subsequent to the measurement date	2,400	
Total	\$ 3,695	\$ 5,932

The \$2,400,000 reported as deferred outflows of resources related to pensions resulting from contributions after the measurement date will be recognized as a reduction of net pension liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

		Kentucky Legislators' Retirement System
		<i>(Expressed in Thousands)</i>
Year ended June 30:		
	2019	\$ (2,959)
	2020	(650)
	2021	(306)
	2022	(732)
	2023	1
	Thereafter	7

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

Kentucky Employees' Non-Hazardous Retirement System

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized pension expenses of \$1,604,447,000 for the Kentucky Employees' Non-Hazardous Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

	Kentucky Employees' Retirement System Non-Hazardous	
	<i>(Expressed in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,735	\$ 61,549
Changes in assumptions	1,239,843	1,437
Net difference between projected and actual earnings on investments	121,920	164,818
Change in proportionate share	236,464	110,647
Contributions subsequent to the measurement date	459,436	
Total	\$ 2,059,398	\$ 338,451

The \$459,436,000 reported as deferred outflows of resources related to pensions resulting from contributions after the measurement date will be recognized as a reduction of net pension liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

Kentucky Employees' Retirement System Non- Hazardous	
<i>(Expressed in Thousands)</i>	
Year ended June 30:	
2019	\$ 797,330
2020	464,330
2021	12,392
2022	(12,543)

Kentucky Employees Hazardous Retirement System

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized pension expenses of \$84,615,000 for the Kentucky Employees Hazardous Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

	Kentucky Employees Retirement System Hazardous	
	<i>(Expressed in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,353	\$
Changes in assumptions	89,187	
Net difference between projected and actual earnings on investments	38,067	32,682
Change in proportionate share	2,130	4,877
Contributions subsequent to the measurement date	34,726	
Total	\$ 182,463	\$ 37,559

The \$34,726,000 reported as deferred outflows of resources related to pensions resulting from contributions after the measurement date will be recognized as a reduction of net pension liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

Kentucky Employees Retirement System Hazardous	
<i>(Expressed in Thousands)</i>	
Year ended June 30:	
2019	\$ 52,623
2020	55,883
2021	7,784
2022	(6,112)

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Kentucky State Police Retirement

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized pension expenses of \$117,506,000 for the Kentucky State Police Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

	Kentucky State Police Retirement System <i>(Expressed in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,604	\$
Changes in assumptions	119,399	
Net difference between projected and actual earnings on investments	19,314	13,806
Change in proportionate share		
Contributions subsequent to the measurement date	35,735	
Total	\$ 181,052	\$ 13,806

The \$35,735,000 reported as deferred outflows of resources related to pensions resulting from contributions after the measurement date will be recognized as a reduction of net pension liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

		Kentucky State Police Retirement System <i>(Expressed in Thousands)</i>	
Year ended June 30:			
	2019	\$	67,029
	2020		50,145
	2021		16,679
	2022		(2,342)

Kentucky Teachers' Retirement System

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized pension expenses of \$37,743,000 as an employer and \$1,809,125,000 as a Governmental Nonemployer Contributing Entity to Kentucky Teachers' Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

	Kentucky Teachers' Retirement System <i>(Expressed in Thousands)</i>		Kentucky Teachers' Retirement System <i>(Expressed in Thousands)</i>	
	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	\$ 3,033	\$ 3,235	\$ 146,028	\$ 155,302
Changes in assumptions	66,235	37,490	3,179,086	1,799,431
Net difference between projected and actual earnings on investments		3,824		183,539
Change in proportionate share	11,528	5,287	554,227	159,184
Contributions subsequent to the measurement date	17,732		959,696	
Total	\$ 98,528	\$ 49,836	\$ 4,839,036	\$ 2,297,456

The \$17,732,000 and \$959,696,000 reported as deferred outflows of resources related to pensions resulting from contributions after the measurement date as the employer and nonemployer contribution entity, respectively will be recognized as a reduction of net pension liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

		Kentucky Teachers' Retirement System <i>(Expressed in Thousands)</i>		Kentucky Teachers' Retirement System <i>(Expressed in Thousands)</i>	
Year ended June 30:		Employer		Nonemployer Special Funding Situation	
	2019	\$	7,458	\$	371,648
	2020		16,127		803,578
	2021		9,039		450,391
	2022		(878)		(43,733)

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized pension expenses of \$1,670,638,000 as an employer and \$959,696,000 as a Governmental Nonemployer Contributing Entity. Deferred outflows and deferred inflows related to pensions are from the following sources:

	Primary Government <i>(Expressed in Thousands)</i>			
	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	\$ 29,556	\$ 68,125	\$ 146,028	\$ 155,302
Changes in assumptions	1,468,578	39,939	3,179,086	1,799,431
Net difference between projected and actual earnings on investments	181,624	84,276		183,539
Change in proportionate share	241,735	114,063	554,227	159,184
Contributions subsequent to the measurement date	544,987		959,695	
Total	\$ 2,466,480	\$ 306,403	\$ 4,839,036	\$ 2,297,456

For the Year Ended June 30, 2018, The Commonwealth of Kentucky recognized pension expenses of \$56,397,000 and deferred outflows and deferred inflows related to pensions from the following sources:

	Business-Type Activities <i>(Expressed in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 259	\$ 2,120
Changes in assumptions	46,121	
Net difference between projected and actual earnings on investments	4,649	2,870
Change in proportionate share	8,387	6,747
Contributions subsequent to the measurement date	16,970	
Total	\$ 76,386	\$ 11,737

For the Year Ended June 30, 2018, Major Component Units recognized pension expenses of \$42,625,000 and deferred outflows and deferred inflows related to pensions from the following sources:

	Major Component Units <i>(Expressed in Thousands)</i>	
	as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 704	\$ 4,102
Changes in assumptions	66,366	7,691
Net difference between projected and actual earnings on investments	5,194	3,213
Change in proportionate share	2,414	121,670
Contributions subsequent to the measurement date	24,016	1,428
Total	\$ 98,694	\$ 138,104

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Primary Government reports \$1,504,682,000 and Major Component Units report \$1,428,000 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, 2019, as reflected below. Other amounts reported as deferred outflows and deferred inflows will be recognized in pension expense as follows:

	Primary Government			Major
	<i>(Expressed in Thousands)</i>			Component Units
	<u>Governmental Activities</u>	<u>Nonemployer Special Funding Situation</u>	<u>Business-Type Activities</u>	<i>(Expressed in Thousands)</i>
Year ended June 30:				
2019	\$ 379,450	\$ 371,648	\$ 30,112	\$ (13,873)
2020	820,448	803,578	17,549	(17,273)
2021	459,846	450,391	570	(24,349)
2022	(44,706)	(43,733)	(552)	(7,931)
2023	7			
Thereafter	45			

Note 9

Kentucky Teachers' Retirement System OPEB Plan

OTHER POSTEMPLOYMENT BENEFITS

The State provides the following Other Postemployment Benefit (OPEB) plans:

Kentucky Retirement Systems OPEB Plan

Kentucky Revised Statutes (KRS) 61.701 created a trust fund to be known as the "Kentucky Retirement Systems insurance trust fund." Trust fund assets are dedicated for use for health benefits as provided in KRS 61.702 and as permitted under 26 U.S.C. secs. 105 and 106, to retired recipients and employees of employers participating in the Kentucky Retirement Systems, and to certain of their dependents or beneficiaries, including but not limited to qualified beneficiaries as described in 42 U.S.C. secs. 300bb-1 et seq. The employers participating in the trust fund are limited to the Commonwealth, political subdivisions of the Commonwealth, and entities whose income is exempt from taxation under 26 U.S.C. sec.115.

The board of trustees of the Kentucky Retirement Systems administers the trust fund and the board serves as trustee of the fund. The board manages the assets of the fund in the same manner in which it administers the retirement funds, except that separate accounting and financial reporting shall be maintained for the trust fund. The financial reports can be obtained by writing Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, by telephone at (800) 928-4646, or online at www.kyret.ky.gov.

Kentucky Judicial Form Retirement System OPEB Plan

The Judicial Form Retirement System OPEB Plan is governed by KRS Chapter 21, Section 24, which requires the plan to provide health benefits to retired participants and eligible dependents of the Judicial Form Retirement Plan and the Legislative Retirement Plan. .

The Judicial Form Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement plans. That report may be obtained by writing to the Kentucky Judicial Form Retirement System, Suite 302, Whitaker Bank Building, 305 Ann Street, Frankfort, Kentucky 40601, by telephone at (502) 564-5310 or online at www.kjfrs.ky.gov.

In addition to the retirement annuity plan described in Note 8, Kentucky Revised Statute (KRS) 161.675 requires Kentucky Teachers' Retirement System (KTRS) to provide access to postemployment healthcare benefits for eligible members and dependents. The KTRS medical plan (MIF) is funded by employer and member contributions. Changes to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance, and the General Assembly. The KTRS medical plan is funded by employee contributions to an account established pursuant to 26 U.S.C. sec. 401(h). Additional funding is derived from the Kentucky Teachers' Retirement System insurance trust fund that went into effect on July 1, 2010. The insurance trust fund provides a trust separate from the account established pursuant to 26 U.S.C. sec. 401(h). The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4)(b).

KTRS administers the Life Insurance Plan as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is \$5,000 for members who are retired for service or disability and \$2,000 for active contributing members.

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, by telephone at (800) 618-1687, or online at www.tr.s.ky.gov.

**Kentucky Retirement Systems OPEB Plan
Governance KRS 61.701 to 61.705
Cost Sharing Multi-Employer Defined Benefit
Kentucky Employee Retirement System Non-Hazardous**

Plan Administrator: The plan is administered by Kentucky Retirement Systems (KRS).

Covered Employees: Members of KRS currently receiving benefits.

	Participation prior to July 2003		Participation between July 2003 and August 2008		Participation on or after September 2008	
	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid
Benefit Factor:	<48	0%	Greater than or equal to 120	\$10 per month for each year of service without regard to a maximum dollar amount, adjusted by 1.5% annually	Greater than or equal to 180	\$10 per month for each year of service without regard to a maximum dollar amount, adjusted by 1.5% annually
	48 to 119 inclusive	25%				
	120 to 179 inclusive	50%				
	180 to 239 inclusive	75%				
	240 or more	100%				

Contribution Rate:	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. Member contribution of 1% of salary.
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Cost of Living

Adjustment (COLA): Members participating after 2008 receive 1.5% increase annually.

Employer Contribution: 8%

Membership:

Retirees and beneficiaries receiving benefits	28,612
Inactive members	6,362
Active plan members	37,623
Total	72,597

Publicly available financial report can be accessed at www.kyret.ky.gov.

Kentucky Retirement Systems OPEB Plan
Governance KRS 61.701 to 61.705
Cost Sharing Multi-Employer Defined Benefit
Kentucky Employee Retirement System Hazardous

Plan Administrator: The plan is administered by Kentucky Retirement Systems (KRS).

Covered Employees: Members of KRS currently receiving benefits.

	Participation prior to July 2003		Participation between July 2003 and August 2008		Participation on or after September 2008	
	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid
Benefit Factor:	<48	0%	Greater than or equal to 120	\$15 per month for each year of service without regard to a maximum dollar amount, adjusted by 1.5% annually	Greater than or equal to 180	\$15 per month for each year of service without regard to a maximum dollar amount, adjusted by 1.5% annually
	48 to 119 inclusive	25%				
	120 to 179 inclusive	50%				
	180 to 239 inclusive	75%				
	240 or more	100%				

Contribution Rate:	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. Member contribution of 1% of salary.
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Cost of Living Adjustment (COLA): Members participating after 2008 receive 1.5% increase annually.

Employer Contribution: 2.74%

Membership:	
Retirees and beneficiaries receiving benefits	2,121
Inactive members	295
Active plan members	3,951
Total	6,367

Publicly available financial report can be accessed at www.kyret.ky.gov.

**Kentucky Retirement Systems OPEB Plan
Governance KRS 61.701 to 61.705
Cost Sharing Multi-Employer Defined Benefit
State Police Retirement System**

Plan Administrator: The plan is administered by Kentucky Retirement Systems (KRS).

Covered Employees: Members of KRS currently receiving benefits.

	Participation prior to July 2003		Participation between July 2003 and August 2008		Participation on or after September 2008	
	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid
Benefit Factor:	<48	0%	Greater than or equal to 120	\$10 per month for each year of service (\$15 hazardous) without regard to a maximum dollar amount, adjusted annually	Greater than or equal to 180	\$10 per month for each year of service (\$15 hazardous) without regard to a maximum dollar amount, adjusted annually
	48 to 119 inclusive	25%				
	120 to 179 inclusive	50%				
	180 to 239 inclusive	75%				
	240 or more	100%				

Contribution Rate:	Contribution rates for the employer are actuarilly determined. No member contribution.	Contribution rates for the employer are actuarilly determined. No member contribution.	Contribution rates for the employer are actuarilly determined. Member contribution of 1% of salary.
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Cost of Living Adjustment (COLA): Members participating after 2008 receive 1.5% increase annually.

Membership:

Retirees and beneficiaries receiving benefits	1,269
Inactive members	48
Active plan members	903
Total	2,220

Publicly available financial report can be accessed at www.kyret.ky.gov.

Kentucky Judicial Form Retirement System OPEB Plan
Governance KRS 21.345 to 21.580
Single Employer Defined Benefit
Judicial Retirement Plan

Plan Administrator: The plan is administered by the Kentucky Judicial Form Retirement System (KJFRS).

Covered Employees: Members of KJFRS currently receiving benefits.

	Participation prior to January 2014		Participation on or after January 2014	
	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid
Benefit Factor:	<48	0%	Greater than or equal to 180	\$10 per month for each year of service, not to exceed \$200; adjusted by 1.5% annually
	48 to 119 inclusive	25%		
	120 to 179 inclusive	50%		
	180 to 239 inclusive	75%		
	240 or more	100%		

Contribution Rate: Contribution rates for the employer are actuarially determined. No member contribution. Contribution rates for the employer are actuarially determined. Member contribution of 1% of salary.

Cost of Living Adjustment (COLA): Members participating after 2013 receive 1.5% increase annually.

Publicly available financial report can be accessed at www.kjfrs.ky.gov.

Kentucky Judicial Form Retirement System OPEB Plan
Governance KRS 6.500 to 6.577
Single Employer Defined Benefit
Legislators Retirement Plan

Plan Administrator: The plan is administered by the Kentucky Judicial Form Retirement System.

Covered Employees: Members of KJFRS currently receiving benefits.

	Participation prior to January 2014		Participation on or after January 2014	
	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid
Benefit Factor:	<48	0%	Greater than or equal to 180	\$10 per month for each year of service, not to exceed \$200; adjusted by 1.5% annually
	48 to 119 inclusive	25%		
	120 to 179 inclusive	50%		
	180 to 239 inclusive	75%		
	240 or more	100%		

Contribution Rate: Contribution rates for the employer are actuarilly determined. No member contribution. Contribution rates for the employer are actuarilly determined. Member contribution of 1% of salary.

Cost of Living Adjustment (COLA): Members participating after 2013 receive 1.5% increase annually.

Publicly available financial report can be accessed at www.kjfrs.ky.gov.

Kentucky Teachers' Retirement System OPEB Plan
Governance KRS 161.5500 to 161. 675
Cost Sharing Multi-Employer Defined Benefit

Plan Administrator: The plan is administered by the Kentucky Teachers' Retirement System (KTRS).

Covered Employees: Covered Employees hired before July 1, 2008, are eligible for Retiree Medical Plan coverage when the employee has completed 27 years of service or attainment of age 55 with 5 years of service. Covered employees hired on or after July 1, 2008, are eligible for Retiree Medical Plan coverage when the employee has completed 27 years of service, the attainment of age 55 and 10 years of service, or the attainment of age 60 and 5 years of service.

	Percentage of System Contribution Rate Provided to Retirees*				
	Years of Service	Entered system Before 7/1/2002		Entered System After June 2002 and before July 2008	Entered System After June 2008
		Age 65 or Older and Covered before January 2005	Age 65 After or Covered After December 2004		
Benefit Factor:	5 - 9.99	70%	25%	10%	Not Eligible
	10 - 14.99	80%	50%	25%	Not Eligible
	15 -19.99	90%	75%	45%	45%
	20 - 24.99	100%	100%	65%	65%
	25 - 29.99	100%	100%	90%	90%
	26 - 26.99	100%	100%	95%	95%
	27 or more	100%	100%	100%	100%

*100% for disabled retirees that retired prior to January 2002

Life Insurance: A life insurance benefit of \$5,000 for retired members or \$2,000 for active members is provided by the retirement system.

Cost of Living Adjustment (COLA) Does not apply

Contribution Rate: No contribution is required by employees who retired before July 1, 2010. Effective July 1, 2010, retirees under the age of 65 begin a three year phase-in of the Shared Responsibility Contribution. This contribution reduces the applicable amount of the full contribution provided by the system to the retiree by adjusting the Shared Responsibility Contribution amount by 100% less the appropriate percentage from the Retiree Percentage Contribution above. The retirement system Contribution Rate Basis is determined annually by the System and the full cost is projected based on historical claims data.

Employer Contribution: Established by KRS 161.540 (1) (c) and 161.550 (5)

Employee Contribution: Active members contribute between 2.75% and 3.75%.

Membership:	Medical	Life Insurance
Retirees and beneficiaries receiving benefits	39,764	47,071
Inactive members	8,145	9,058
Active plan members	71,848	71,848
Total	119,757	127,977

Publicly available financial report can be accessed at www.tr.s.ky.gov.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

**Single Employer Defined Benefit OPEB Plans
Schedule of Changes in Net OPEB Liability and Related Ratios
(Expressed in Thousands)**

	Fiscal Year 2018		
	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
Total OPEB Liability			
Service Costs	\$ 452	\$ 1,221	\$ 4,147
Interest	2,012	4,552	17,993
Differences between expected and actual experience	(10,568)	(22,068)	(572)
Changes in assumptions	2,272	5,640	57,312
Benefit payments/refunds	(709)	(1,943)	(12,123)
Other			
Net change in total OPEB liability	(6,541)	(12,598)	66,757
Total OPEB liability at July 1	28,626	64,709	246,477
Total OPEB liability at June 30	<u>\$ 22,085</u>	<u>\$ 52,111</u>	<u>\$ 313,234</u>
Pension Plan Fiduciary Net Position			
Contributions - employer	\$ 6	\$ 1,218	\$ 7,862
Contributions - member	7	176	131
Net investment income	4,933	9,385	21,627
Benefit payments/refunds	(709)	(1,943)	(12,123)
Administrative expenses			(66)
Other		4	
Net change in plan fiduciary net position	4,237	8,840	17,431
OPEB plan fiduciary net position at July 1	37,793	70,301	161,407
OPEB plan fiduciary net position at June 30	<u>\$ 42,030</u>	<u>\$ 79,141</u>	<u>\$ 178,838</u>
Net OPEB liability at June 30	<u>\$ (19,945)</u>	<u>\$ (27,030)</u>	<u>\$ 134,396</u>
Plan fiduciary net position as a % of the total OPEB liability	190.31%	151.87%	57.09%
Covered-employee payroll	\$ 4,398	\$ 30,297	\$ 48,873
Net OPEB liability as a % of covered employee payroll	-453.5%	-89.2%	275.0%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

	Kentucky Employees' OPEB Plan		State Police OPEB Plan
	Non-Hazardous	Hazardous	
Employer Contribution	8.67%	2.78%	18.77%
Member Contribution	1.00%	1.00%	1.00%
State Contribution as a percentage of nonemployer			
Contributions	\$ 108,494,000	\$ 3,798,000	\$ 9,255,000
Experience Study	July 1, 2008-June 30, 2013	July 1, 2008-June 30, 2013	July 1, 2008-June 30, 2013
Actuarial Valuation Date	June 30, 2016	June 30, 2016	June 30, 2016
Inflation	2.30%	2.30%	2.3%. Change from 3.25% prior year.
Salary Increases	0%. Change from 4.00% prior year.	0%. Change from 4.00% prior year.	0%. Change from 4.00% prior year.
Investment rate of return	6.25%. This is change from 7.5% prior year.	6.25%. This is change from 7.5% prior year.	6.25%. This is change from 7.5% prior year.
Health cost trend rates	Underlying assumptions: 1). A short run period-this is a period for which anticipated health care trend rates are manually set based on local information as well as plan-specific and carrier information. 2). Long term real GDP Growth- 1.75%. 3). Long term rate of inflation- 2.3%. 4). Long term nominal GDP growth- 4.05%. 5). Year that excess rate converges to 0-15 years from the valuation. Health Care Cost Trends are thus the manually set rates for the short run period and rates which decline to an ultimate trend rate which equals the assumed nominal long term GDP growth rate.		
Actuarial Cost Method	Entry age normal, Level percentage of pay		Entry age normal, Level percentage of pay
Asset valuation method	5 years smoothing		5 year smoothing
Actuarial assumptions:			
Investment rate of return	6.25%	6.25%	6.25%
Mortality Tables	The mortality table used for active members is RP-2000 Combined Mortality Table projected with scale BB to 2013 (multiplied by 50% for males and 30% for females.) Post retirement mortality (non-disabled) used RP-2000 Combined Mortality Table projected with Scale BB to 2013. Set back one year for females. Post-retirement disabled members RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 Male mortality rates set back four years for male.		
Update procedures applied	The actuarial valuation date of June30, 2016 was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2017 using stanard roll forward procedures .		

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Judicial OPEB Plan	Legislators' OPEB Plan	Kentucky Teachers' OPEB Plan
4.30%	0%	29.09%
6.50%	0%	9.23%
		45.19%
\$ 1,394,000	\$ 13,000	\$ 82,083,000
not available	not available	July 1, 2010 - June 30, 2015
July 1, 2017	July 1, 2017	June 30, 2016
3.00%	3.00%	3.00%
1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter	3.50 - 7.20% including wage inflation
6.24% (traditional plan) 4% (hybrid plan)	6.45% (traditional plan) 4% (hybrid plan)	8.00%
8% for year 1, decreasing 0.25% per year to an ultimate rate of 5% for years 13+	8% for year 1, decreasing 0.25% per year to an ultimate rate of 5% for years 13+	Under Age 65 - 7.75% FYE 2017 decreasing to an ultimate reate of 5.0% by FYE 2023. Age 65 and older is 5.757% for FYE 2017 decreasing to an ultimate rate of 5.0% by FYE 2020. The medicare part B premium is 1.02% for FYE 2017 with an ultimate rate of 5.0% FYE 2029.
Entry age normal	Entry age normal	Entry age normal
5 year smoothing	5 year smoothing	5 year smoothing
6.24%	6.45%	8.00%
Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scale).	Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scale).	Mortality rates were based on RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males of one year for females.

Standard roll forward methods using generally accepted actuarial techniques.

Standard roll forward methods using generally accepted actuarial techniques.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Kentucky Judicial OPEB Plan

The long-term expected rate of return on Judicial and Legislators' OPEB 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 OPEB 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' OPEB Plan's target asset allocation as of June 30, 2017 (see the discussion of the Judicial Plan's investment policy in Note 5) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.05%
International Equity	5.45%
Fixed Income	0.55%
Cash	-1.85%

The discount used to measure the total OPEB liability was 6.5%. 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 rates. Based on those assumptions, the Judicial OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2055. The long-term expected rate of return on the Judicial OPEB Plan's investments was applied to periods of projected OPEB payments through this date, and the municipal bond rate, determined by using the 20-year municipal AA bond yield at July 1, 2017, for the periods thereafter to determine the total OPEB liability. The discount used to measure the total OPEB liability on the second bases was 6.50% for 38 years, and 3.11% thereafter. This is equivalent to an average assumed rate of return of approximately 6.24%.

The following presents the net OPEB liability of the Judicial Plan, calculated using the discount rate of 6.50%, as well as what the Judicial Plan's OPEB 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:

<u>Kentucky Judicial OPEB Plan</u>			
<small>(Expressed in Thousands)</small>			
1% Decrease	Current Rate	1% Increase	
7% Decreasing to 4% over 12 years	8% Decreasing to 5% over 12 years	9% Decreasing to 6% over 12 years	
Net OPEB Liability (Assets)	\$ (20,325)	\$ (27,030)	\$ (32,593)

The following presents the new OPEB liability of the Judicial Plan, calculated using the healthcare cost trend of 8% decreasing to 5% over 12 years, as well as what the OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate.

<u>Kentucky Judicial OPEB Plan</u>			
<u>Healthcare Cost Trend Rates</u>			
<small>(Expressed in Thousands)</small>			
1% Decrease	Current Rate	1% Increase	
7% Decreasing to 4% over 12 years	8% Decreasing to 5% over 12 years	9% Decreasing to 6% over 12 years	
Net OPEB Liability (Assets)	\$ (32,721)	\$ (27,030)	\$ (20,200)

Kentucky Legislators' OPEB Plan

The discount used to measure the total OPEB liability was 6.5%. 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 rates. Based on those assumptions, the Legislators' OPEB Plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2055. The long-term expected rate of return on the Legislators OPEB Plan's investments was applied to periods of projected OPEB payments through this date, and the municipal bond rate, determined by using the 20-year municipal AA bond yield at July 1, 2017, for the periods thereafter to determine the total OPEB liability. The discount used to measure the total OPEB liability on the second bases was 6.50% for 51 years, and 3.11% thereafter. This is equivalent to an average assumed rate of return of approximately 6.45%.

The following presents the net OPEB liability of the Legislators' Plan, calculated using the discount rate of 6.50%, as well as what the Legislative Plan's OPEB 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:

<u>Kentucky Legislator's Retirement Plan</u>			
<small>(Expressed in Thousands)</small>			
1% Decrease	Current Discount Rate	1% Increase	
5.50%	Rate 6.50%	7.50%	
Net OPEB Liability (Assets)	\$ (17,216)	\$ (19,945)	\$ (22,208)

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

The following presents the new OPEB liability of the Judicial Plan, calculated using the healthcare cost trend of 8% decreasing to 5% over 12 years, as well as what the OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate.

Kentucky Legislator's Retirement Plan			
Healthcare Cost Trend Rates			
(Expressed in Thousands)			
	1% Decrease	Current Rate	1% Increase
	7% decreasing to 4% over 12 years	8% decreasing to 5% over 12 years	9% decreasing to 6% over 12 years
Net OPEB Liability (Assets)	\$ (22,202)	\$ (19,945)	\$ (17,250)

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

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table: (See the discussion of investment policy in Note 5)

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4%	2.63%
Global Credit	2%	3.63%
High Yield	7%	5.75%
Emerging Market debit	5%	5.50%
Private Credit	10%	8.75%
Real Estate	5%	7.63%
Absolute Return	10%	5.63%
Real return	10%	6.13%
Private Equity	10%	8.25%
Cash Equivalent	2%	1.88%
Total	100%	

The discount used to measure the total OPEB liability was 5.83% KERS Non-Hazardous, 5.87% for KERS hazardous and 6.01% for State Police. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% KERS hazardous, non-hazardous, and 6.01% for KSP. A municipal bond rate of 3.56% was used for KERS and KSP. Fidelity Index's "20-Year Municipal Go AA Index" as of June 30, 2017. 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 at the actuarial contribution rate. Based on those assumptions, the plan's fiduciary net position was projected to be sufficient to pay benefits payments of the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and the subsidy will not be paid out of the System's trust. The following presents the net OPEB liability calculated using a discount as well as what the liability would be if it were using a discount rate that is 1% point lower or 1% point higher than the current rate:

State Police Retirement System			
(Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
	4.83%	6.01%	6.83%
Net OPEB Liability (Assets)	\$ 176,059	\$ 134,396	\$ 100,088

Kentucky Employees' Retirement System Non Hazardous			
(Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
	4.83%	5.83%	6.83%
Net OPEB Liability (Assets)	\$ 2,146,485	\$ 1,835,982	\$ 1,577,935

Kentucky Employees' Retirement System Hazardous			
(Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
	4.83%	5.83%	6.83%
Net OPEB Liability (Assets)	\$ 71,717	\$ 5,888	\$ (48,046)

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

The following presents the sensitivity of the Net OPEB liability of the KERS and KSPRS, calculated using the healthcare cost trend of 7.75% decreasing to 4.05% over 15 years, as well as what the OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate.

State Police Retirement System

Healthcare Cost Trend Rates

(Expressed in Thousands)

	1% Decrease	Current Rate	1% Increase
	7.75% Decreasing to	7.75% Decreasing to	7.75% Decreasing to
	4.05% over 15 years	4.05% over 15 years	4.05% over 15 years
Net OPEB Liability (Assets) \$	96,881	134,396	180,781

Kentucky Employees' Retirement System Non Hazardous

Healthcare Cost Trend Rates

(Expressed in Thousands)

	1% Decrease	Current Rate	1% Increase
	6.75% Decreasing to	7.75% Decreasing to	8.75% Decreasing to
	3.05% over 15 years	4.05% over 15 years	5.05% over 15 years
Net OPEB Liability (Assets) \$	1,559,990	1,835,982	2,182,538

Kentucky Employees' Retirement System Hazardous

Healthcare Cost Trend Rates

(Expressed in Thousands)

	1% Decrease	Current Rate	1% Increase
	6.75% Decreasing to	7.75% Decreasing to	8.75% Decreasing to
	3.05% over 15 years	4.05% over 15 years	5.05% over 15 years
Net OPEB Liability (Assets) \$	(48,555)	5,888	73,470

Kentucky Teachers' OPEB Plan

The long-term expected rate of return on OPEB plan investments was determined based on the allocation of assets by asset class and by the mean and variance of real return. 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.

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:

Medical Insurance Fund

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Global Equity	60.0%	5.10%
Fixed Income	9.0%	1.20%
Real Estate	4.5%	4.00%
Private Equity	5.50%	6.60%
High Yield	10.00%	4.30%
Other Additional Categories*	10.00%	3.30%
Cash (LIBOR)	1.00%	0.50%
Total	100%	

*Modeled as 50% High Yield and 50% Bank Loan

Life Insurance Fund

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
U.S. Large Cap Equity	38.4%	4.30%
U.S. Small Cap Equity	2.6%	4.80%
Real Estate	15.8%	5.20%
Developws Int'l Equity	4.20%	5.40%
Fixed Income-INV Grade	16.00%	1.20%
Real Estate	6.00%	4.00%
Private Equity	7.00%	6.60%
High Yield	2.00%	4.30%
Other Additional Categories**	7.0*	3.30%
Cash (LIBOR)	2.00%	0.50%
Total	100%	

*As the LIF investment policy is to change, the above table reflects the pension allocation returns that achieved the trgeted 7.5% long-term rate of return

**Modeled as 50% High Yield and 50% Bank Loan

The discount rate used to measure the total OPEB liability was 8% for MIF and 7.5 % for LIF both are net of investment expense including inflation. The projection of cash flows used to determine the discount rate assumed future contributions to the MIF were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1) (c).3 and KRS 161.550 (5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the statutory contribution are to be decreased, suspended, or eliminated: Employee contributions, state contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

The following table presents the net OPEB liability of the System, calculated using the discount rate of 8%, as well as what the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher

Kentucky Teacher's Retirement System
Medical Insurance Fund

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
Net OPEB Liability (Assets)	\$ 1,876,539	\$ 1,611,449	\$ 139,077,959

The following presents the Net OPEB liability of the KTRS OPEB Plan calculated using the healthcare cost trend of 8% decreasing to 5% over 12 years, as well as what the OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate.

Kentucky Teacher's Retirement System Medical
Healthcare Cost Trend Rates

(Expressed in Thousands)

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Assets)	\$ 1,349,545	\$ 1,611,449	\$ 1,806,363

The following presents the net OPEB liability of the KTRS OPEB Plan, calculated using the discount rate of 7.50%, as well as what the KTRS OPEB liability would be if it was calculated using a discount rate that is 1% point lower (6.50%) or 1% point higher (8.57%) than the current rate:

Kentucky Teacher's Retirement System
Life Insurance Fund

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.57%</u>
Net OPEB Liability (Assets)	\$ 10,668	\$ 6,419	\$ 2,939

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Kentucky Judicial OPEB Plan

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized OPEB expenses/(income) of (\$9,043,000) for the Kentucky Judicial Retirement System. Deferred outflows and deferred inflows related to OPEB are from the following sources:

Kentucky Judicial OPEB Plan		
<i>(Expressed in Thousands)</i>		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4	\$ 10,257
Changes in assumptions	2,621	
Net difference between projected and actual earnings on investments		3,542
Change in Proportionate Share		
Contributions subsequent to the measurement date	1,226	
Total	\$ 3,851	\$ 13,799

The \$1,226,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expenses/(income) as follows:

Kentucky Judicial OPEB Plan	
<i>(Expressed in Thousands)</i>	
Year ended June 30:	
2019	\$ (8,521)
2020	(885)
2021	(885)
2022	(885)
2023	1
Thereafter	1

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Kentucky Legislators' OPEB Plan

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized OPEB expenses/(income) of (\$7,200,000) for the Kentucky Legislators' Retirement System. Deferred outflows and deferred inflows related to OPEB are from the following sources:

	Kentucky Legislators' OPEB Plan <i>(Expressed in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 2,202
Changes in assumptions	475	
Net difference between projected and actual earnings on investments		1,845
Change in proportionate share		
Contributions subsequent to the measurement date	6	
Total	\$ 481	\$ 4,047

The \$6,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expenses/(income) as follows:

	Kentucky Legislators' OPEB Plan <i>(Expressed in Thousands)</i>	
Year ended June 30:		
2019	\$	(2,195)
2020		(461)
2021		(460)
2022		(460)
2023		1
Thereafter		3

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Kentucky State Police OPEB Plan

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized OPEB expenses of \$21,386,000, for the Kentucky State Police OPEB Plan. Deferred outflows and deferred inflows related to OPEB are from the following sources:

Kentucky State Police OPEB Plan		
<i>(Expressed in Thousands)</i>		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 439
Changes in assumptions	43,984	
Net difference between projected and actual earnings on investments		7,743
Change in proportionate share		
Contributions subsequent to the measurement date	9,255	
Total	<u>\$ 53,239</u>	<u>\$ 8,182</u>

The \$9,255,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expense as follows:

Kentucky State Police OPEB Plan	
<i>(Expressed in Thousands)</i>	
Year ended June 30:	
2019	\$ 11,260
2020	11,259
2021	11,260
2022	2,023

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Kentucky Employees' Non-Hazardous OPEB Plan

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized OPEB expenses of \$183,395,000 for the Kentucky Employees' Non-Hazardous OPEB Plan. Deferred outflows and deferred inflows related to OPEB are from the following sources:

Kentucky Employees' OPEB Plan		
Non-Hazardous		
<i>(Expressed in Thousands)</i>		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 2,287
Changes in assumptions	241,972	
Net difference between projected and actual earnings on investments	102	23,929
Change in proportionate share		13,568
Contributions subsequent to the measurement date	108,426	
Total	\$ 350,500	\$ 39,784

The \$108,494,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as pension expense as follows:

Kentucky Employees'	
OPEB Plan	
Non-Hazardous	
<i>(Expressed in Thousands)</i>	
Year ended June 30:	
2019	\$ 26,416
2020	26,416
2021	26,416
2022	26,416
2023	96,624
Thereafter	

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Kentucky Employees' Hazardous Retirement System

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized OPEB expenses of \$10,497,000 for the Kentucky Employees' Hazardous OPEB Plan. Deferred outflows and deferred inflows related to OPEB are from the following sources:

	Kentucky Employees' OPEB Plan Hazardous	
	<i>(Expressed in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 846
Changes in assumptions	73,411	
Net difference between projected and actual earnings on investments		21,087
Change in proportionate share		874
Contributions subsequent to the measurement date	3,798	
Total	\$ 77,209	\$ 22,807

The \$3,798,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as pension expense as follows:

	Kentucky Employees' OPEB Plan Hazardous	
	<i>(Expressed in Thousands)</i>	
Year ended June 30:		
2019	\$	10,121
2020		10,121
2021		10,121
2022		10,121
2023		10,121
Thereafter		

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Kentucky Teachers' OPEB Plan

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized OPEB expenses of \$113,000 as an employer and \$6,882,000 as a Governmental Nonemployer Contributing Entity to Kentucky Teachers' OPEB Plan. Deferred outflows and deferred inflows related to OPEB are from the following sources:

	Kentucky Teachers' OPEB Plan			
	<i>(Expressed in Thousands)</i>		<i>(Expressed in Thousands)</i>	
	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				
Net difference between projected and actual earnings on investments	69	316	4,206	19,253
Change in proportionate share				
Contributions subsequent to the measurement date	1,342		81,856	
Total	\$ 1,411	\$ 316	\$ 86,062	\$ 19,253

The \$1,342,000 and \$81,856,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date as the employer and nonemployer contribution entity, respectively will be recognized as a reduction of net OPEB liability during the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expense as follows:

	Kentucky Teachers' OPEB Plan			
	<i>(Expressed in Thousands)</i>		<i>(Expressed in Thousands)</i>	
	Employer		Nonemployer Special Funding Situation	
Year ended June 30:				
2019	\$	(62)	\$	(1,638)
2020		(62)		(1,638)
2021		(62)		(1,638)
2022		(62)		(1,638)
Thereafter				

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

For the Year Ended June 30, 2018, the Commonwealth of Kentucky recognized OPEB expenses of 192,357,000 as an employer and \$6,882,000 as a Governmental Nonemployer Contributing Entity. Deferred outflows and deferred inflows related to OPEB are from the following sources:

	Primary Government			
	<i>(Expressed in Thousands)</i>			
	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	\$ 4	\$ 15,938	\$	\$
Changes in assumptions	352,853			
Net difference between projected and actual earnings on investments	568	57,366	4,206	19,253
Change in proportionate share		13,938		
Contributions subsequent to the measurement date	120,098		81,856	
Total	\$ 473,523	\$ 87,242	\$ 86,062	\$ 19,253

For the Year Ended June 30, 2018, The Commonwealth of Kentucky recognized OPEB expenses of \$6,832,000 and deferred outflows and deferred inflows related to OPEB from the following sources:

	Business-Type Activities	
	<i>(Expressed in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 93
Changes in assumptions	9,611	
Net difference between projected and actual earnings on investments		1,096
Change in proportionate share		13,928
Contributions subsequent to the measurement date	4,019	509
Total	\$ 13,630	\$ 15,626

For the Year Ended June 30, 2018, Major Component Units recognized OPEB expenses of \$24,020,000 and deferred outflows and deferred inflows related to OPEB from the following sources:

	Major Component Units	
	<i>(Expressed in Thousands)</i>	
	as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,164	\$ 41,571
Changes in assumptions	11,259	40,385
Net difference between projected and actual earnings on investments	51	9,498
Change in proportionate share		423
Contributions subsequent to the measurement date	30,891	
Total	\$ 52,365	\$ 91,877

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Primary Government reports \$203,020,000 and Major Component Units report \$30,891,000 as deferred outflows resulting from contributions made subsequent to the measurement date. Outflows from deferred contributions will reduce the net OPEB liability for the year end June 30, 2018, as reflected below. Other amounts reported as deferred outflows and deferred inflows will be recognized in OPEB expense as follows:

	Primary Government			Major
	<i>(Expressed in Thousands)</i>			Component Units
	<u>Governmental Activities</u>	<u>Nonemployer Special Funding Situation</u>	<u>Business-Type Activities</u>	<i>(Expressed in Thousands)</i>
Year ended June 30:				
2019	\$ 42,589	\$ (3,762)	\$ 1,266	\$ (5,447,420)
2020	50,575	(3,762)	1,266	(5,447,420)
2021	50,575	(3,762)	1,266	(5,447,420)
2022	42,589	(3,761)	1,266	(5,448,156)
2023	79,855		2,849	(4,208,003)
Thereafter				463,879

Note 10

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 deferral 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 \$1,092,604,392 in the 457 Plan at June 30, 2018, \$519,646,148 was applicable to the Commonwealth, while the remaining \$572,958,244 represents assets of the other jurisdictions participating in the Plan. The 401(k) Plan had total plan assets of \$1,876,287,865 at June 30, 2018, of which \$758,155,285 was applicable to the Commonwealth, while the remaining \$1,118,132,580 represents other participating jurisdictions.

Note 11

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, 2018, are summarized in Note 16, Changes in Long-Term Obligations.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

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

	Governmental Activities	Business-Type Activities	Component Units-Major
Buildings	\$ 66,358	\$ 29,777	\$ 481,205
Equipment	45,116	877	96,359
Other			100,565
Total	<u>111,474</u>	<u>30,654</u>	<u>678,129</u>
Less: Accumulated depreciation	(62,948)	(6,841)	(334,735)
Total Net of Depreciation	<u>\$ 48,526</u>	<u>\$ 23,813</u>	<u>\$ 343,394</u>

Future minimum rental commitments for capitalizable leases as of June 30, 2018, are as follows (Expressed in Thousands):

	Primary Government				Component Units - Major	
	Governmental		Business-Type		Principal	Interest
	Principal	Interest	Principal	Interest		
2019	\$ 10,682	\$ 1,558	\$ 2,124	\$ 629	\$ 36,522	\$ 10,202
2020	6,752	808	2,156	572	19,321	9,503
2021	5,617	826	2,114	514	16,382	8,766
2022	4,606	1,159	2,155	454	16,567	8,200
2023	4,138	535	2,058	395	18,229	7,618
2024-2028	14,076	1,151	9,380	1,171	108,047	29,936
2029-2033	5,131	683	3,894	186	43,151	10,173
2034-2038					27,365	2,337
Present value of future minimum lease payments	<u>\$ 51,002</u>	<u>\$ 6,720</u>	<u>\$ 23,881</u>	<u>\$ 3,921</u>	<u>\$ 285,584</u>	<u>\$ 86,735</u>

Note 12

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 \$12,883,000 reported in the Program at June 30, 2018, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in Fiscal Years 2018 and 2017 were:

	Fiscal Year 2018	Fiscal Year 2017
Beginning of fiscal year liability	\$ 6,684,000	\$ 7,190,000
Incurred claims		
Changes in estimates		
Claims payments	<u>6,199,000</u>	<u>(506,000)</u>
Balance at Fiscal Year End	<u>\$ 12,883,000</u>	<u>\$ 6,684,000</u>

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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 actuarially determined aggregate claims liability of \$190,605,922 reported in the Program at June 30, 2018, 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 2018 and 2017 were:

	Fiscal Year 2018	Fiscal Year 2017
Beginning of fiscal year liability	\$ 179,033,385	\$ 175,139,265
Claims and claims adjustments incurred	31,152,643	22,720,035
Changes in estimates		
Claims and claims adjustment payments	(19,580,106)	(18,825,915)
Balance at Fiscal Year End	<u>\$ 190,605,922</u>	<u>\$ 179,033,385</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 \$30,496,964 reported in the Program at June 30, 2018, 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 2018 and 2017 were:

	Fiscal Year 2018	Fiscal Year 2017
Beginning of fiscal year liability	\$ 31,660,732	\$ 31,649,485
Claims and claims adjustments incurred	2,264,962	3,285,889
Changes in estimates		
Claims and claims adjustment payments	(3,428,730)	(3,274,642)
Balance at Fiscal Year End	<u>\$ 30,496,964</u>	<u>\$ 31,660,732</u>

Note 13

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 \$538,969,675 as reported in the financial statements, is the present value of the aggregate actuarially determined claims liability of \$781,231,000 discounted at 3.95 percent, and net of the estimated realizable value of reimbursements. The claims adjusted liability of \$18,621,559 as reported in the financial statements is the present value of the aggregate actuarially determined liability of \$23,032,000 discounted at 3.95 percent and net of the estimated realizable value of reimbursements.

With a recent change in investment strategy in September 2018, the average annual yield of investments used to discount the 2018 claims liability was increased to 3.95 percent compared to 1.6 percent used in 2017. The increased discount rate has a beneficial impact on the discounted claims liability and related expense as of and for the year ended June 30, 2018:

	Fiscal Year 2018	Fiscal Year 2017
Beginning of fiscal year liability	\$ 878,214,000	\$ 925,675,000
Claims and claims adjustments incurred	7,158,000	7,280,000
Changes in estimates	(28,531,000)	2,219,000
Claims and claims adjustment payments	(52,578,000)	(56,960,000)
Balance at Fiscal Year End	<u>\$ 804,263,000</u>	<u>\$ 878,214,000</u>

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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:

	Fiscal Year 2018	Fiscal Year 2017
Beginning of fiscal year liability	\$ 193,345,123	\$ 193,345,123
Claims and claims adjustments incurred	13,009,661	16,020,926
Changes in estimates		
Claims and claims adjustment payments	(13,009,661)	(16,020,926)
Balance at Fiscal Year End	<u>\$ 193,345,123</u>	<u>\$ 193,345,123</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.

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 \$1,502,277 as reported in the financial statements is the aggregate actuarially determined claims liability.

	Fiscal Year 2018	Fiscal Year 2017
Beginning of fiscal year liability	\$ 2,465,433	\$ 116,728,544
Claims and claims adjustments incurred		
Changes in estimates	(963,156)	(114,263,111)
Claims and claims adjustment payments		
Balance at Fiscal Year End	<u>\$ 1,502,277</u>	<u>\$ 2,465,433</u>

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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 zero claims liability at June 30, 2018. Changes in the Program’s aggregate liabilities for the claims and claims adjustments for the past two years were:

	Fiscal Year 2018	Fiscal Year 2017
Beginning of fiscal year liability	\$	\$
Claims and claims adjustments incurred	289	626
Changes in estimates		
Claims and claims adjustment payments	(289)	(626)
Balance at Fiscal Year End	<u>\$</u>	<u>\$</u>

Kentucky Public Employees Health Plan:

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

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

The Plan develops premium equivalent rates each year by utilizing historical trend information, current claims experience and national trends. An outside actuarial consultant advises the Plan Administra-

tor 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 \$90,856,438 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 2018	Fiscal Year 2017
Beginning of fiscal year liability	\$ 80,037,885	\$ 120,385,655
Claims and claims adjustments incurred	1,603,675,028	1,499,476,871
Changes in estimates	(5,911,182)	(2,110,318)
Claims and claims adjustment payments	<u>(1,586,945,293)</u>	<u>(1,537,714,323)</u>
Balance at Fiscal Year End	<u>\$ 90,856,438</u>	<u>\$ 80,037,885</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 2018 or 2017; and, there was not a claims liability for FY 2018 or FY 2017.

Risk Pools - Fiduciary Funds

Coal Workers' Pneumoconiosis Fund:

The Coal Workers' Pneumoconiosis Fund (CWPF) was established within the Labor Cabinet through action of the December 1996 Special Session of the General Assembly. As created, the CWPF was 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, with the employer being liable for the remaining half.

House Bill No. 377, *An Act Relating to the Workers' Compensation Funding Commission*, was signed into law in April 2017. One provision of the bill closed the CWPF effective July 1, 2017, to any coal workers' pneumoconiosis claims filed after June 30, 2017. Assets and liabilities of the CWPF were transferred through a loss portfolio transfer agreement to the Kentucky Employers' Mutual Insurance (KEMI) Authority, which is a nonprofit, independent, self-supporting mutual corporation and political subdivision of the Commonwealth.

Accordingly, the CWPF has no liability for income benefits for coal workers' pneumoconiosis claims on or after July 1, 2017. Under the provisions of the loss portfolio transfer agreement, the Workers' Compensation Funding Commission will continue to collect assessments for the CWPF and forward them to KEMI.

As a result of the enacted legislation, which changed the nature of the CWPF, the Workers' Compensation Funding Commission has re-categorized the CWPF from enterprise to agency fund during fiscal year 2018 to account for the funds collected and held on behalf of KEMI.

Changes in the aggregate liability for claims and claims adjustments for the past two years were as follows:

	Fiscal Year 2018	Fiscal Year 2017
Beginning of fiscal year liability	\$ 40,943,000	\$ 56,421,000
Claims and claims adjustments incurred		2,536,000
Changes in estimates		(8,787,000)
Claims and claims adjustment payments		(9,227,000)
Loss Portfolio transfer to KEMI	(40,943,000)	
Balance at Fiscal Year End	<u>\$ 40,943,000</u>	<u>\$ 40,943,000</u>

Note 14

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, 2018, the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated December 28, 2017, were issued for the Boone County School District Finance Corporation to refund a 2011 issue. The Commission's portion of the refunding issue was \$1,667,856 maturing April 1, 2018, through April 1, 2031, and carrying interest rates of 2.000% to 3.000%.

Revenue refunding bonds dated October 26, 2017, were issued for the Carter County School District Finance Corporation to refund a 2011 issue. The Commission's portion of the refunding issue was \$2,444,275 maturing February 1, 2018, through February 1, 2031, and carrying interest rates from 2.500% to 3.000%.

Revenue refunding bonds dated October 18, 2017, were issued for the Clay County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$2,715,000 maturing January 1, 2018, through January 1, 2028, and carrying interest rates from 2.000% to 2.500%.

Revenue refunding bonds dated December 21, 2017, were issued for the Floyd County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$811,738 maturing February 1, 2018, through August 1, 2028, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated November 21, 2017, were issued for the Garrard County School District Finance Corporation to refund a 2007A and 2007B issue. The Commission's portion of the refunding issue was \$48,840 maturing December 1, 2018, through December 1, 2021, and carrying interest rates of 2.000% to 3.000%.

Revenue refunding bonds dated October 20, 2017, were issued for the Glasgow Independent School District Finance Corporation to refund a 2011 issue. The Commission's portion of the refunding issue was \$1,014,192 maturing April 1, 2018, through April 1, 2031, and carrying interest rates of 1.200% to 3.000%.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

Revenue refunding bonds dated December 28, 2017, were issued for the Hardin County School District Finance Corporation to refund a 2011 issue. The Commission's portion of the refunding issue was \$1,236,585 maturing February 1, 2018, through February 1, 2031, and carrying interest rates from 3.000% to 4.000%.

Revenue refunding bonds dated July 11, 2017, were issued for the Harlan Independent School District Finance Corporation to refund a 2006 issue. The Commission's portion of the refunding issue was \$1,025,000 maturing August 1, 2017, through February 1, 2027, and carrying interest rates from 2.000% to 2.250%.

Revenue refunding bonds dated September 20, 2017, were issued for the Hopkins County School District Finance Corporation to refund a 2011 issue. The Commission's portion of the refunding issue was \$1,426,210 maturing April 1, 2018, through April 1, 2031, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated September 20, 2017, were issued for the Knox County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$2,253,476 maturing February 1, 2018, through February 1, 2028, and carrying interest rates of 2.000% to 2.250%.

Revenue refunding bonds dated October 5, 2017, were issued for the McLean County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$691,134 maturing April 1, 2018, through April 1, 2028, and carrying interest rates from 2.000% to 2.375%.

Revenue refunding bonds dated December 7, 2017, were issued for the Ohio County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$427,103 maturing May 1, 2018, through May 1, 2022, and carrying an interest rate of 3.000%.

Revenue refunding bonds dated December 28, 2017, were issued for the Owen County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$768,146 maturing April 1, 2018, through April 1, 2029, and carrying interest rates of 3.000% to 4.000%.

Revenue refunding bonds dated August 3, 2017, were issued for the Pulaski County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$775,906 maturing April 1, 2018, through April 1, 2029, and carrying interest rates of 2.000% to 3.000%.

State Property and Buildings Commission

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

\$128,560,000 Project No. 117C and Project No. 117D, Revenue Refunding Bonds dated August 31, 2017. These bonds consist of Serial bonds maturing on May 1, 2018 through May 1, 2030 carrying interest rates of 1.851% to 5.000%. The net proceeds in the amount of \$137,856,332 were deposited in the Bond Fund for Prior Bonds and used for refunding of Project No. 87 in the amount of \$2,845,000 maturing March 1, 2018 through March 1, 2027 carrying interest rates of 4.000% to 5.000%; Project No. 90 in the amount of \$96,170,000 maturing November 1, 2019 through November 1, 2028 carrying interest rates of 5.000% to 5.750%; Project No. 93 in the amount of \$16,230,000 maturing February 1, 2022 through February 1, 2027 carrying an interest rate of 5.250%; and Project No. 96 in the amount of \$13,320,000 maturing November 1, 2025 through November 1, 2029 carrying interest rates of 4.250% to 5.000%. The refunding will result in net savings (increase in cash flows) of \$7,829,295 in future periods and a present value savings of \$8,112,651 at 2.6872%.

\$9,580,000 Project No. 120, Agency Fund Revenue Refunding Bonds dated June 19, 2018. These bonds consist of Serial bonds maturing on June 1, 2019 through June 1, 2028 carrying interest rates of 3.000% to 5.000%. The net proceeds in the amount of \$12,333,302 were deposited in the Bond Fund for Prior Bonds and used for a partial refunding of Project No. 92 bonds in the amount of \$3,380,000 maturing on June 1, 2028 carrying an interest rate of 8.250%; and Project No. 97 bonds in the amount of \$1,850,000 maturing June 1, 2019, through June 1, 2025 carrying interest rates of 4.400% to 5.450%; and Kentucky Asset/Liability Commission Project notes titled 2005 Agency Fund 1st Series in the amount of \$5,375,000 maturing on June 1, 2020 to June 1, 2025 carrying interest rates of 5.060% to 5.230%. The refunding will result in net savings (increase in cash flows) of \$2,155,116 in future periods and a present value savings of \$1,849,687 at 3.6696%.

The Turnpike Authority of Kentucky

The Turnpike Authority of Kentucky issued the following Revenue Refunding Bonds:

\$146,920,000 2017 Series B, Revenue Refunding Bonds dated August 23, 2017. These bonds consist of Serial bonds maturing on July 1, 2018 through July 1, 2028 carrying interest rates of 2.500% to 5.000%. The net proceeds in the amount of \$175,304,213 were deposited in the Bond Fund for Prior Bonds and used for refunding of 2011 Series A in the amount of \$33,030,000 maturing July 1, 2022 through July 1, 2028 carrying interest rates of 4.000% to 5.000%; 2012 Series A in the amount of \$77,555,000 maturing July 1, 2023 through July 1, 2028 carrying an interest rate of 5.000%; and 2013 Series A in the amount of \$40,780,000 maturing July 1, 2024 through July 1, 2027 carrying interest rates of 3.750% to 5.000%. The refunding will result in net savings (increase in cash flows) of \$8,984,673 in future periods and a present value savings of \$7,824,655 at 2.2290%.

Component Units

Louisville Arena Authority issued \$377,765,000 of Refunding Revenue Bonds, Series 2017A and 2017B dated December 20, 2017. These bonds mature December 1, 2021 through December 1, 2047 and carry interest rates of 2.967% through 5.000%. The net proceeds in the amount of \$410,357,196 will be used to refund outstanding Series 2008A, 2008B and 2008C Series Bonds, fund a debt service reserve fund, provide certain working capital funds, and fund a renovation and replacement fund, along with paying the costs incurred in connection with the issuance of the bonds. The refunding will result in a present value savings of \$23,560,327 at 4.545%.

Note 15

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 16

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, 2018.

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

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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, 2018 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 \$273,450,000 in revenue and agency fund revenue bonds as follows:

\$15,085,000 Project No. 117A, Revenue Bonds dated August 31, 2017. These bonds mature on May 1, 2018 through May 1, 2032 carrying interest rates of 1.851% to 4.007%. The net proceeds in the amount of \$15,085,000 will be used to finance a portion of various public projects, including economic development projects and community development projects and pay costs of issuing the bonds.

\$91,280,000 Project No. 117B, Revenue Bonds dated August 31, 2017. These bonds mature May 1, 2018 through May 1, 2037 carrying interest rates of 3.000% to 5.000%. The net proceeds in the amount of \$100,508,781 will be used to finance a portion of various public projects, including economic development projects and community development projects and pay costs of issuing the bonds.

\$128,560,000 Project No. 117C and Project No. 117D, Revenue Refunding Bonds dated August 31, 2017. These bonds mature on May 1, 2018 through May 1, 2030 carrying interest rates of 1.851% to 5.000%. The net proceeds in the amount of \$137,856,332 were deposited in the Bond Fund for Prior Bonds and used for refunding of Project No. 87 in the amount of \$2,845,000 maturing March 1, 2018 through March 1, 2027 carrying interest rates of 4.000% to 5.000%; Project No. 90 in the amount of \$96,170,000 maturing November 1, 2019 through November 1, 2028 carrying interest rates of 5.000% to 5.750%; Project No. 93 in the amount of \$16,230,000 maturing February 1, 2022 through February 1, 2027 carrying an interest rate of 5.250%; and Project No. 96 in the amount of \$13,320,000 maturing November 1, 2025 through

November 1, 2029 carrying interest rates of 4.250% to 5.000%. The refunding will result in net savings (increase in cash flows) of \$7,829,295 in future periods and a present value savings of \$8,112,651 at 2.6872%.

\$28,945,000 Project No. 118, Agency Fund Revenue Bonds dated May 24, 2018. These bonds mature April 1, 2019 through April 1, 2038 carrying interest rates of 3.000% to 5.000%. The net proceeds in the amount of \$30,850,468 will be used to pay the costs of the 2018 Project for the State Agency, make the required deposit into the Reserve Fund and pay the costs of issuing the bonds.

\$271,170,000 Project No. 119, Revenue Bonds dated June 19, 2018. These funds consist of Serial bonds maturing on May 1, 2019 through May 1, 2038 carrying interest rates of 3.875% through 5.000%. The net proceeds in the amount of \$301,649,269 will be used to pay the costs of various public projects, including economic development projects and community development projects and costs of issuance.

\$9,580,000 Project No. 120, Agency Fund Revenue Refunding Bonds dated June 19, 2018. These bonds consist of Serial bonds maturing on June 1, 2019 through June 1, 2028 carrying interest rates of 3.000% to 5.000%. The net proceeds in the amount of \$12,333,302. were deposited in the Bond Fund for Prior Bonds and used for a partial refunding of Project No. 92 bonds in the amount of \$3,380,000 maturing on June 1, 2028 carrying an interest rate of 8.250%; and Project No. 97 bonds in the amount of \$1,850,000 maturing June 1, 2019, through June 1, 2025 carrying interest rates of 4.400% to 5.450%; and Kentucky Asset/Liability Commission Project notes titled 2005 Agency Fund 1st Series in the amount of \$5,375,000 maturing on June 1, 2020 to June 1, 2025 carrying interest rates of 5.060% to 5.230%. The refunding will result in net savings (increase in cash flows) of \$2,155,116 in future periods and a present value savings of \$1,849,687 at 3.6696%.

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 \$27,415,000 of 2017 Series A, Revenue Bonds dated August 23, 2017. These bonds mature on July 1, 2022 through July 1, 2037 carrying interest rates of 2.000% to 5.000%. The net proceeds in the amount of \$30,163,193 will be used to pay the costs of certain Revitalization Projects and pay costs of issuance.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

\$146,920,000 of 2017 Series B, Revenue Refunding Bonds dated August 23, 2017. These bonds mature on July 1, 2018 through July 1, 2028 carrying interest rates of 2.500% to 5.000%. The net proceeds in the amount of \$175,304,213 were deposited in the Bond Fund for Prior Bonds and used for refunding of 2011 Series A in the amount of \$33,030,000 maturing July 1, 2022 through July 1, 2028 carrying interest rates of 4.125% to 5.000%; 2012 Series A in the amount of \$77,555,000 maturing July 1, 2023 through July 1, 2028 carrying an interest rate of 5.000%; and 2013 Series A in the amount of \$40,780,000 maturing July 1, 2024 through July 1, 2027 carrying interest rates of 3.750% to 5.000%. The refunding will result in net savings (increase in cash flows) of \$8,984,673 in future periods and a present value savings of \$7,824,655 at 2.2290%.

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 2018.

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 164.860 but is limited to \$16 million of refunding debt.

State supported universities issued \$244,390,000 in General Receipts Bonds and General Receipts Refunding Bonds.

Eastern Kentucky University issued \$21,860,000 of 2018 Series A General Receipts Bonds dated January 30, 2018. These bonds mature on October 1, 2018 through October 1, 2037 carrying interest rates of 3.125% to 5.000%. The proceeds will be used by the University to pay cost of acquisition, construction, installation and equipping Student Life Facilities as identified in H.B. 202 of the General Assembly of the Commonwealth of Kentucky, 2016 Regular Session and to pay the costs of issuing the 2018 Series A Bonds.

The University of Kentucky issued \$222,530,000 of General Receipts Bonds as follows:

\$212,470,000 of General Receipts, 2018 Series A, dated February 20, 2018. These bonds mature October 1, 2025 through October 1, 2042 and carry interest rates of 3.000% to 5.000%; term bonds in the amount of \$6,355,000 and \$11,470,000 maturing on October 1, 2041 and October 1, 2047 with interest rates of 3.250% and 3.500%. The proceeds will be used by the University to pay costs

of the acquisition, construction, installation and equipping of the Renovate/Upgrade Healthcare Facilities and Facilities Renewal, Modernization, and Deferred Maintenance projects identified in H.B. 303 of the General Assembly of the Commonwealth of Kentucky, 2016 Regular Session, and the Expand/renovate/Upgrade Law Building project identified in H.B. 235, and pay costs of issuing the 2018 Series A Bonds and the 2018 Series B Bonds.

\$10,060,000 of General Receipts, 2018 Taxable Series B, dated February 20, 2018. These bonds consist of Term bonds maturing on October 1, 2025 and carry an interest rate of 2.650%. The proceeds will be used by the University to pay costs of the acquisition, construction, installation and equipping of the Facilities Renewal, Modernization, and Deferred Maintenance project identified in H.B. 303 of the General Assembly of the Commonwealth of Kentucky, 2016 Regular Session, and the Expand/Renovate/Upgrade Law Building project identified in H.B. 235, and pay costs of issuing the 2018 Series A Bonds and the 2018 Series B Bonds. The 2018 Series B bonds are not subject to redemption prior to their maturity date.

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 no bonds during fiscal year 2018.

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 \$60,000,000 of Wastewater and Drinking Water Revolving Revenue Bonds, Series 2018A dated April 4, 2018. These bonds mature February 1, 2020 through February 1, 2031 and carry interest rates of 2.750% to 5.000%. The proceeds will be used to provide funds to make a loan or loans pursuant to an Assistance Agreement to certain Governmental Agencies to finance infrastructure projects and to pay the costs of issuance of the Series 2018A bonds.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

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

The authority issued no bonds during fiscal year 2018.

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 \$171,068,000 in Student Loan Asset-backed Bonds, 2017-1 dated December 21, 2017 with a final maturity date of December 1, 2037, which carry variable interest rates that change based on specified indices. The proceeds from the sale of the bond will be used to defease certain bonds issued by the Corporation and 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 a \$452,200,000 Series 2017, TIFIA Loan dated July 1, 2017. The funds will be used to pay off principal outstanding for Series 2013 Subordinate Tier Toll Revenue BANS.

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 2018.

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 Build-

ing Authority (KSBA) and empowered pursuant to KRS 157.640 with all rights of successorship necessary to assure all legal and contractual functions and liabilities associated with the outstanding bonds issued in the name of the Authority, including refunding of then existing Authority debt. The Commission is an independent corporate agency and instrumentality of the Commonwealth pursuant to KRS 157.611 through 157.640 and empowered therein to: (1) act on behalf of local school districts to issue bonds in the name of the Commission and to enter into lease agreements with local boards of education to finance construction of new facilities or major renovation of existing facilities; (2) enter into agreements which may provide for a percentage discount, on a biennially renewable basis, of annual lease agreements due the Commission for those districts which participate; and (3) enter into lease agreements with the Department of Education to build State-owned facilities operated by the Department of Education.

During the fiscal year ended June 30, 2018, the Commission sold school building revenue and revenue refunding bond issues having aggregate state participation of \$103,991,433 maturing through August 1, 2038, at interest rates of 0.050% to 5.00%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 2018, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018. 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, 2018.

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 20, 2018.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

The KentuckyWired Infrastructure Company, Inc.

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. (the Company) a non-profit component unit of the Commonwealth. The non-profit was formed in 2015 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.

The Kentucky Economic Development Finance Authority issued Senior Revenue bonds dated September 3, 2015 for the KentuckyWired Infrastructure Company, Inc. (the Company). In Fiscal Year 2018, the Company made an additional draw of \$13,146,280 increasing the total principal to \$297,016,280 with no debt retirement payments made as of June 30, 2018. The debt service requirements are shown in the following chart.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 2018, are as follows (Expressed in Thousands):

Long-Term Obligations	Principal Outstanding	Interest Rate	Annual Maturity To
Agency:			
State Property and Buildings Commission	\$ 3,859,470	1.00%-8.25%	2038
Kentucky School Facilities Construction Commission	1,150,259	.050%-5.90%	2038
Turnpike Authority of Kentucky	1,300,515	1.00%-5.72%	2037
Total	<u>\$ 6,310,244</u>		

Future revenue bond debt service requirements, to be paid with State Funds, at June 30, 2018, are as follows (Expressed in Thousands):

Year Ending June 30	Principal	Interest	Totals
2019	\$ 547,514	\$ 261,736	\$ 809,250
2020	544,236	242,144	786,380
2021	549,167	218,498	767,665
2022	570,097	191,360	761,457
2023	426,714	168,111	594,825
2024-2028	1,974,504	576,361	2,550,865
2029-2033	1,177,270	219,463	1,396,733
2034-2038	518,418	50,391	568,809
2039-2043	2,324	1	2,325
Total	<u>\$ 6,310,244</u>	<u>\$ 1,928,065</u>	<u>\$ 8,238,309</u>

Future debt service requirements for aggregated Next Generation Kentucky Information Highway Project at June 30, 2018, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2019	\$ 687	\$ 14,453	\$ 15,140
2020	1,659	14,589	16,248
2021	1,918	14,503	16,421
2022	2,291	14,403	16,694
2023	2,804	14,288	17,092
2024-2028	22,457	69,037	91,494
2029-2033	41,683	61,778	103,461
2034-2038	67,461	49,395	116,856
2039-2043	102,620	29,085	131,705
2044-2048	53,437	3,566	57,003
Total	<u>\$ 297,017</u>	<u>\$ 285,097</u>	<u>\$ 582,114</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Component Unit Revenue Bonds payable as of June 30, 2018 (Expressed in Thousands):

<u>Component Unit Revenue Bonds Payable:</u>	<u>Principal Outstanding</u>	<u>Interest Rate</u>	<u>Annual Maturity To</u>
Kentucky Housing Corporation *	\$ 485,275	2.00%-5.000%	2042
Kentucky Infrastructure Authority*	230,435	2.00%-5.290%	2032
Kentucky Higher Education Student Loan Corporation	816,151	0.700%-5.000%	2038
Kentucky Public Transportation Infrastructure Authority	816,725	3.000%-6.875%	2054
University of Kentucky*	1,090,310	1.030%-3.900%	2047
University of Louisville*	280,871	1.500%-6.460%	2035
Louisville Arena Authority	377,765	2.967%-5.000%	2047
Eastern Kentucky University	119,825	2.000%-5.000%	2038
Western Kentucky University*	226,231	2.000%-5.000%	2042
Murray State University *	68,290	1.000%-5.000%	2035
Morehead State University	76,890	1.000%-5.000%	2037
Kentucky State University	2,525	3.625%-3.875%	2027
Northern Kentucky University*	104,980	2.000%-5.000%	2034
Total Component Unit Revenue Bonds Payable	\$ 4,696,273		

* Amounts reflect original issue

Future revenue bond debt service requirements for bonds issued by the Commonwealth's Component Units at June 30, 2018, are as follows (Expressed in Thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 139,471	\$ 161,909	\$ 301,380
2020	159,221	166,496	325,717
2021	165,661	160,572	326,233
2022	168,061	154,279	322,340
2023	171,901	147,856	319,757
2024-2028	1,283,122	670,849	1,953,971
2029-2033	691,049	474,584	1,165,633
2034-2038	758,914	343,850	1,102,764
2028-2032	495,935	233,246	729,181
2037-2041	404,690	117,792	522,482
2038-2042	231,598	37,304	268,902
Thereafter	26,650	800	27,450
Total	\$ 4,696,273	\$ 2,669,538	\$ 7,365,811

NOTES PAYABLE At June 30, 2018, 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 \$27,775,000 of 2018 1st Series, Agency Fund Project Notes dated June 1, 2018. The Commission shall

have the right to prepay the loan by optional prepayment, provided that prior notice is given.

The Component Units of the Commonwealth reported notes payable of \$241,862 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 154 and 155.

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.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Memorandum of Understanding (MOU) – The Commonwealth of Kentucky has entered into an understanding with The Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC). 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, 2018, are as follows (Expressed in Thousands)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 5,325	\$ 5,932	\$ 11,257
2020	5,590	5,666	11,256
2021	5,870	5,387	11,257
2022	6,165	5,093	11,258
2023	6,475	4,785	11,260
2024-2028	37,625	18,674	56,299
2029-2033	48,525	7,769	56,294
Total	<u>\$ 115,575</u>	<u>\$ 53,306</u>	<u>\$ 168,881</u>

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 a project to construct a state office building (300 Building).

A debt payment of \$1,160,000 was made on those Certificates in 2018. The remaining debt service requirement, the trustee fee and management and maintenance fee under the lease agreement are shown in the chart on the next page.

The Cabinet issued \$110,675,000 in Certificate of Participation, Series 2018A and 2018 B dated October 15, 2018. These Certificates consisted of:

- \$107,260,000 Series 2018A Certificates maturing April 15, 2022 through April 15, 2040 carrying interest rates of 3.750% to 4.000%;
- \$17,870,000 Series 2018A Term Certificates, due April 15, 2038 carrying an interest rate of 5.000%;
- \$37,760,000 Series 2018A Term Certificates, due April 15, 2048 carrying an interest rate of 4.000%;
- \$11,395,000 Series 2018A Term Certificates due April 15, 2050 carrying an interest rate of 4.000%; and
- \$3,415,000 Series 2018B Certificates maturing April 15, 2021 through April 15, 2022 carrying interest rates of 2.875% to 3.000%.

The proceeds of the bonds will be deposited to various trustee bank accounts and will be used to pay the costs of construction, installation, improvement and equipping of the office building consisting of approximately 385,022 square feet in Frankfort, Kentucky, pay interest coming due, fund an initial deposit to the operations and maintenance fund/capital reserve fund, and pay costs of issuance of the certificates. There is an annual trustee fee of \$4,500 through April 1, 2050 and a Facilities Lease agreement (renewable in two-year increments at the option of the Cabinet) to provide certain management and maintenance services pertaining to the office building. The office building is designed to accommodate 1,500 workers. 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 on the next page.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

*Future debt service requirements for Certificates of Participation June 30, 2018, are as follows
(Expressed in Thousands)*

Year Ending June 30	Principal	Interest	Operations & Maintenance	Totals
2019	\$ 1,205	\$ 2,748	\$ 455	\$ 4,408
2020	1,250	2,688	1,226	5,164
2021	3,600	7,206	1,262	12,068
2022	3,675	7,036	1,305	12,016
2023	3,775	6,901	1,345	12,021
2024-2028	20,600	32,146	7,349	60,095
2029-2033	23,595	28,008	8,512	60,115
2034-2038	27,730	22,543	9,860	60,133
2039-2043	32,940	15,785	11,424	60,149
2044-2048	38,110	8,829	13,240	60,179
2049-2053	20,460	1,450	5,195	27,105
Total	\$ 176,940	\$ 135,340	\$ 61,173	\$ 373,453

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 147.

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, GASB 71 and GASB 75 establish financial reporting of deferred inflows of resources and deferred outflows of resources related to pensions other post employment benefits. Additional information can be found in Note 8 and Note 9. See the chart on the following page.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

*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	\$ 32,724	\$	\$ 15,459
Interest Rate Swap-Derivative	(7,948)		
Pension Related Outflows	7,305,342	76,277	98,694
OPEB Related Outflows	554,843	13,739	52,365
Total	\$ 7,884,961	\$ 90,016	\$ 166,518
Deferred Inflow of Resources:			
Deferred Gain on Refunding	\$ 87,372	\$	\$ 14,613
Interest Rate Swap-Derivative	(7,948)		
Service Concession Arrangement			584,356
Pension Related Inflows	2,603,860	11,721	138,104
OPEB Related Inflows	84,476	1,769	91,877
Total	\$ 2,767,760	\$ 13,490	\$ 828,950

Future debt service requirements for aggregated Notes Payable for the Primary Government at June 30, 2018, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2019	\$ 170,255	\$ 42,627	\$ 212,882
2020	142,620	35,661	178,281
2021	124,175	29,476	153,651
2022	111,240	23,758	134,998
2023	116,760	18,653	135,413
2024-2028	343,090	33,481	376,571
Total	\$ 1,008,140	\$ 183,656	\$ 1,191,796

Future debt service requirements for aggregated Notes Payable for the Component Units at June 30, 2018, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2019	\$ 124,742	\$ 4,379	\$ 129,121
2020	24,206	2,282	26,488
2021	14,209	1,597	15,806
2022	29,665	1,448	31,113
2023	5,054	799	5,853
2024-2028	17,750	3,128	20,878
2029-2033	12,474	1,832	14,306
2034-2038	9,204	513	9,717
2039-2043	4,558	96	4,654
Total	\$ 241,862	\$ 16,074	\$ 257,936

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2018

Changes in long-term liabilities for the fiscal year ended June 30, 2018, are summarized as follows (Expressed in Thousands):

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due In One Year	Due Thereafter
Governmental Activities						
Compensated absences	\$ 241,700	\$ 1,053	\$ (8,061)	\$ 234,692	\$ 175,964	\$ 58,728
Capital leases	46,256	17,453	(12,707)	51,002	10,682	40,320
Claims liability	217,378	33,418	(16,810)	233,986	31,760	202,226
Notes payable	1,196,130	29,020	(217,010)	1,008,140	170,255	837,885
Certificate of Participation	67,425	110,675	(1,160)	176,940	1,205	175,735
KWIC	283,870	13,146		297,016	687	296,329
Bonds payable	6,276,003	822,946	(788,705)	6,310,244	545,504	5,764,740
Unamortized premiums	513,879	84,890	(71,790)	526,979	48,885	478,094
Unamortized discounts	(9,492)	(1,064)	2,155	(8,401)	(691)	(7,710)
Judgments and contingent liabilities	395,022	23,506	(39,572)	378,956	64,589	314,367
LFUCGPFC MOU obligations	120,651		(5,076)	115,575	5,326	110,249
Pollution remediation liabilities	11,654	925	(2,479)	10,100	2,061	8,039
Net OPEB liability	3,341,792	163,908		3,505,700		3,505,700
Net pension liability	38,245,273		(102,711)	38,142,562		38,142,562
Total Governmental Activities	50,947,541	1,299,876	(1,263,926)	50,983,491	1,056,227	49,927,264
Business-Type Activities						
Compensated absences	7,966	300	(712)	7,554	6,365	1,189
Capital leases	10,219	15,173	(1,511)	23,881	2,124	21,757
Judgments Payable	5	2	(6)	1	1	
Claims and claims adjustment liability	1,058,050	20,239	(234,996)	843,293	159,002	684,291
Net OPEB liability		67,484		67,484		67,484
Net pension liability	306,040	55,155		361,195		361,195
Other Liabilities	26,493	3,052		29,545		29,545
Total Business-Type Activities	1,408,773	161,405	(237,225)	1,332,953	167,492	1,165,461
Total Primary Government	\$ 52,356,314	\$ 1,461,281	\$ (1,501,151)	\$ 52,316,444	\$ 1,223,719	\$ 51,092,725
Major Component Units						
Compensated absences	\$ 20,878	\$ 30,823	\$ (15,216)	\$ 36,485	\$ 21,261	\$ 15,224
Capital leases	250,824	56,469	(21,709)	285,584	36,522	249,062
Prize liability	43,447		521	43,968	31,061	12,907
Claims liability		140,017		140,017	140,017	
Notes payable	191,065	500,283	(472,887)	218,461	117,551	100,911
Bonds payable	3,403,880	449,627	(359,117)	3,494,390	85,147	3,409,243
Net OPEB Liability	285,089	136,364	(81,949)	339,504		339,504
Net Pension Obligation	622,827	41,709	(135,898)	528,638		528,638
Total Major Component Units	\$ 4,818,010	\$ 1,355,292	\$ (1,086,255)	\$ 5,087,047	\$ 431,559	\$ 4,655,489

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

Interest Rate Swap Agreements - The Commonwealth currently has three outstanding interest rate swaps. Each of these swaps were entered into 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. Additionally, the maturities exactly match the maturity schedule of the hedged debt. Note: The fair values are model determined values reconciled to indicative pricing from the counter-party.

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, 2018. There is no collateral pledged by either party to the interest rate swaps. The Commonwealth's credit risk is limited to the market value of the individual interest rate swaps. The counterparty is rated Baa2 by Moody's.

Interest Rate Risk - The Commonwealth's interest rate swaps were designed to synthetically fix the rate on four floating rate debt issuances. In order to achieve this goal, the amortization schedules, floating rate formula and index, pricing dates and other

variables of both the floating rate side of the swap and the debt are exactly matched. Using the Synthetic Instrument Method for determining hedge effectiveness showed a 100% for each derivative. Because the pricing dates, formulas and indices are identical, there is no basis risk.

Termination Risk - Mandatory termination of each of these swaps would be triggered if the credit ratings of the Commonwealth State Property and Building Commission were to fall below BBB- by Standard and Poor's or Baa3 by Moody's or if the credit ratings of the counterparty were to fall below Baa3 by Moody's or BBB- 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, 2018 (Expressed in Thousands)**

Project Notes	Effective Date	Notional Amounts		Maturity Date	Pay-Fixed		Fair Value 6/30/2017	Fair Value 6/30/2018	Change in Fair Value
		Original	Outstanding		Rate	Variable Rate			
2007 ALCo	5/31/2007	\$ 25,210	\$	11/1/2017	3.839%	67% 3M LIBOR +.4%	\$ (36)	\$	\$ 36
2007 ALCo	5/31/2007	71,310	52,170	11/1/2021	4.042%	67% 3M LIBOR +.52%	(10,161)	(6,489)	3,672
2007 ALCo	5/31/2007	70,935	70,935	11/1/2025	4.125%	67% 3M LIBOR +.55%	(5,652)	(3,504)	2,148
2007 ALCo	5/31/2007	75,625	43,860	11/1/2027	4.066%	67% 3M LIBOR +.53%	(3,861)	(1,769)	2,092
Total		<u>\$ 243,080</u>	<u>\$ 166,965</u> **				<u>\$ (19,710)</u>	<u>\$ (11,762)</u>	<u>\$ 7,948</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, 2018
(Expressed in Thousands)**

Year Ending June 30	Principal	Interest	Net Swap Payments	Totals
2019	\$ 15,410	\$ 3,347	\$ 3,159	\$ 21,916
2020	16,705	3,010	2,847	22,562
2021	17,355	2,652	2,515	22,522
2022	18,145	2,286	2,162	22,593
2023	20,935	1,876	1,775	24,586
2024-2028	78,415	2,855	2,697	83,967
Total	<u>\$ 166,965</u>	<u>\$ 16,026</u>	<u>\$ 15,155</u>	<u>\$ 198,146</u>

Note 17

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 nor revenue sources of the Commonwealth.

Senate Bill 151 from the 2018 Regular Session of the General Assembly was signed into law by the Governor on April 10, 2018. The bill modified the funding structure of the Retirement Plans from a percent-of-payroll method to a level-dollar method which will take effect beginning with Fiscal Year 2021, provided reform to the Teachers’ Retirement System plan, further modified benefits under the Kentucky Retirement System plans, and replaced prior legislation for opt-out provisions for quasi-governmental agencies wishing to exit the Kentucky Retirement System plans. The bill further made provisions which require the General Assembly to fully fund the ADEC beginning in fiscal year 2019, and reset the amortization to 30-years, beginning in 2019.

The provisions of Senate Bill 151 did not take effect because of an order issued by Franklin Circuit Court on June 20, 2018. The Court declared that Senate Bill 151 was unconstitutional and void on the basis of Section 46 of the Kentucky Constitution. On September 20, 2018, oral arguments regarding the constitutionality of Senate Bill 151 were presented to the Kentucky Supreme Court.

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 Grant – 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, 2018 and 2017 amounted to \$151.9 and \$150.6 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, 2018, the estimated liability for annual and compensatory leave was \$234,692,000 for the governmental activities, and \$7,554,000 in the business-type activities.

Compensated absence liabilities for the major component units totaled \$36,485,000 at June 30, 2018.

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

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

employee is absent due to illness, injury, or related family death, there was no liability recorded for sick leave at June 30, 2018. The estimated accumulated amount of unused sick leave at that date for the governmental and business-type activities was \$427,497,000 and \$13,975,000, respectively.

Construction Projects – The Transportation Cabinet, at June 30, 2018, had contractual commitments of approximately \$1,137,893,022 for the construction, maintenance, and operation of the highway system. It is anticipated that these projects will be funded with approximately 19% State funds, 77% Federal funds, and the remaining 4% with proceeds from the sale of revenue bonds.

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.

TAX ABATEMENTS

A tax abatement as defined by the Governmental Accounting Standards Board (GASB) is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. Tax abatements do not include tax credits or deductions given by the Kentucky Tax Code. KRS 131.190 prohibits the disclosure of taxpayer information. Therefore, all tax abatements are aggregated by program for the year ended June 30, 2018, in the following table:

(expressed in thousands)

Program Name	Sales and Use Tax	Property Tax	Income Tax	Total
Kentucky Rural Economic Development Act	\$	\$	\$ 21,122	\$ 21,122
Kentucky Reinvestment Act			5,953	5,953
Kentucky Business Investment			25,057	25,057
Tax Increment Financing	15,535	915	11,292	28,067
Kentucky Industrial Development Act			10,113	10,113
Kentucky Industrial Revitalization Act			5,359	5,359
Kentucky Jobs Development Act			6,729	6,729
Kentucky Tourism Development Act	6,042			6,042
Other Economic Incentives	6,480		53,731	60,211
	<u>\$ 28,057</u>	<u>\$ 915</u>	<u>\$ 139,356</u>	<u>\$ 168,653</u>

Kentucky Rural Economic Development Act (KREDA)

This program offers incentives to any business entity that establishes new manufacturing plants or expands existing manufacturing operations and creates and maintains at least 15 new full-time jobs in certain economically distressed Kentucky counties. Projects approved under KREDA may receive state income tax credits and a job development assessment fee of up to 4 percent of the gross wages of each employee whose job is created by the approved project and who is subject to Kentucky’s individual income tax for up to fifteen years. Up to a 100 percent credit is allowed against the income tax liability of an approved company generated by or arising out of the economic development project. Tax incentives remain in place until the authorized incentive amount is realized or for the term of the incentive agreement, whichever is first. Unused credits can be carried forward for the term of the agreement but expire at the maturity of the agreement. *KRS 154.22-050*

Kentucky Reinvestment Act (KRA)

This program offers incentive opportunities to encourage companies to reinvest in existing manufacturing operations. To be

eligible, a company must be a permanent Kentucky company engaged in manufacturing. The company must retain at least 85% of current employment to remain eligible throughout the term of the agreement. The projects must meet minimum job and investment activities. Tax incentives remain in place until the authorized incentive amount is realized (up to 20% of the incentive per year) or for the term of the incentive agreement (up to 10 years), whichever is first. Unused credits can be carried forward for the term of the agreement but expire at the maturity of the agreement. *KRS 154.34-090*

Kentucky Business Investment (KBI)

This program offers incentives to new and existing agribusiness, regional and national headquarters, manufacturing, and non-retail service and technology related companies that locate or expand operations in Kentucky. Eligible projects must meet minimum job, wage, and investment requirements. Projects also have negotiated job and wage targets that must be achieved. Tax incentives are available up to 15 years in enhanced incentive counties or up to 10 years in other counties. The incentives are tax credits up to

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

100% of the corporate income or limited liability entity tax liability arising from the project. Wage assessment incentives are available up to 5% of the gross wages of each employee. Tax incentives remain in place until the authorized incentive amount is realized or for the term of the incentive agreement, whichever is first. Unused credits can be carried forward for the term of the agreement but expire at the maturity of the agreement. *KRS 154.32-100*

Tax Increment Financing (TIF)

This program is an economic development tool to use future gains in taxes to finance current improvements that create those gains. The taxing districts continue to receive the base tax amount while tax increments are used to fund the public costs of development. There are three types: Real Property Ad Valorem Tax Revenue, Mixed-Use Redevelopment in Blighted Urban Redevelopment Areas, and Signature Projects. Incentives vary amongst the three types and may include up to 100 percent of incremental property taxes and/or up to 80 percent of occupational, sales, individual income and/or corporate income or limited liability entity taxes for a maximum term of 20 or 30 years, depending on the type of program. Unused credits can be carried forward for the term of the agreement but expire at the maturity of the agreement. *KRS 154.30-040, KRS 154.30-050, KRS 154.30-060 & KRS Chapter 65*

Kentucky Industrial Development Act (KIDA)

This program is available to eligible companies requiring investments in existing facilities that meet either of two criteria. One criteria is employing or intending to employ a minimum of 25 full time employees engaged in manufacturing or agribusiness operations at the same facility located and operating within the Commonwealth on a permanent basis. The other criteria is having or intending raw production of at least three million tons of coal mined from the economic revitalization project facility and employing or intending to employ 500 full time employees engaged in coal mining and processing operations at the facility located and operating in the Commonwealth. Income tax credits and job assessment fees up to 10 years may be eligible for recovery limited to 75% of the costs of the rehabilitation or construction of buildings and purchase or refurbishment of machinery and equipment. Unused credits can be carried forward for the term of the agreement but expire at the maturity of the agreement. *KRS 154.26-100*

Kentucky Jobs Development Act (KJDA)

This program provides incentives to new or expanding service or technology related businesses in Kentucky (data processing, R&D, non-manufacturing) that provide more than 75% of its services, as generated through revenues, to persons located outside the state. The company must also increase its employment of Kentucky residents by a minimum of 15 new, full time jobs at the project site. The company receives a 100% credit against the state income tax arising from the project and wage assessment of up to 5% of the increased payroll of the new employment resulting from the project. Tax incentives remain in place until the authorized incen-

tive amount is realized or for the term of the incentive agreement, whichever is first. Unused credits can be carried forward for the term of the agreement but expire at the maturity of the agreement. *KRS 154.24-010 through 154.24-150*

Kentucky Tourism Development Act

This program provides sales tax incentives for the creation of new tourism attractions and expansion of existing tourism attractions within the Commonwealth. Incentives may be granted to an approved company based on the Kentucky sales tax imposed on sales generated or arising at a tourism development project over a period of ten years, with an additional two-year extension available for entertainment destination centers meeting certain conditions. The incentive shall not exceed the lesser of the total amount of the sales tax liability of the approved company and its lessees or a percentage of the approved costs as specified by the agreement. Approved Tourism Attraction Projects include cultural or historic sites, recreation or entertainment facilities, areas of scenic beauty or distinctive natural phenomena, entertainment destination centers, Kentucky crafts and product centers, or theme restaurant destinations. A Tourism Attraction Project would not include facilities primarily devoted to the retail sale of goods unless the sale of goods is secondary and a subordinate component of the attraction. The approved company seeking incentives shall execute information-sharing agreements prescribed by the Department of Revenue with its lessees and other related parties to verify the amount of sales tax eligible for the sales tax refund under KRS 139.536. The approved company shall have no obligation to refund or otherwise return any amount of the sales tax refund to the persons who originally collected the tax and remitted to the Commonwealth. *KRS 148.853, KRS 139.536*

Other Economic Incentives

Other economic incentive programs designed to attract or encourage expansion of businesses meeting our reporting threshold. Pursuant to KRS 131.190 the Commonwealth cannot disclose business affairs related to individual taxpayer information.

At this time, there are no provisions for recapturing abated taxes or documenting the type of commitments other than taxes. The Commonwealth had additional tax abatement programs, which did not meet our reporting threshold of \$5 million. In aggregate, the total was less than \$10 million for the year ending June 30, 2018. Among those not reported are Kentucky Economic Opportunity Zone, Kentucky Historic Preservation, Incentives for Energy Independence Act, Local Issued Industrial Revenue Bonds, Kentucky Angel Investment Tax Credit, Skills Training Investment Credit, Kentucky Film Industry Tax Credit, and Kentucky Investment Fund Act. For more information on the programs, see *thinkkentucky.com*.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

Note 18

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, 2018, and prior to December 13, 2018, and reported other subsequent events for the same period, as described below.

Kentucky Higher Education Assistance Authority/Kentucky Higher Education Student Loan Corporation issued \$85,000,000 of taxable fixed rate Student Loan Revenue Bonds

to continue its Advantage Loan finance program. \$69,000,000 of funds were structured as serial bonds with one super-sinker term bond designed to absorb prepayments. The remaining \$16,000,000 was issued as subordinate bonds. The bonds are scheduled to mature periodically on June 1 beginning in the year 2019 with the last schedule maturity in 2036.

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, 2018, and maturing as to principal through 2038 as displayed in the table below.

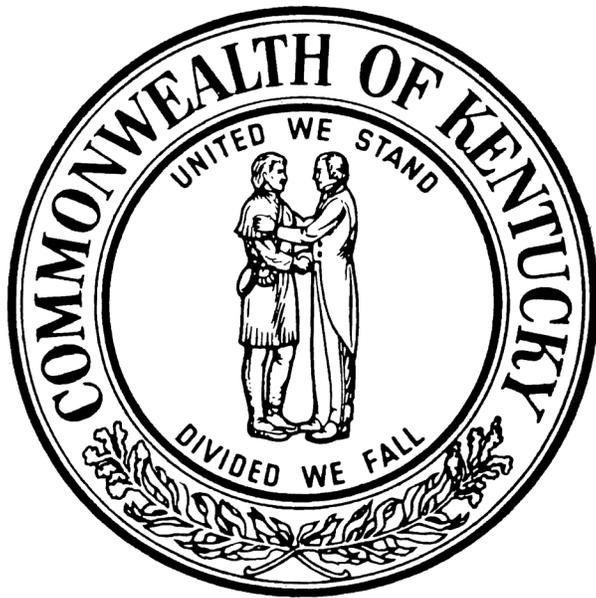
KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

School District	Delivery Date	Principal at Issue	State Share	Interest Rates (%)
Barbourville Independent	09/13/18	2,995,000	427,867	2.150%-3.625%
Bowling Green Independent	08/08/18	22,575,000	1,252,376	3.000%-5.000%
Christian County	12/11/18	1,535,000	1,535,000	3.500%
Corbin Independent	10/09/18	5,975,000	433,616	3.000%-3.625%
Danville Independent	08/30/18	8,885,000	851,357	2.000%-3.625%
Hancock County	08/21/18	5,090,000	1,084,926	3.000%-3.700%
Hickman County	11/08/18	1,880,000	227,411	3.000%-4.000%
Jefferson County	10/18/18	29,625,000	13,540,198	3.000%-5.000%
Owsley County	08/09/18	2,570,000	1,950,873	3.000%-3.625%
Paducah Independent	09/28/18	18,705,000	1,464,507	3.000%-5.000%
Paris Independent	11/13/18	275,000	189,745	3.700%
Roberston County	07/30/18	2,245,000	144,207	2.000%-3.625%
Scott County	09/28/18	25,990,000	1,713,018	3.000%-5.000%
Shelby County	08/21/18	\$ 35,355,000	\$ 2,073,598	3.000%-4.000%
Spencer County	11/05/18	7,015,000	532,558	3.000%-3.875%
Wayne County	08/07/18	14,210,000	2,293,064	3.000%-3.750%
		<u>\$ 184,925,000</u>	<u>\$ 29,714,321</u>	

LITIGATION

Regarding Commitments and Contingencies in Note 17.

On December 13, 2018, the Supreme Court upheld the decision of the lower court.



COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

Audited financial statements may be requested at the following addresses:

Bluegrass State Skills Corporation
300 West Broadway
Frankfort, Kentucky 40601
thinkkentucky.com

KentuckyWired Infrastructure Company, Inc.
209 St. Clair Street, 4th Floor
Frankfort, Kentucky 40601
kentuckywired.ky.gov

Turnpike Authority of Kentucky
702 Capital Avenue, Room 78
Frankfort, Kentucky 40601
finance.ky.gov/services/ofm/Pages/TurnpikeAuthority.aspx

Kentucky Transportation Cabinet
200 Mero Street
Frankfort, Kentucky 40622
transportation.ky.gov

Kentucky Center for the Arts
501 West Main Street
Louisville, Kentucky 40202
kentuckycenter.org

Kentucky Economic Development Finance Authority
300 West Broadway
Frankfort, Kentucky 40601
thinkkentucky.com

Kentucky Housing Corporation
1231 Louisville Road
Frankfort, Kentucky 40601
kyhousing.org

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601
kyret.ky.gov

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601
trs.ky.gov

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

Kentucky State Fair Board
Kentucky Exposition Center
937 Phillips Lane
Louisville, Kentucky 40209
kyvenues.com

Kentucky Educational Television
600 Cooper Drive
Lexington, Kentucky 40502
ket.org

Kentucky Higher Education Assistance Authority
P.O. Box 798
Frankfort, Kentucky 40602-0798
kheaa.com

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

Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
kia.ky.gov

Kentucky Judicial Form Retirement System
Suite 302, Whitaker Bank Building
305 Ann Street
Frankfort, Kentucky 40602
kjfrs.ky.gov

Kentucky Community and Technical College System
Office of Financial Services
300 North Main Street
Versailles, Kentucky 40383
ktcs.edu

Kentucky State University
Office of Business Affairs
400 East Main Street
Frankfort, Kentucky 40601
ky-su.edu

University of Kentucky
University Financial Services
301 Frank D. Peterson Service Building
Lexington, Kentucky 40506-0005
uky.edu

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2018

University of Louisville
University Accounting and Reporting
Service Complex, Second Floor
Louisville, Kentucky 40292
louisville.edu

Eastern Kentucky University
Accounting and Financial Services
521 Lancaster Avenue
Coates CPO 3A
Richmond, Kentucky 40475
eku.edu

Morehead State University
Office of Accounting and Financial Services
207 Howell-McDowell
Morehead, Kentucky 40351
moreheadstate.edu

Murray State University
Accounting and Financial Services
322 Sparks Hall
Murray, Kentucky 42071
murraystate.edu

Northern Kentucky University
Office of the Comptroller
605 Lucas Administration Center
726 Nunn Drive
Highland Heights, Kentucky 41099
nku.edu

Western Kentucky University
Accounting and Financial Reporting
Wetherby Administration Building, G01
Bowling Green, Kentucky 42101
wku.edu

Kentucky River Authority
403 Wapping Street, Suite 105
Frankfort, Kentucky 40601
finance.ky.gov/offices/kra

Council on Postsecondary Education
1024 Capital Center Drive, Suite 320
Frankfort, Kentucky 40601
cpe.ky.gov

DEP Division of Waste Management,
Underground Storage Tank Branch
300 Sower Boulevard, Second Floor
Frankfort, Kentucky 40601
waste.ky.gov/ust

Kentucky Artisan Center at Berea
200 Artisan Way
Berea, Kentucky 40403
kentuckyartisancenter.ky.gov

Personnel Cabinet
Department of Employee Insurance
501 High Street
Frankfort, Kentucky 40601
personnel.ky.gov

Personnel Cabinet
Workers' Compensation Insurance Program
501 High Street
Frankfort, Kentucky 40601
personnel.ky.gov

The Kentucky Public Employees'
Deferred Compensation Authority
101 Sea Hero Road, Suite 110
Frankfort, Kentucky 40601-5413
kentuckyplans.com

Department of Workplace Standards
Division of Workers' Compensation Funds (Special Fund)
1047 US Highway 127 S, Suite 4
Frankfort, Kentucky 40601
labor.ky.gov/dows/dowcf

Kentucky Horse Park
4089 Iron Works Parkway
Lexington, Kentucky 40511
kyhorsepark.com

The Kentucky Horse Park Foundation
4089 Iron Works Parkway, Suite 180
Lexington, Kentucky 40511
khpfoundation.org

Kentucky Public Transportation Infrastructure Authority
200 Mero Street, 6th Floor East
Frankfort, Kentucky 40622
transportation.ky.gov/KPTIA

Louisville Area Authority Inc.
One Arena Plaza
Louisville, KY 40202
Kfcyumcenter.com



**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, 2018
(Expressed in Thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Budgeted:				
Taxes	\$ 10,507,165	\$ 10,348,795	\$ 10,475,500	\$ 126,705
Licenses, fees, and permits	38,586	33,405	33,880	475
Intergovernmental	20,839	22,797	10,380	(12,417)
Charges for services	4,747	5,084	6,854	1,770
Fines and forfeits	33,906	26,886	28,941	2,055
Interest and other investment income	(11,000)	(3,600)	(7,611)	(4,011)
Lottery proceeds	241,000	243,000	253,000	10,000
Other revenues	39,157	42,033	37,256	(4,777)
Tobacco Settlement	92,800	123,041	102,553	(20,488)
Subtotal of Budgeted Revenues	<u>10,967,200</u>	<u>10,841,441</u>	<u>10,940,753</u>	<u>99,312</u>
Other Budgeted Financial Resources:				
Transfers in (interfund)	<u>255,545</u>	<u>259,853</u>	<u>268,938</u>	<u>9,085</u>
Total Budgeted Revenues	<u>11,222,745</u>	<u>11,101,294</u>	<u>11,209,691</u>	<u>108,397</u>
Expenditures				
General Government:				
Executive Office of the Governor	5,517	5,234	5,234	
Office of Homeland Security	232	220	220	
Kentucky Infrastructure Authority	2,086	2,025	2,012	13
Department of Veterans Affairs	19,083	19,083	19,083	
Office of State Budget Director	3,166	3,003	3,003	
State Planning Fund	137	130		130
Unified Prosecutorial System:				
Commonwealth Attorneys	49,024	49,024	49,024	
County Attorneys	42,647	42,647	42,647	
Department of Agriculture	17,245	17,027	16,890	137
Office of the Attorney General	11,034	11,111	11,111	
Auditor of Public Accounts	4,949	4,885	4,885	
Registry of Election Finance	1,232	1,232	1,232	
Military Affairs	9,913	13,848	13,848	
Governor's Office for Local Development	15,705	14,901	14,816	85
Local Government:				
Economic Assistance Fund	45,193	31,889	31,889	
Economic Development Fund	11,400	11,400	11,400	
Area Development Fund	431	409	409	
Secretary of State	1,784	1,761	1,761	
Department of Treasury	1,990	1,965	1,913	52
Board of Elections	3,989	3,989	3,989	
School Facilities Construction Commission	134,918	134,918	134,918	
Executive Branch Ethics Commission	450	450	450	
Commission on Human Rights	1,782	1,691	1,690	1
Commission on Women	237	225	218	7
Council on Postsecondary Education	43,671	41,855	38,834	3,021
Kentucky Communications Network Authority		25,574	24,854	720
Budget Reserve Trust Fund	150,491			
Personnel:				
State Group Health Insurance	873	829	829	

	Original	Final	Actual	Variance
Universities:				
Eastern Kentucky University	\$ 61,724	\$ 64,395	\$ 64,395	\$
Kentucky State University	26,730	26,462	26,462	
Morehead State University	39,900	41,226	41,226	
Murray State University	43,571	45,344	45,344	
Northern Kentucky University	48,875	51,105	51,105	
University of Kentucky	253,677	264,418	264,418	
University of Louisville	126,178	131,430	131,430	
Western Kentucky University	70,824	73,907	73,907	
Kentucky Community and Technical College System	172,525	179,789	179,789	
Postsecondary Education Performance Fund	42,944			
Finance and Administration:				
General Administration and Support	13,575	13,641	13,221	420
Office of the Inspector General		664	664	
Special Accounts - Capital Construction				
Debt Service	469,750	446,996	424,016	22,980
Office of the Controller	5,894	5,592	5,592	
Department for Facilities and Support Services	6,073	5,801	5,787	14
Kentucky Retirement Systems	87,574	87,574	87,574	
Kentucky Permanent Pension Fund				
Kentucky Higher Education Assistance Authority	260,998	272,999	230,433	42,566
Special Accounts - Tobacco Settlement	95,018	104,618	92,953	11,665
Finance - County Costs	15,897	21,887	21,887	
Department of Revenue:				
General Operations	90,756	85,023	85,443	(420)
Office of Property Valuation Administrators	47,600	47,600	47,600	
Appropriations Not Otherwise Classified:				
Judgements		532	532	
Board of Claims Awards	407	359	359	
Guardian Ad Litem	2,125	15,865	15,865	
Prior Year Claims	100	67	67	
Unredeemed Checks Refunded	1,252	1,511	1,511	
Involuntary Commitments	65	69	69	
Blanket Employee Bonds	60	39	39	
Frankfort In Lieu of Taxes	195	195	195	
Police and Firemen Life Insurance	304	1,129	1,129	
Attorney General Expense	350	432	432	
Medical Malpractice Liability Insurance Reimbursements	165	68	68	
Total General Government	2,564,288	2,432,062	2,350,671	81,391
Legislative and Judicial:				
General Assembly	25,165	24,701	20,159	4,542
Legislative Research Commission	48,878	48,878	39,917	8,961
Judicial Retirement System	13,740	13,740	13,739	1
Court of Justice - Operation and Administration	236,027	240,715	237,001	3,714
Court of Justice - Local Facility Support	117,727	111,153	106,031	5,122
Total Legislative and Judicial	441,537	439,187	416,847	22,340

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, 2018
(Expressed in Thousands)

	Original	Final	Actual	Variance
Commerce:				
Economic Development:				
Economic Development	\$ 22,205	\$ 22,846	\$ 20,278	\$ 2,568
Commerce Cabinet:				
Office of the Secretary	2,561	2,382	2,382	
Kentucky State Fair Board	4,902	4,603	4,603	
Kentucky Horse Park	2,418	2,292	2,292	
Department of Parks	36,045	44,876	44,876	
Department of Travel	3,037	2,838	2,821	17
Berea Artisans Center	404	393	393	
Total Commerce	71,572	80,230	77,645	2,585
Education:				
General Administration and Program Support	13,471	13,436	13,436	
Commission on the Deaf and Hard of Hearing	874	857	857	
Kentucky Heritage Council	717	705	705	
Kentucky Arts Council	2,641	2,628	2,628	
Department of Education:				
Support Education Excellence In KY (SEEK)	3,035,553	3,035,553	3,022,599	12,954
Bureau of Support Services	59,459	40,086	38,336	1,750
Learning Results Services	1,039,930	939,701	939,671	30
Kentucky Educational Television	13,923	13,204	13,204	
Kentucky Historical Society	5,597	5,530	5,530	
Kentucky Center for the Arts	915	884	882	2
Education Professional Standards Board	6,839	6,114	6,114	
Libraries and Archives:				
Direct Local Aid	7,058	2,729	2,729	
Public Library Facilities Construction Debt Assistance		3,330	3,330	
General Operations	5,944	5,731	5,731	
Teachers' Retirement System	744,837	744,837	744,837	
Workforce Investment:				
Office of the Blind	1,439	1,439	1,439	
Technical Education		51,015	51,015	
Vocational Rehabilitation	11,873	11,873	11,873	
Total Education and Humanities	4,951,070	4,879,652	4,864,916	14,736
Human Resources:				
Health and Family Services:				
Administrative Services	31,052	26,223	26,223	
Department for Community Based Services	384,035	386,406	386,406	
Department for Family Resource Centers and Volunteer Services	1,413	53,578	53,578	
Office of the Inspector General		5,327	5,327	
Office of Health Policy	442	442	442	
Department for Aging and Independent Living	42,717	42,587	42,587	
Department for Income Support	7,636	7,577	7,577	
Department for Public Health	74,548	70,054	70,054	
Department for Behavioral Health, Developmental and Intellectual Disab	180,834	180,489	180,489	
Medicaid Administration	40,550	40,408	40,498	(90)
Medicaid Services Benefits	1,945,430	1,880,812	1,880,812	
Commission for Children With Special Health Care Needs	5,825	5,625	5,625	
Total Human Resources	2,714,482	2,699,528	2,699,618	(90)

	Original	Final	Actual	Variance
Justice:				
Justice Administration	\$ 31,000	\$ 30,486	\$ 30,488	\$ (2)
Department of State Police	99,031	98,430	98,430	
Department of Juvenile Justice	86,489	82,296	82,296	
Department for Public Advocacy	50,399	54,199	54,199	
Department of Corrections:				
Management	9,405	10,516	10,516	
Adult Institutions	271,096	302,233	302,233	
Local Jail Allotment	16,712	16,923	16,923	
Community Services and Local Facilities	205,363	228,089	228,089	
Total Justice	<u>769,495</u>	<u>823,172</u>	<u>823,174</u>	<u>(2)</u>
Natural Resources and Environmental Protection:				
General Administration and Support	3,059	3,059	3,059	
Department for Energy Development and Independence	1,249	877	877	
Kentucky River Authority	258	245	245	
Kentucky Nature Preserves Commission	1,062	1,007	1,007	
Department for Environmental Protection	22,479	22,488	22,488	
Department for Natural Resources	32,632	18,187	18,187	
Mine Safety and Licensing		7,704	7,704	
Surface Mining Reclamation and Enforcement		8,097	8,097	
Total Natural Resources and Environmental Protection	<u>60,739</u>	<u>61,664</u>	<u>61,664</u>	
Public Protection and Regulation:				
General Administration and Support	280	489	487	2
Board of Claims and Crime Victims Compensation	785			
Kentucky Claims Commission		1,517	1,434	83
Board of Tax Appeals	454			
Horse Racing Commission	2,647	2,380	2,380	
Public Service Commission	17,193	16,730	8,599	8,131
Department of Alcoholic Beverage Control	592	245	246	(1)
Department of Housing, Buildings, and Construction	2,414	2,415	2,412	3
Labor:				
Workplace Standards	2,025	1,921	2,208	(287)
General Administration & Support	3,219	2,056	1,622	434
Total Public Protection and Regulation	<u>29,609</u>	<u>27,753</u>	<u>19,388</u>	<u>8,365</u>
Transportation:				
General Administration and Support	3,882	13,882	7,857	6,025
Public Transportation	5,899	5,580	5,555	25
Total Transportation	<u>9,781</u>	<u>19,462</u>	<u>13,412</u>	<u>6,050</u>
Total Expenditures	<u>11,612,573</u>	<u>11,462,710</u>	<u>11,327,335</u>	<u>135,375</u>
Excess of Revenues Over (Under) Expenditures	(389,828)	(361,416)	(117,644)	243,772
Fund Balance at July 1	(595,628)	(580,441)	317,120	
Non-Budgeted Items			(2,397)	
Fund Balance at June 30	<u>\$ (985,456)</u>	<u>\$ (941,857)</u>	<u>\$ 197,079</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, 2018
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Revenues				
Budgeted:				
Taxes	\$ 1,321,015	\$ 1,338,218	\$ 1,341,976	\$ 3,758
Licenses, fees, and permits	141,393	149,991	150,267	276
Charges for services	10,210	9,040	8,957	(83)
Fines and forfeits	35	25	16	(9)
Interest and other investment income	1,500	2,000	2,819	819
Other revenues	4,047	4,026	6,820	2,794
Subtotal of Budgeted Revenues	<u>1,478,200</u>	<u>1,503,300</u>	<u>1,510,855</u>	<u>7,555</u>
Other Budgeted Financial Resources:				
Transfers in (intrafund)	1,831	1,831	3,119	1,288
Total Budgeted Revenues	<u>1,480,031</u>	<u>1,505,131</u>	<u>1,513,974</u>	<u>8,843</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)				
Transfers in (intrafund)				
Total Non-Budgeted Revenue				
Total Revenues	<u>1,480,031</u>	<u>1,505,131</u>	<u>1,513,974</u>	<u>8,843</u>
Expenditures				
General Government:				
Executive Office of the Governor				
Office of Homeland Security	270	270	270	
Kentucky Infrastructure Authority				
Kentucky Communications Network 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	243	7
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				

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$
						323,832	
						208,493	
		11,193,738				45,939	
		1,606				4,193,862	
						8,708	
		167				15,670	
						(152)	
		68,885				487,922	
						719,131	
		11				4,288,263	
		11,264,407				10,291,668	
		11,264,407				10,291,668	
1,079	4,327	3,690	637	325	680	581	99
4,081	4,081	2,562	1,519	1,460	1,460	1,360	100
29,382	29,382	22,125	7,257	53,460	53,460	1,162	52,298
	304	5	299	27,942	27,942	440	27,502
				242	242	207	35
				290	335	276	59
				76,654	76,654	57,088	19,566
40	75	67	8	1,652	3,903	3,717	186
504	779	745	34	555	805	796	9
6,407	7,068	5,308	1,760	10,191	10,191	8,979	1,212
4,092	6,179	3,766	2,413	19,727	13,299	10,678	2,621
				9,038	9,767	8,550	1,217
43,707	83,707	57,314	26,393	33,315	40,815	41,527	(712)
				150	150	115	35
40,454	40,454	28,801	11,653	882	1,040	970	70
221	221	9	212	2,447	2,672	2,772	(100)
				1,848	1,849	1,066	783
				581	581	558	23
				102	101	86	15
				405			
				341	341	323	18
				337	337	287	50
				84			
				27	50	43	7
				402	402	265	137
				31	37	37	
				216	216	214	2
				4	4	3	1
				38	38	34	4
				46	104	90	14
				940	939	564	375
				74	74	58	16

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, 2018
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Board of: (Continued)				
Elections	\$	\$	\$	\$
Embalmers and Funeral Home Directors				
Architects				
Landscape Architects				
Examiners of Psychologists				
Examiners of Social Workers				
Hairdressers and Cosmetologists				
Hearing Instrument Specialists				
Nursing Home Administrators Licensing				
Medical Licensure				
Nursing				
Ophthalmic Dispensers				
Optometric Examiners				
Art Therapists				
Occupational Therapy				
Respiratory Care Practitioners				
Marriage and Family Therapists				
Geologists				
Personnel				
Pharmacy				
Physical Therapists				
Podiatry				
Engineers and Land Surveyors				
Speech Pathology and Audiology				
Veterinary Examiners				
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	448	448	121	327
Office of the Controller				
Office of the Inspector General				
Commonwealth Office of Technology				
Kentucky Higher Education Assistance Authority				
Turnpike Authority of Kentucky				
Finance - County Costs				
Kentucky Retirement Systems				
Department of Revenue:				
General Operations	2,633	2,765	2,765	
Office of Property Valuation Administrators	465	333	333	
Department for Facilities and Support Services				
Total General Government	<u>4,066</u>	<u>4,066</u>	<u>3,732</u>	<u>334</u>

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 4,045	\$ 4,045	\$ 2,975	\$ 1,070	\$ 246	\$ 246	\$ 180	\$ 66
				428	469	464	5
				464	464	416	48
				69	69	67	2
				256	256	193	63
				338	388	388	
				1,452	1,452	1,367	85
				81	81	45	36
				61	60	56	4
				3,088	3,088	2,971	117
				7,266	7,266	6,615	651
				50	50	44	6
				217	217	198	19
				11	11	10	1
				177	177	148	29
				220	220	200	20
				136	136	85	51
				107	107	88	19
				914	914	780	134
				1,740	2,093	2,081	12
				584	584	442	142
				40	40	26	14
				1,393	1,393	1,201	192
				190	190	137	53
				278	278	225	53
				102	102	55	47
				189	189	163	26
				2,383	5,193		5,193
				842			
					15	7	8
245	485	261	224				
18,103	18,103	10,811	7,292	5,045	5,045	3,853	1,192
				56,648	29,721	26,865	2,856
				9,341	9,341	8,113	1,228
				312,548	312,548	361,953	(49,405)
				38,220	38,220	62,646	(24,426)
				229,792	229,792	154,209	75,583
				153,842	153,842	325,134	(171,292)
				197,774	197,773	317,209	(119,436)
				3,694,872	3,694,872	5,665,092	(1,970,220)
				1,145,255	1,145,255	271,215	874,040
				333,628	333,628	385,622	(51,994)
				756,432	756,432	451,963	304,469
				32,638	3,991	4,026	(35)
				11,520	9,506	10,202	(696)
					585	575	10
1,263	1,263	7	1,256	128,376	3,768	1,659	2,109
34	34	31	3	34,152	34,152	30,730	3,422
					90	90	
				1,703	1,703	958	745
				42,960	42,960	41,173	1,787
	270		270	12,661	13,535	12,363	1,172
				4,690	4,888	4,113	775
				45,547	2,306	1,863	443
154,277	200,777	138,477	62,300	7,514,772	7,298,189	8,303,124	(1,004,935)

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, 2018
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Legislative and Judicial:				
General Assembly	\$	\$	\$	\$
Legislative Research Commission				
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				
Kentucky State Fair Board				
Kentucky Horse Park				
Department of Parks				
Department of Travel				
Berea Artisans Center	445	445	445	
Department of Fish and Wildlife Resources				
Total Commerce	<u>445</u>	<u>445</u>	<u>445</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			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$
1	1		1	884	884		884
				1,786	1,786		1,786
3,992	4,492	3,914	578	69,896	71,076	27,050	44,026
3,993	4,493	3,914	579	72,566	73,746	27,050	46,696
100	100	6	94	3,013	2,493	150	2,343
	705	275	430		520	1,906	(1,906)
							520
				14,303	14,303	15,017	(714)
				43,233			
				12,062			
				49,570	50	49	1
				41	41		41
				1,585	1,585	1,572	13
17,208	17,208	15,365	17,207	38,247	38,247	46,424	(8,177)
17,308	18,013	15,646	17,731	162,054	57,239	65,118	(7,879)
				1,110	1,109	1,110	(1)
	74	39	35	189	189	152	37
864	864	863	1	279	279	4	275
709	783	746	37	152	151	3	148
2,590	4,390	3,493	897	5,771	6,971	5,335	1,636
559,527	531,670	449,553	82,117	26,786	34,287	21,330	12,957
328,966	441,824	403,821	38,003	7,402	7,402	292	7,110
				1,451	1,451	1,438	13
180	180	158	22	458	873	831	42
				289	289	206	83
205	880	515	365	1,353	1,353	510	843
140	140	10	130	592	1,132	911	221
1,460	2,893	2,390	503	1,981	1,981	955	1,026
				13,515	13,515	20,273	(6,758)
7,674	10,174	9,201	973	1,482	1,482	643	839
109,323	107,523	88,383	19,140	22,038	42,038	84,010	(41,972)
45,856	45,856	38,020	7,836	3,309	3,309	2,626	683
1,057,494	1,147,251	997,192	150,059	88,157	117,811	140,629	(22,818)

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, 2018
(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	88,597	88,597	88,597	
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	88,597	88,597	88,597	
Natural Resources and Environmental Protection:				
General Administration and Support				
Department for Energy Development and Independence				
Kentucky River Authority				
Kentucky Nature Preserves Commission				
Department for Environmental Protection	322	322	321	1
Department for Natural Resources				
Mining Safety and Licensing				
Surface Mining Reclamation and Enforcement				
Abandoned Mine Lands Reclamation Projects				
Total Natural Resources and Environmental Protection	322	322	321	1
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			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 26,593	\$ 39,393	\$ 38,480	\$ 913	\$ 16,550	\$ 19,419	\$ 22,647	\$ (3,228)
9,227	2,227	1,131	1,096	8,187	5,525	3,521	2,004
50,757	50,757	43,250	7,507		126	104	22
519,023	572,023	566,271	5,752	156,516	136,384	166,314	(29,930)
330	330		330		25,132	23,193	1,939
16,117	16,217	14,886	1,331		4,643	3,559	1,084
1,013	313	274	39	819	469	945	(476)
24,829	24,829	21,248	3,581	3,184	3,184	2,552	632
34,212	34,212	27,897	6,315	16,131	16,005	15,391	614
187,879	187,879	172,785	15,094	85,681	85,680	76,581	9,099
40,232	52,464	43,724	8,740	209,707	209,707	206,355	3,352
156,844	324,580	155,793	168,787	16,012	34,650	20,183	14,467
8,586,628	8,586,628	8,149,996	436,632	547,620	547,620	532,934	14,686
4,566	4,566	4,566		9,865	9,865	11,435	(1,570)
4,539	6,639	6,565	74				
9,662,789	9,903,057	9,246,866	656,191	1,070,272	1,098,409	1,085,714	12,695
21,179	21,179	19,533	1,646	1,493	3,341	1,852	1,489
11,801	12,168	12,080	88	28,668	32,494	34,017	(1,523)
1,963	2,281	1,431	850	2,716	4,716	4,705	11
12,323	12,323	8,690	3,633	13,651	15,221	16,699	(1,478)
260	260	70	190	69,150	69,150	68,763	387
75	75	44	31	300	300	177	123
696	273	72	201	3,000	4,786	4,909	(123)
522	944	254	690	17,460	8,000	5,297	2,703
48,819	49,503	42,174	7,329	136,438	138,008	136,419	1,589
856	1,126	983	143	1,968	1,968	1,091	877
582	582	640	(58)	1,104	1,104	720	384
39	50	48	2	6,881	6,881	4,538	2,343
24,053	24,243	24,426	(183)	289	943	873	70
3,435	5,370	3,538	1,832	71,301	44,605	39,860	4,745
11,725	9,955	9,439	516	14,658	5,044	2,845	2,199
30,598	30,289	19,316	10,973		1,274	882	392
					724	73	651
					6,338	3,188	3,150
71,288	71,615	58,390	13,225	96,201	68,881	54,070	14,811
157	407	321	86	968	968	6,143	(6,143)
				29,646	29,646	393	575
				162	162	28,644	1,002
445	695	609	86	200	200	142	20
				6,346	6,300	118	82
				7,155	7,155	5,026	1,274
				3,742	3,742	6,405	750
				12,679	12,679	3,164	578
				20,783	20,783	21,173	(8,494)
1,139	1,139	561	578	18,224	18,224	19,867	916
3,576	4,573	4,312	261	83,866		57,144	(38,920)
73	28	29	(1)	144,985	3,057	3,510	(453)
5,390	6,842	5,832	1,010	328,756	102,916	151,729	(48,813)

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, 2018

(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Transportation:				
Administration and Support	\$ 74,651	\$ 74,651	\$ 68,236	\$ 6,415
Revenue Sharing	458,979	466,445	344,224	122,221
Air Transportation	2,676	2,676	2,627	49
Highways				
Public Transportation	984,878	1,042,115	753,085	289,030
Vehicle Regulation	27,902	27,902	24,606	3,296
Debt Service	165,826	165,826	154,821	11,005
Transfers to Capital Projects	11,624	11,624	11,525	99
BRAC Economic Development Road Bonds				
GARVEE Western KY Bridges Project				
2005 Ed Bond Series				
Total Transportation	<u>1,726,536</u>	<u>1,791,239</u>	<u>1,359,124</u>	<u>432,115</u>
Total Expenditures	<u>1,819,966</u>	<u>1,884,669</u>	<u>1,452,219</u>	<u>432,450</u>
Excess of Revenues over (under)				
Expenditures	<u>(339,935)</u>	<u>(379,538)</u>	<u>61,755</u>	<u>441,293</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	(339,935)	(379,538)	61,755	441,293
Fund Balances at July 1	(734,333)	(795,634)	393,696	
Non-Budgeted Items			(149)	
Fund Balances at June 30	<u>\$ (1,074,268)</u>	<u>\$ (1,175,172)</u>	<u>\$ 455,302</u>	<u>\$</u>

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$ 2,142	\$ 80	\$ 11	\$ 69
417	417	114	303	22,334	22,334	15,373	6,961
1,194,013	1,194,013	772,169	421,844	344,075	108,602	84,101	24,501
43,818	43,818	28,415	15,403	699	761	761	
4,600	4,600	1,429	3,171	17,790	17,791	15,516	2,275
					28,399	1,827	26,572
					72,774	13,306	59,468
					130,093	21,884	108,209
<u>1,242,848</u>	<u>1,242,848</u>	<u>802,127</u>	<u>440,721</u>	<u>387,040</u>	<u>380,834</u>	<u>152,779</u>	<u>228,055</u>
<u>12,264,206</u>	<u>12,644,399</u>	<u>11,310,618</u>	<u>1,349,145</u>	<u>9,856,256</u>	<u>9,336,033</u>	<u>10,116,632</u>	<u>(780,599)</u>
		(46,211)				175,036	
						31,357	
						31,357	
		(46,211)				206,393	
		156,401				1,634,610	
		(698)				(297,553)	
<u>\$</u>	<u>\$</u>	<u>\$ 109,492</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,543,450</u>	<u>\$</u>

Budgetary Reporting

The Commonwealth of Kentucky requires that each branch of government prepare and submit a recommended budget to the General Assembly for each of the two fiscal years to be included in a biennial budget. These budgets are prepared principally on the cash basis. The 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, 2018

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, 2018, 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, 2018:				
Budgetary basis	\$ 197,079	\$ 455,301	\$ 109,492	\$ 1,543,450
Adjustments:				
Accrued revenues	297,721	140,783	341,201	35,442
Accrued expenditures	(438,018)	(84,553)	(332,843)	(54,221)
Accrued transfers (net)			(26,210)	26,210
Total Accruals (1)	<u>(140,297)</u>	<u>56,230</u>	<u>(17,853)</u>	<u>7,431</u>
Reclassifications and other adjustments:				
Inventory balances (1)	5,768	56,338	98	2,207
To reclassify financial and other resources into financial statement fund types (2)	2,029	(206)	(141,664)	(960,751)
To record financial resources available as non-budgeted funds (3)	<u>(123,718)</u>			
Fund Balance				
Fund balance June 30, 2018:				
GAAP Basis	<u>\$ (59,140)</u>	<u>\$ 567,664</u>	<u>\$ (49,928)</u>	<u>\$ 592,337</u>

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

Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, the Commonwealth has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the Commonwealth expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for, under the modified approach, include approximately 63,836 lane miles of roads and approximately 9,027 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Good	57.60%	61.20%	45.60%	56.40%	53.7%
Fair	22.50%	22.20%	37.10%	26.20%	27.0%
Poor	19.90%	16.60%	17.30%	17.40%	19.3%

Bridges

Measurement Scale

KYTC maintains information on its 9,027 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:

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling or scour.
4	Poor. Advanced section loss, deterioration, spalling or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service; beyond corrective action.

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2018

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

Prior to May 20, 2017, 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 Structurally Deficient</u>
2016	5.9%	4.9%
2015	6.4%	5.6%
2014	6.3%	4.7%
2013	6.9%	4.9%

As of May 20, 2017, condition assessments for National Highway System (NHS) bridges were updated by the Federal Highway Administration, Department of Transportation due to the requirement by the Moving Ahead for Progress in the 21st Century Act (MAP-21). Under the new rule, a structurally deficient or a Poor bridge is classified with a deck, superstructure, substructure, or culvert condition rating less than or equal to 4. If any condition rating is below 7, but above 4, they are classified as Fair. Likewise, if any component condition rating is greater than or equal to 7, a bridge is considered Good. The new performance condition assessment measures are based on deck area. Functionally obsolete is a legacy classification that was used to implement the Highway Bridge Program, which was discontinued with the enactment of MAP-21. The following table reports the percentage of bridges meeting ratings of “Good”, “Fair”, and “Poor” calendar year 2017 under the updated condition assessment requirements:

<u>Condition</u>	<u>Calendar Year 2017</u>
Good	35.8%
Fair	59.6%
Poor	4.6%

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 2019:</u>			
Estimated	\$ 897.0	\$ 104.8	\$ 1,001.8
<u>Fiscal Year 2018:</u>			
Estimated	\$ 727.0	\$ 76.1	\$ 803.1
Actual	903.4	107.9	1,011.3
<u>Fiscal Year 2017:</u>			
Estimated	\$ 971.9	\$ 75.8	\$ 1,047.7
Actual	\$ 834.4	\$ 87.4	\$ 921.8
<u>Fiscal Year 2016:</u>			
Estimated	\$ 1,064.9	\$ 55.2	\$ 1,120.1
Actual	\$ 916.1	\$ 71.4	\$ 987.5
<u>Fiscal Year 2015:</u>			
Estimated	\$ 1,103.0	\$ 57.2	\$ 1,160.2
Actual *	\$ 1,075.7	\$ 51.2	\$ 1,126.9
<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

* Prior year actual expenditures have been restated.

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2018

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. The Authority’s assets accounted for, under the modified approach, include approximately 56.1 lane miles of roads and 48 bridge structures.

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.

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 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 three years.

<u>Condition</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Good	90.80%	90.30%	90.30%
Fair	9.20%	9.70%	9.70%
Poor	0.00%	0.00%	0.00%

Bridges

Measurement Scale

The Authority maintains information on its 48 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:

Rating	Description
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.
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, 2018

Assessed Conditions

Prior to May 20, 2017, 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>
2016	2.1%	10.4%
2015	Not reported due to ongoing construction	
2014	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 did not meet this stated goal in 2014 and was not reported in 2015. The LSIORBP has required a lengthy planning and development period and in anticipation of the construction activities much of the needed preservation work was postponed. For the 2016 reporting period, the LSIORBP area was under active construction and the condition of the bridges in the area could not be assessed and was the responsibility of the contractor. During construction, however, routine inspections were continued and required maintenance was performed to insure all bridges are safe for traffic.

As of May 20, 2017, condition assessments for National Highway System (NHS) bridges were updated by the Federal Highway Administration, Department of Transportation due to the requirement by the Moving Ahead for Progress in the 21st Century Act (MAP-21). Under the new rule, a structurally deficient or a Poor bridge is classified with a deck, superstructure, substructure, or culvert condition rating less than or equal to 4. If any condition rating is below 7, but above 4, they are classified as Fair. Likewise, if any component condition rating is greater than or equal to 7, a bridge is considered Good. The new performance condition assessment measures are based on deck area. Functionally obsolete is a legacy classification that was used to implement the Highway Bridge Program, which was discontinued with the enactment of MAP-21. The following table reports the percentage of bridges meeting ratings of “Good”, “Fair”, and “Poor” calendar year 2017 under the updated condition assessment requirements:

<u>Condition</u>	<u>Calendar Year 2017</u>
Good	80.2%
Fair	19.8%
Poor	0.0%

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:

(Expressed in Thousands)

	<u>Roadways</u>	<u>Bridges</u>	<u>Total</u>
<u>Fiscal Year 2019:</u>			
Estimated*	\$	\$	\$ 4,069,400
<u>Fiscal Year 2018:</u>			
Estimated*	\$	\$	\$ 1,139,660
Actual	\$	\$	\$ 3,153,315
<u>Fiscal Year 2017:</u>			
Estimated	\$	\$	\$
Actual	\$ 16,589	\$ 21,951	\$ 38,540
<u>Fiscal Year 2016:</u>			
Estimated	\$	\$	\$
Actual	\$ 42,253	\$ 17,464	\$ 59,717
<u>Fiscal Year 2015:</u>			
Estimated	\$	\$	\$
Actual	\$ 4,913	\$	\$ 4,913

*Note: Estimated costs for roadways was not developed for years ended June 30, 2017, 2016 and 2015 by the Authority as the date of transfer of assets was uncertain and given the significant expansion and the extensive reconstruction of the site that continued throughout the majority of the fiscal year ended June 30, 2017.

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

State Workers' Compensation Program

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Earned Premiums	\$ 21,764	\$ 23,666	\$ 22,094	\$ 22,993	\$ 24,500	\$ 24,497	\$ 23,017	\$ 21,074	\$ 25,871	\$ 23,892
Administrative Expense	1,094	936	1,031	1,013	955	1,038	1,007	976	914	927
Incurred Claims as Originally Estimated	21,006	19,084	20,372	21,269	23,043	25,619	24,847	22,185	23,536	24,915
Claims Paid (Cumulative) as of:										
End of Fiscal Year	4,907	4,613	5,497	5,245	5,076	7,314	6,221	5,386	6,082	5,829
One Year Later	8,252	8,675	9,233	9,568	7,927	10,235	9,131	8,160	9,098	
Two Years Later	9,328	10,433	11,153	11,806	9,695	12,258	10,994	9,855		
Three Years Later	10,065	11,489	12,309	13,296	10,720	13,170	11,932			
Four Years Later	10,319	12,067	13,390	13,903	11,210	13,631				
Five Years Later	10,514	12,506	14,036	14,405	11,543					
Six Years Later	10,716	12,859	14,457	14,769						
Seven Years Later	10,852	13,215	14,909							
Eight Years Later	10,952	13,513								
Nine Years Later	11,021									
Re-estimation of Incurred Claims:										
End of Fiscal Year	21,006	19,084	20,372	21,269	23,043	25,619	24,847	22,185	23,536	24,915
One Year Later	19,270	20,373	21,613	22,466	20,463	23,517	22,001	20,628	22,247	
Two Years Later	18,313	20,170	21,966	23,455	19,660	23,422	21,866	20,905		
Three Years Later	18,183	21,106	22,550	23,631	19,505	22,971	21,643			
Four Years Later	17,847	21,236	23,060	23,124	18,912	23,606				
Five Years Later	17,579	21,148	22,780	22,891	18,805					
Six Years Later	17,289	20,856	22,872	23,170						
Seven Years Later	17,225	20,449	22,395							
Eight Years Later	16,777	20,493								
Nine Years Later	16,676									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	(4,330)	1,409	2,563	1,901	(4,238)	(2,013)	(3,204)	(1,280)	(1,289)	

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

	2009	2010	2011 as restated	2012	2013	2014	2015	2016	2017	2018
Earned Premiums	\$ 1,310,553	\$ 1,466,303	\$ 1,571,312	\$ 1,600,787	\$ 1,597,599	\$ 1,606,978	\$ 1,612,540	\$ 1,624,815	\$ 1,627,656	\$ 1,640,342
Administrative Expense	72,836	77,104	81,048	82,088	81,459	87,108	83,049	73,177	75,515	77,296
Incurred Claims as										
Originally Estimated	1,292,059	1,391,340	1,475,301	1,531,838	1,530,199	1,460,930	1,347,112	1,348,429	1,402,632	1,479,372
Claims Paid (Cumulative) as of:										
End of Fiscal Year	1,264,866	1,318,824	1,391,375	1,445,035	1,434,661	1,367,500	1,275,354	1,230,810	1,326,155	1,390,162
One Year Later	1,290,727	1,399,923	1,477,129	1,533,569	1,539,862	1,477,144	1,349,674	1,339,032	1,397,381	
Two Years Later	1,289,633	1,396,976	1,466,785	1,532,732	1,537,204	1,476,869	1,353,583	1,327,946		
Three Years Later	1,289,628	1,396,631	1,466,629	1,532,537	1,537,204	1,476,869	1,353,583			
Four Years Later	1,289,628	1,396,631	1,466,785	1,532,537	1,537,204	1,476,869				
Five Years Later	1,289,628	1,396,631	1,466,785	1,532,537	1,537,204					
Six Years Later	1,289,628	1,396,631	1,466,785	1,532,537						
Seven Years Later	1,289,628	1,396,631	1,466,785							
Eight Years Later	1,289,628	1,396,631								
Nine Years Later	1,289,628									
Re-estimation of Incurred Claims:										
End of Fiscal Year	1,292,059	1,391,340	1,475,301	1,531,838	1,530,199	1,460,930	1,347,112	1,348,429	1,402,632	1,479,373
One Year Later	1,289,389	1,398,877	1,474,723	1,532,352	1,537,907	1,474,433	1,351,082	1,339,032	1,396,808	
Two Years Later	1,289,628	1,396,631	1,466,629	1,532,537	1,536,507	1,476,210	1,358,368	1,338,945		
Three Years Later	1,289,628	1,396,631	1,466,629	1,532,537	1,536,507	1,476,210	1,358,368			
Four Years Later	1,289,628	1,396,631	1,466,629	1,532,537	1,536,507	1,476,210				
Five Years Later	1,289,628	1,396,631	1,466,629	1,532,537	1,536,507					
Six Years Later	1,289,628	1,396,631	1,466,629	1,532,537						
Seven Years Later	1,289,628	1,396,631	1,466,629							
Eight Years Later	1,289,628	1,396,631								
Nine Years Later	1,289,628									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	(2,431)	5,291	(8,673)	699	6,308	15,281	11,256	(9,484)	(5,824)	

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

	2018	2017	2016	2015	2014
<u>As of the most recent fiscal year end:</u>					
Actuarially determined contribution	\$ 11,954	\$ 11,884	\$ 15,171	\$ 15,142	\$ 15,220
Contributions in relation to the actuarially determined contribution	11,954	11,884	15,171	15,142	10,805
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u> 4,415
Covered-employee payroll	\$ 30,624	\$ 27,590	\$ 31,936	\$ 31,936	\$ 32,930
Contributions as a percentage of covered-employee payroll	39.03%	43.00%	48.00%	47.00%	32.81%

Notes to Schedule as of the Measurement Date

Valuation date	July 1, 2017	July 1, 2015	July 1, 2015	July 1, 2014	July 1, 2014
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Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal				
Amortization Method	Interest + 1% Unfunded Past Liability				
Asset Valuation Method	Market Value				
Investment Return	6.24%	6.41%	6.41%	6.41%	6.15%
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%
Projected Salary Increase	1% for next 5 years 3.5% thereafter				

Mortality Rates FY 2018 ; 2017

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projected Scale AA (male and female scales).

Mortality Rates FY 2016

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projected Scale AA (male and female scales).

Mortality Rates FY 2015 and Prior

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.

	2013	2012	2011	2010	2009
	\$ 15,220	\$ 10,302	\$ 10,302	\$ 4,512	\$ 4,512
	10,399	4,946	4,534	4,470	4,470
	<u>\$ 4,821</u>	<u>\$ 5,356</u>	<u>\$ 5,768</u>	<u>\$ 42</u>	<u>\$ 42</u>
	\$ 32,930	\$ 33,175	\$ 33,175	\$ 29,887	\$ 29,887
	31.58%	14.91%	13.67%	14.96%	14.96%
	July 1, 2013	July 1, 2012	July 1, 2011	June 30,2009	June 30,2009
Entry Age Normal	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%	7.00%	7.00%	7.00%
1% for next year 1% the following year 3.5% thereafter	1% for next year 1% the following year 3.5% thereafter	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	1% for next year 2% the following year 4% thereafter

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

Kentucky Legislators' Retirement Plan					
	2018	2017	2016	2015	2014
<i>As of the most recent fiscal year end:</i>					
Actuarially determined contribution	\$ 2,400	\$ 2,384	\$ 3,415	\$ 3,409	\$ 3,215
Contributions in relation to the actuarially determined contribution	2,400	2,384	3,415	3,409	1,825
Contribution deficiency (excess)	\$	\$	\$	\$	\$ 1,390
Covered-employee payroll	\$ 4,407	\$ 3,506	\$ 4,919	\$ 4,919	\$ 4,988
Contributions as a percentage of covered-employee payroll	54.5%	68%	69%	69%	36.59%

Notes to Schedule as of the Measurement Date

Valuation date	July 1, 2017	July 1, 2015	July 1, 2015	July 1, 2014	July 1, 2014
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Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal				
Amortization Method	Interest + 1% Unfunded Past Liability				
Asset Valuation Method	Market Value				
Investment Return	6.45%	6.45%	6.85%	6.50%	6.50%
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%
Projected Salary Increase	1% for next 5 years 3.5% thereafter				

Mortality Rates FY 2018; 2017

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projected Scale AA (male and female scales).

Mortality Rates FY 2016

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projected Scale AA (male and female scales).

Mortality Rates FY 2015 and Prior

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.

2013	2012	2011	2010	2009
\$ 3,215	\$ 2,140	\$ 2,140	\$ 320	\$ 320
1,696	1,027	942	320	320
<u>\$ 1,519</u>	<u>\$ 1,113</u>	<u>\$ 1,198</u>	<u>\$</u>	<u>\$</u>
\$ 4,988	\$ 5,193	\$ 5,193	\$ 4,917	\$ 4,917
34%	19.78%	18.14%	6.51%	6.51%
July 1, 2013	July 1, 2012	July 1, 2011	June 30, 2009	June 30, 2009
Entry Age Normal	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 Open	Interest + 1% Unfunded Past Liability Open	Interest + 1% Unfunded Past Liability
Market Value	Market Value	Market Value	Market Value	Market Value
7.00%	7.00%	7.00%	7.00%	7.50%
1% for next year 1% the following year 3.5% thereafter	1% for next year 1% the following year 3.5% thereafter	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

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

State Police Retirement System				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>As of the most recent fiscal year end:</i>				
Actuarially determined contribution	\$ 36,033	\$ 35,937	\$ 25,723	\$ 31,444
Contributions in relation to the actuarially determined contribution	46,877	63,240	25,822	31,990
Contribution deficiency (excess)	<u>\$ (10,844)</u>	<u>\$ (27,303)</u>	<u>\$ (99)</u>	<u>\$ (546)</u>
Covered-employee payroll	\$ 50,346	\$ 54,065	\$ 46,685	\$ 45,765
Contributions as a percentage of covered-employee payroll	93.11%	116.97%	55.31%	69.90%

Notes to Schedule as of the Measurement Date

Valuation date	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014
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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	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Five-year smoothed market	Five-year smoothed market
Investment Return	6.75%	7.50%	6.75%	7.50%
Inflation	3.25%	3.25%	3.25%	3.25%
Projected Salary Increase	4.00%	4.00%	4.00%	4.00%

Mortality

RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

2014	2013	2012	2011	2010	2009
\$ 25,808	\$ 23,117	\$ 20,498	\$ 18,463	\$ 18,765	\$ 15,952
20,279	18,501	15,362	12,657	9,489	8,186
<u>\$ 5,529</u>	<u>\$ 4,616</u>	<u>\$ 5,136</u>	<u>\$ 5,806</u>	<u>\$ 9,276</u>	<u>\$ 7,766</u>
\$ 44,616	\$ 45,256	\$ 48,373	\$ 48,693	\$ 51,507	\$ 51,660
45.45%	40.88%	31.76%	25.99%	18.42%	15.85%

June 30, 2014 June 30, 2013 June 30, 2012 June 30, 2011 June 30, 2010 June 30, 2009

Entry age normal Entry age normal

Level percentage of payroll closed Level percentage of payroll closed

Five-year smoothed market Five-year smoothed market

7.75% 7.75% 7.75% 7.75% 7.75% 7.75%

3.50% 3.50% 3.50% 3.50% 3.50% 4.50%

4.50% 4.5%-21% 4.5%-21% 4.5%-21% 5%-21% 4.5%-21%

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

Kentucky Employees Retirement Plan				
Non-Hazardous				
	2018	2017	2016	2015
<u>As of the most recent fiscal year end:</u>				
Actuarially determined contribution	\$ 432,329	\$ 361,024	\$ 362,122	\$ 355,949
Contributions in relation to the actuarially determined contribution	470,021	361,316	362,639	202,891
Contribution deficiency (excess)	\$ (37,692)	\$ (292)	\$ (517)	\$ 153,058
Covered-employee payroll	1,029,846	1,148,574	\$ 1,073,430	\$ 1,078,236
Contributions as a percentage of covered-employee payroll	45.64%	31.46%	33.78%	18.82%

Notes to Schedule as of the Measurement Date

Valuation date	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014
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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	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Five-year smoothed market	Five-year smoothed market
Investment Return	7.50%	6.75%	7.50%	7.75%
Inflation	3.25%	3.25%	3.25%	3.50%
Projected Salary Increase	4.0%, average	4.0%, average, including inflation	4.0%, average, including inflation	4.5% per annum

Mortality

RP-2000 Combined Mortality Table, projected to 2013 with scale BB (set back one year for females)

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 Hazardous	2018	2017	2016	2015
<i>As of the most recent fiscal year end:</i>				
Actuarially determined contribution	\$ 31,321	\$ 23,690	\$ 27,770	\$ 13,289
Contributions in relation to the actuarially determined contribution	43,661	23,759	27,929	11,428
Contribution deficiency (excess)	<u>\$ (12,340)</u>	<u>\$ (69)</u>	<u>\$ (159)</u>	<u>\$ 1,861</u>
Covered-employee payroll	\$ 152,936	\$ 158,828	\$ 125,942	\$ 126,402
Contributions as a percentage of covered-employee payroll	28.55%	14.96%	22.18%	9.04%

Notes to Schedule as of the Measurement Date

Valuation date	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014
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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	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Five-year smoothed market	Five-year smoothed market
Investment Return	7.50%	7.50%	7.50%	7.75%
Inflation	3.25%	3.25%	3.25%	3.50%
Projected Salary Increase	4.0%, average	4.0%, average, including inflation	4.0%, average, including inflation	1% per annum

Mortality

RP-2000 Combined Mortality Table, projected to 2013 with scale BB (set back 1 year for females).

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>As of the most recent fiscal year end:</i>				
Actuarially determined contribution	\$	\$	\$	\$
Employer	7,780	16,540	15,776	14,018
Nonemployer special funding	1,554,267	934,995	852,845	768,088
Contributions in relation to the actuarially determined contribution				
Employer	8,013	9,359	9,662	9,590
Nonemployer special funding	1,600,895	529,083	522,336	525,455
Contribution deficiency (excess)	<u>\$ (46,861)</u>	<u>\$ 413,093</u>	<u>\$ 336,623</u>	<u>\$ 247,061</u>
Covered-employee payroll	\$ 3,605,115	\$ 4,108,000	\$ 3,284,714	\$ 3,150,875
Contributions as a percentage of covered-employee payroll	44.63%	13.11%	16.20%	16.98%

Notes to Schedule as of the Measurement Date

Valuation date	June 30, 2018	June 30, 2016	June 30, 2014	June 30, 2014
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Methods and assumptions used to determine contributions :

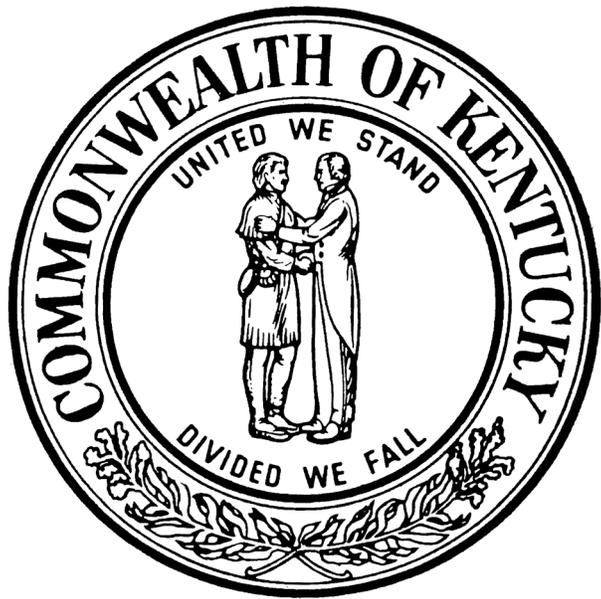
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of payroll, open
Asset Valuation Method	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market
Investment Return	7.5% including inflation	7.5%, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation
Inflation	3.00%	3.50%	3.50%	3.50%
Projected Salary Increase	3.50 - 7.30%	3.50 - 7.30%	4.0% - 8.20%	4.0% - 8.20%

Mortality

The rate of mortality is based on the RP-2000 Combined Mortality Table projected to 2020 using scale AA (set back one year for females) 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.

* Revised from previous year to reflect actual covered-employee payroll.



COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR FOUR FISCAL YEARS
(Expressed in Thousands)

Schedule of Changes in Net Pension Liability and Related Ratios

	2018			2017		
	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
Total Pension Liability						
Service Costs	\$ 701	\$ 4,912	\$ 8,297	\$ 967	\$ 4,913	\$ 8,402
Interest	5,280	23,780	51,768	5,161	23,436	52,951
Differences between expected and actual experience	(6,362)	(8,857)	8,143			
Changes in assumptions	(160)	(2,090)	136,602			56,191
Benefit payments/refunds	(4,257)	(23,011)	(56,960)	(3,999)	(22,868)	(56,279)
Other				22	85	
Net change in total pension liability	(4,798)	(5,266)	147,850	2,151	5,566	61,265
Total pension liability at July 1	78,364	376,771	795,422	76,213	371,205	734,157
Total pension liability at June 30	\$ 73,566	\$ 371,505	\$ 943,272	\$ 78,364	\$ 376,771	\$ 795,422
Pension Plan Fiduciary Net Position						
Contributions - employer	\$ 2401	\$ 11,954	\$ 63,240	\$ 3,380	\$ 15,294	\$ 25,822
Contributions - member	311	1,607	5,348	335	1,737	5,262
Net investment income	7936	34,713	26,795	2,067	8,734	(3,841)
Benefit payments/refunds	(4257)	(23,011)	(56,960)	(3,999)	(22,867)	(56,279)
Administrative expenses			(182)			(180)
Other	87		(517)	22	91	
Net change in plan fiduciary net position	6,478	25,263	37,724	1,805	2,989	(29,216)
Pension plan fiduciary net position at July 1	61,894	267,455	218,013	60,089	264,466	247,229
Pension plan fiduciary net position at June 30	\$ 68,372	\$ 292,718	\$ 255,737	\$ 61,894	\$ 267,455	\$ 218,013
Net pension liability at June 30	\$ 5,194	\$ 78,787	\$ 687,535	\$ 16,470	\$ 109,316	\$ 577,409
Pension plan fiduciary net position as a % of the total pension liability	92.94%	78.79%	27.11%	78.98%	71.0%	27.41%
Covered-employee payroll	\$ 4,404	\$ 30,287	\$ 54,065	\$ 4,500	\$ 30,000	\$ 46,685
Net Pension liability as a % of covered employee payroll	117.9%	260.1%	1271.7%	366.0%	364.4%	1236.82%

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

The column is presented based on the measurement date of the prior period.

⁽¹⁾ This column is presented based on the measurement period ended June 30, 2017

⁽²⁾ This column is presented based on the measurement period ended June 30, 2016

⁽³⁾ This column is presented based on the measurement period ended June 30, 2015

⁽⁴⁾ This column is presented based on the measurement period ended June 30, 2014

2016			2015		
Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
\$ 1,046	\$ 4,952	\$ 7,696	\$ 1,046	\$ 4,952	\$ 7,142
5,077	22,205	50,660	4,923	21,906	50,391
(3,421)	4,401	9,331			
(1,547)	(4,401)	40,202	3,722	29,116	
(3,690)	(22,243)	(54,851)	(3,544)	(21,808)	(53,239)
(2,535)	4,914	53,038	6,147	34,166	4,294
78,748	366,291	681,119	72,601	332,126	676,825
\$ 76,213	\$ 371,205	\$ 734,157	\$ 78,748	\$ 366,292	\$ 681,119
\$ 3,367	\$ 15,362	\$ 31,990	\$ 1,825	\$ 12,404	\$ 20,279
217	1,863	5,244	273	2,759	5,076
5,550	25,614	3,427	7,934	33,174	40,374
(3,690)	(22,243)	(54,851)	(3,544)	(21,808)	(53,239)
		(201)			(214)
		646			
5,444	20,596	(13,745)	6,488	26,529	12,276
54,645	243,870	260,974	48,157	217,341	248,698
\$ 60,089	\$ 264,466	\$ 247,229	\$ 54,645	\$ 243,870	\$ 260,974
\$ 16,124	\$ 106,739	\$ 486,928	\$ 24,103	\$ 122,422	\$ 420,145
78.8%	71.2%	33.68%	69.39%	66.58%	38.32%
\$ 4,500	\$ 30,000	\$ 45,765	\$ 4,988	\$ 32,930	\$ 44,616
358.3%	355.8%	1,063.97%	483.22%	371.76%	941.69%

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

Schedule of Commonwealth's Proportionate Share of the Net Pension Liability

	Fiscal Year			
	2018		2017	
	Kentucky Employees' Retirement System		Kentucky Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Commonwealth's proportionate share of the net pension liability (asset)	74.01%	97.69%	70.42%	98.04%
Commonwealth's proportionate share of the collective net pension liability (asset)	\$ 9,909,003	485,596	\$ 8,027,502	\$ 383,971
Other employers' proportionate share of the collective net pension liability (asset)	3,479,333	11,505	3,207,893	7,667
Total collective net pension liability	<u>\$ 13,388,336</u>	<u>497,101</u>	<u>\$ 11,235,395</u>	<u>\$ 391,638</u>
Commonwealth's covered-employee payroll	\$ 1,185,969	174,379	\$ 1,148,568	\$ 155,715
Commonwealth's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	835.52%	278.47%	698.91%	246.59%
Pension plan fiduciary net position as a percentage of the total pension liability	13.30%	54.80%	14.80%	57.41%

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

	2018		2017		
	Kentucky Teachers' Retirement System		Kentucky Teachers' Retirement System		
	Commonwealth's proportionate share of the net pension liability (asset)	95.54%	95.22%		
	Commonwealth's proportionate share of the collective net pension liability (asset)	\$ 27,474,647	\$ 29,446,825		
Other employers' proportionate share of the collective net pension liability (asset)	1,468,941	1,476,601			
Total collective net pension liability	<u>\$ 28,943,588</u>	<u>\$ 30,923,426</u>			
Commonwealth's covered-employee payroll	\$ 3,263,192	\$ 3,252,174			
Commonwealth's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	842%	905.45%			
Pension plan fiduciary net position as a percentage of the total pension liability	39.80%	35.20%			

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

* Revised from previous year to reflect actual covered employee payroll

Fiscal Year			
2016		2015	
Kentucky Employees' Retirement System		Kentucky Employees' Retirement System	
Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
69.51%	97.87%	68.35%	97.93%
\$ 6,973,383	\$ 335,667	\$ 6,132,338	\$ 250,075
3,058,508	7,298	2,839,482	5,291
<u>\$ 10,031,891</u>	<u>\$ 342,965</u>	<u>\$ 8,971,820</u>	<u>\$ 255,366</u>
\$ 1,073,428	\$ 125,939	\$ 1,078,236	\$ 126,402
649.64%	266.53%	568.74%	197.84%
18.83%	61.70%	22.32%	68.74%

Fiscal Year			
2016		2015 *	
Kentucky Teachers' Retirement System		Kentucky Teachers' Retirement System	
	95.07%		94.98%
\$	23,223,555	\$	20,508,196
	1,476,601		1,084,009
<u>\$</u>	<u>24,700,156</u>	<u>\$</u>	<u>21,592,205</u>
\$	3,284,714	\$	3,150,875
	707.02%		650.87%
	42.49%		45.59%

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

Kentucky Judicial Retirement Plan

	<u>2018</u>
<u>As of the most recent fiscal year end:</u>	
Actuarially determined contribution	\$ 1,218
Contributions in relation to the actuarially determined contribution	1,218
Contribution deficiency (excess)	<u>\$</u>
Covered-employee payroll	\$ 27,900
Contributions as a percentage of covered-employee payroll	4.30%

Notes to Schedule as of the Measurement Date

Valuation date July 1, 2017

Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal
Amortization Method	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value
Investment Return	6.24%
Inflation	3.00%
Projected Salary Increase	1% for the next 5 years and 3.5% thereafter

Mortality Rates FY 2018

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustments with Pre and Post Commencement Rates with projected morality improvements after year 2000 under Projected Scale AA (male and female scales).

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

Kentucky Legislators' Retirement Plan

	<u>2018</u>
<u>As of the most recent fiscal year end:</u>	
Actuarially determined contribution	\$ 2,400
Contributions in relation to the actuarially determined contribution	2,400
Contribution deficiency (excess)	<u>\$</u>
Covered-employee payroll	\$ 4,407
Contributions as a percentage of covered-employee payroll	54.5%

Notes to Schedule as of the Measurement Date

Valuation date July 1, 2017

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value
Investment Return	6.45%
Inflation	3.00%
Projected Salary Increase	1% for the next 5 years and 3.5% thereafter

Mortality Rates FY 2018

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projected Scale AA (male and female scales).

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

State Police Retirement System

	<u>2018</u>
<u>As of the most recent fiscal year end:</u>	
Actuarially determined contribution	\$ 9,062
Contributions in relation to the actuarially determined contribution	9,397
Contribution deficiency (excess)	<u>\$ (335)</u>
Covered-employee payroll	\$ 50,064
Contributions as a percentage of covered-employee payroll	18.77%

Notes to Schedule as of the Measurement Date

Valuation date June 30, 2016

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Asset Valuation Method	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment Return	6.25%
Inflation	2.30%
Projected Salary Increase	0%, average

Mortality

RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

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 - OPEB
FOR THE CURRENT FISCAL YEAR
(Expressed in Thousands)**

Kentucky Employees Retirement Plan	
Non-Hazardous	
	2018
<u>As of the most recent fiscal year end:</u>	
Actuarially determined contribution	\$ 132,365
Contributions in relation to the actuarially determined contribution	136,419
Contribution deficiency (excess)	<u>\$ (4,054)</u>
Covered-employee payroll	1,573,898
Contributions as a percentage of covered-employee payroll	8.67%

Notes to Schedule as of the Measurement Date

Valuation date June 30, 2016

Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
	27 Years, Closed
Asset Valuation Method	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment Return	6.25%
Inflation	2.30%
Projected Salary Increase	0%

Mortality

RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

This is a 10 year schedule. Years will be added to this schedule in future

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

Kentucky Employees Retirement Plan	
Hazardous	
	2018
<u>As of the most recent fiscal year end:</u>	
Actuarially determined contribution	\$ 2,550
Contributions in relation to the actuarially determined contribution	5,288
Contribution deficiency (excess)	<u>\$ (2,738)</u>
Covered-employee payroll	\$ 190,317
Contributions as a percentage of covered-employee payroll	2.78%

Notes to Schedule as of the Measurement Date

Valuation date June 30, 2016

Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
	27 Years, Closed
Asset Valuation Method	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment Return	6.25%
Inflation	2.30%
Projected Salary Increase	0%

Mortality

RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

This is a 10 year schedule. Years will be added to this schedule in future

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

Kentucky Teachers Retirement System

	<u>2018</u>
<i>As of the most recent fiscal year end:</i>	
Actuarially determined contribution	\$
Employer	30,012
Nonemployer special funding	795,264
Contributions in relation to the actuarially determined contribution	
Employer	1,342
Nonemployer special funding	81,856
Contribution deficiency (excess)	<u>\$ 742,078</u>
Covered-employee payroll	\$ 3,605,115
Contributions as a percentage of covered-employee payroll	29%

Notes to Schedule as of the Measurement Date

Valuation date

Health	June 30, 2016
Life	June 30, 2014

Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Five-year smoothed value
Health	Market Value
Life	
Investment Return	
Health	8.00%
Life	7.50%
Inflation	
Health	3.00%
Life	4.00%
Projected Salary Increase	
Health	3.50% - 7.20%
Life	4.00% - 8.10%

Mortality

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

This is a 10 year schedule. Years will be added to this schedule in future fiscal

Single Employer Defined Benefit OPEB Plans
Schedule of Changes in Net OPEB Liability and Related Ratios
(Expressed in Thousands)

	Fiscal Year 2018		
	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
Total OPEB Liability			
Service Costs	\$ 452	\$ 1,221	\$ 4,147
Interest	2,012	4,552	17,993
Changes in benefit terms			
Differences between expected and actual experience	(10,568)	(22,068)	(572)
Changes in assumptions	2,272	5,640	57,312
Benefit payments/refunds	(709)	(1,943)	(12,123)
Net change in total OPEB liability	(6,541)	(12,598)	66,757
Total OPEB liability at July 1	28,626	64,709	246,477
Total OPEB liability at June 30	<u>\$ 22,085</u>	<u>\$ 52,111</u>	<u>\$ 313,234</u>
Pension Plan Fiduciary Net Position			
Contributions - employer	\$ 6	\$ 1,218	\$ 7,862
Contributions - member	7	176	131
Net investment income	4,933	9,385	21,627
Benefit payments/refunds	(709)	(1,943)	(12,123)
Administrative expenses			(66)
Other		4	
Net change in plan fiduciary net position	4,237	8,840	17,431
OPEB plan fiduciary net position at July 1	37,793	70,301	161,407
OPEB plan fiduciary net position at June 30	<u>\$ 42,030</u>	<u>\$ 79,141</u>	<u>\$ 178,838</u>
Net OPEB liability at June 30	<u>\$ (19,945)</u>	<u>\$ (27,030)</u>	<u>\$ 134,396</u>
Plan fiduciary net position as a %			
of the total OPEB liability	190.31%	151.87%	57.09%
Covered-employee payroll	\$ 4,398	\$ 30,297	\$ 48,873
Net OPEB liability as a % of covered employee payroll	-453.5%	-89.2%	275.0%

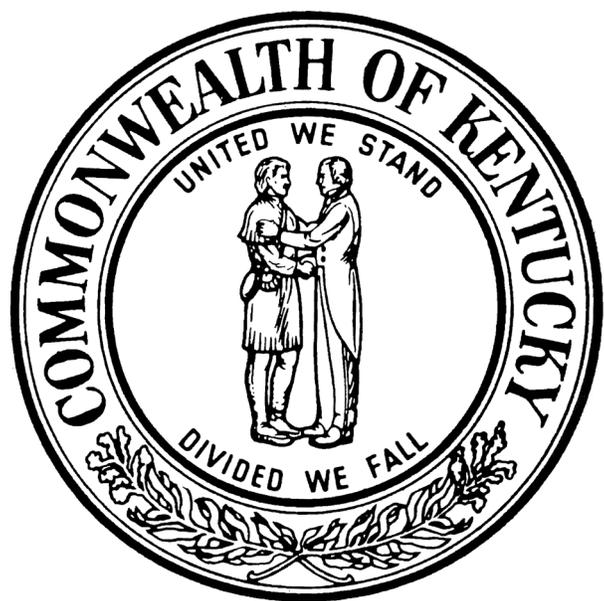
**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMONWEALTH'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE CURRENT FISCAL YEAR**

Schedule of Commonwealth's Proportionate Share of the Net OPEB Liability

(Expressed in Thousands)

	Kentucky Employees' OPEB Plan		Kentucky Teachers' OPEB Plan
	Non-Hazardous	Hazardous	
Fiscal Year Ended 2018 (measurement date)			
Commonwealth's proportionate share of the net OPEB liability (asset)	72.40%	97.64%	45.49%
Commonwealth's proportionate share of the collective net OPEB liability (asset)	\$ 1,835,540	\$ 5,888	\$ 1,632,050
Other employers' proportionate share of the collective net OPEB liability (asset)			1,955,691
Total collective net OPEB liability	<u>\$ 1,835,540</u>	<u>\$ 5,888</u>	<u>\$ 3,587,741</u>
Commonwealth's covered-employee payroll	\$ 1,153,368	\$ 167,046	\$ 1,639,967
Commonwealth's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	159.15%	3.53%	99.52%
OPEB plan fiduciary net position as a percentage of the total OPEB liability	24.40%	98.80%	22.58%

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 **KentuckyWired Infrastructure Company, Inc.** - accounts for and reports specific resources that are restricted, committed, or assigned. The company was formed to finance the "Next Generation Kentucky Information Highway" project which will provide reliable, high-speed internet across Kentucky.

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, 2018
(Expressed in Thousands)**

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Assets			
Cash and cash equivalents	\$ 3,427	\$	\$ 42,028
Investments, net of amortization			87,605
Invested security collateral			9,901
Receivables, net			71,441
Notes receivable			1,738
Interfund receivables	126,381		361
Interfund loan receivable			10,991
Total Assets	<u>\$ 129,808</u>	<u>\$</u>	<u>\$ 224,065</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$	\$	\$ 2,217
Interfund payables			2
Obligations under securities lending			9,900
Unearned revenue	1,684		
Total Liabilities	<u>1,684</u>		<u>12,119</u>
Deferred inflows of resources			
Unavailable			50,507
Fund Balances:			
Nonspendable			
Long-term receivables			697
Restricted for:			
General government			20,423
Legislative and judicial			
Commerce			2,614
Education and humanities			23,256
Human resources			89,178
Natural resources and environmental protection			12,018
Public protection and regulation			
Transportation			1,597
Debt service	128,124		
Committed to:			
General government			4,604
Legislative and judicial			
Education and humanities			68
Human resources			184
environmental protection			
Assigned to:			
General government			6,800
Total Fund Balances	<u>128,124</u>		<u>161,439</u>
Total Liabilities and Fund Balances			
Balances	<u>\$ 129,808</u>	<u>\$</u>	<u>\$ 224,065</u>

Special Revenue Funds				
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	KentuckyWired Infrastructure Company, Inc.	Special Benefits	Total Non-Major Governmental Funds
\$ 139,471	\$ 42,774	\$	\$ 266,195	\$ 493,895
72,666	2,689	118,157	65,415	346,532
		6,106	50,638	60,539
			61,432	138,979
				1,738
				126,742
				10,991
\$ 212,137	\$ 45,463	\$ 124,263	\$ 443,680	\$ 1,179,416
\$ 126,381	\$ 33	\$ 18,324	\$ 10,548	\$ 31,122
			21	126,404
			50,638	60,538
				1,684
126,381	33	18,324	61,207	219,748
			57,412	107,919
				697
		105,939	57,131	183,493
			2	2
	45,430		7,027	2,614
			5,900	75,713
				95,078
			99,070	111,088
			2,667	2,667
85,756				1,597
				213,880
			79,035	83,639
			1,099	1,099
			6,469	6,537
			16,177	16,361
			50,484	50,484
				6,800
85,756	45,430	105,939	325,061	851,749
\$ 212,137	\$ 45,463	\$ 124,263	\$ 443,680	\$ 1,179,416

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Revenues			
Taxes	\$	\$	\$ 130,341
Licenses, fees, and permits			462
Intergovernmental			4
Charges for services			70,898
Fines and forfeits			15,680
Interest and other investment income	25		1,465
Increase (decrease) in fair value of investments			306
Securities lending income			343
Other revenues	3,364		15,095
Total Revenues	3,389		234,594
Expenditures			
Current:			
General government		85,883	108,228
Commerce			273
Education and humanities			48,433
Human resources			3,201
Justice			
Natural resources and environmental protection			21
Public protection and regulation			
Transportation			
Debt service:			
Principal retirement	91,400	90,023	
Interest and fiscal charges	63,212	30,725	
Other expenditures		1,808	
Securities lending expense			288
Total Expenditures	154,612	208,439	160,444
Excess (Deficiency) of Revenues over (under) Expenditures	(151,223)	(208,439)	74,150
Other Financing Sources (Uses)			
Transfers in	154,864	120,749	311,452
Transfers out	(7)		(357,389)
Issuance of bonds:			
New issues		86,686	
Refunding issues		16,726	
Premiums			
Payments to refunded bond escrow agent		(15,722)	
Total Other Financing Sources (Uses)	154,857	208,439	(45,937)
Net Change in Fund Balances	3,634		28,213
Fund Balances at July 1	124,490		133,226
Fund Balances at June 30	\$ 128,124	\$	\$ 161,439

Special Revenue Funds					Total Non-Major Governmental Funds
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	KentuckyWired Infrastructure Company, Inc.	Special Benefits		
\$	\$	\$	\$	11,331	\$ 141,672
				13,158	13,620
				9	13
				168,959	239,857
811	242	153		1,264	16,944
				3,354	6,050
					306
69	6,336	7,727		1,754	2,097
880	6,578	7,880		107,984	140,575
				307,813	561,134
				55,659	333,031
					273
	12,322			12,411	73,166
				18,682	21,883
				1,763	1,763
				5,353	5,374
47,903				1,738	1,738
				113,009	160,912
					181,423
					93,937
					1,808
				1,471	1,759
47,903	12,322	55,659		237,688	877,067
(47,023)	(5,744)	(47,779)		70,125	(315,933)
154,827	32,191			128,360	902,443
(154,864)	(13,847)			(84,355)	(610,462)
27,415		13,146			127,247
146,920					163,646
31,133					31,133
(151,365)					(167,087)
54,066	18,344	13,146		44,005	446,920
7,043	12,600	(34,633)		114,130	130,987
78,713	32,830	140,572		210,931	720,762
\$ 85,756	\$ 45,430	\$ 105,939	\$	325,061	\$ 851,749

SCHEDULE OF FUND ACTIVITIES

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed In Thousands)

	June 30, 2018
Revenues by Source	
Taxes:	
Sales and gross receipts	\$ 4,478,556
Income:	
Individual	4,531,551
Corporations	498,795
Property	740,429
Coal severance	113,812
Licenses and privileges	432
Inheritance and estate	49,493
Miscellaneous	2,972
Total Taxes	<u>10,416,040</u>
Licenses, fees, and permits	19,020
Intergovernmental	10,414
Charges for services	260,503
Fines and forfeits	28,941
Interest and other investment income	1,777
Increase (decrease) in fair value of investments	(7,838)
Securities lending income	1,042
Other revenues	42,797
Total Revenues by Source	<u>\$ 10,772,696</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed In Thousands)

	June 30, 2018
General Government:	
Personal services	\$ 309,322
Utilities, rentals, and other services	59,040
Commodities and supplies	27,204
Grants and subsidies	1,234,429
Capital outlay	234
Claims	6
Travel	1,504
Judgments and contingent liabilities	11,830
Other	1,853
Total General Government	<u>1,645,422</u>
Legislative and Judicial:	
Personal services	255,012
Utilities, rentals, and other services	122,790
Commodities and supplies	18,270
Grants and subsidies	16,546
Capital outlay	182
Claims	8
Travel	4,654
Total Legislative and Judicial	<u>417,462</u>
Commerce:	
Personal services	8,295
Utilities, rentals, and other services	1,662
Commodities and supplies	1,036
Grants and subsidies	14,848
Travel	159
Judgments and contingent liabilities	33
Total Commerce	<u>26,033</u>
Education and Humanities:	
Personal services	100,944
Utilities, rentals, and other services	26,471
Commodities and supplies	5,592
Grants and subsidies	4,726,463
Capital outlay	124
Judgments and contingent liabilities	5
Total Education and Humanities	<u>4,859,599</u>
Human Resources:	
Personal services	250,609
Utilities, rentals, and other services	36,183
Commodities and supplies	3,850
Grants and subsidies	2,244,049
Capital Outlay	479
Claims	3
Travel	6,833
Judgments and contingent liabilities	29
Total Human Resources	<u>2,542,035</u>
Justice:	
Personal services	471,540
Utilities, rentals, and other services	56,872
Commodities and supplies	31,051
Grants and subsidies	270,603
Capital outlay	14,364
Claims	11
Travel	3,999
Total Justice	<u>848,440</u>

	June 30, 2018
Natural Resources and Environmental Protection:	
Personal services	\$ 54,375
Utilities, rentals, and other services	5,751
Commodities and supplies	2,189
Grants and subsidies	1,128
Capital outlay	277
Travel	262
Total Natural Resources and Environmental Protection	<u>63,982</u>
Public Protection and Regulation:	
Personal services	13,781
Utilities, rentals, and other services	1,528
Commodities and supplies	185
Grants and subsidies	241
Travel	75
Judgments and contingent liabilities	385
Total Public Protection and Regulation	<u>16,195</u>
Transportation:	
Personal services	107
Commodities and supplies	75
Grants and subsidies	12,182
Total Transportation	<u>12,364</u>
Securities lending	874
Total Expenditures	<u>\$ 10,432,406</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES BY TYPE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed In Thousands)

	June 30, 2018
Revenues:	
Taxes	\$ 1,349,235
Licenses, fees and permits	150,800
Charges for services	8,957
Fines and forfeits	16
Interest and other investment income	4,446
Securities lending income	2,427
Other revenues	4,392
Total Revenues	<u>1,520,273</u>
Expenditures:	
Transportation:	
General administration and support	62,393
Motor vehicle regulation	21,682
Justice - state police	88,326
Highways	1,095,635
Aviation	863
Securities lending	2,036
Other	835
Total Expenditures	<u>\$ 1,271,770</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 Graphic Design and 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, 2018
(Expressed in Thousands)

	<u>Fleet Management</u>	<u>Computer Services</u>	<u>Prison Industries</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,830	\$ 8,630	\$ 1,795
Cash with fiscal agents			
Receivables, net		77	522
Interfund receivables		2,450	78
Inventories	13	528	1,570
Total Current Assets	<u>11,843</u>	<u>11,685</u>	<u>3,965</u>
Noncurrent assets:			
Investments, net		3,620	
Receivables, net			
Land			657
Improvements other than buildings			
Buildings		9,507	5,807
Machinery and equipment	75,677	46,530	6,500
Easements and other intangibles		1,675	
Less: Accumulated depreciation	(61,829)	(45,909)	(7,281)
Construction in progress		1,532	
Total Capital Assets	<u>13,848</u>	<u>13,335</u>	<u>5,683</u>
Total Noncurrent Assets, Net	<u>13,848</u>	<u>16,955</u>	<u>5,683</u>
Total Assets	<u>25,691</u>	<u>28,640</u>	<u>9,648</u>
Deferred outflows of resources	<u>1,671</u>	<u>42,042</u>	<u>533</u>
Liabilities			
Current liabilities:			
Accounts payable	110	2,511	353
Interfund payables	6	134	96
Interfund loans payable			
Claims liability			
Claims adjustment liability			
Capital lease obligations	1,899	811	218
Compensated absences	59	2,815	222
Unearned revenue			
Total Current Liabilities	<u>2,074</u>	<u>6,271</u>	<u>889</u>
Noncurrent liabilities:			
Claims liability			
Claims adjustment liability			
Capital lease obligations	7	216	379
Compensated absences	30	956	362
Net pension liability	7,045	189,374	2,040
Net OPEB liability	1,636	35,536	313
Total Noncurrent Liabilities	<u>8,718</u>	<u>226,082</u>	<u>3,094</u>
Total Liabilities	<u>10,792</u>	<u>232,353</u>	<u>3,983</u>
Deferred inflows of resources	<u>293</u>	<u>15,479</u>	<u>35</u>
Net Position			
Net investment in capital assets	11,942	12,308	5,086
Unrestricted	4,335	(189,458)	1,077
Total Net Position	<u>\$ 16,277</u>	<u>\$ (177,150)</u>	<u>\$ 6,163</u>

<u>Central Printing</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>Totals June 30, 2018</u>
\$	\$	\$	\$
	9,511	17,678	49,444
	65,707		65,707
	24	520	1,143
			2,528
31			2,142
<u>31</u>	<u>75,242</u>	<u>18,198</u>	<u>120,964</u>
	10,886		14,506
		88	88
	17,095		17,752
	3,133		3,133
	323,111		338,425
1,509	2,498		132,714
			1,675
(999)	(189,623)		(305,641)
	107,591		109,123
<u>510</u>	<u>263,805</u>	<u></u>	<u>297,181</u>
<u>510</u>	<u>274,691</u>	<u>88</u>	<u>311,775</u>
<u>541</u>	<u>349,933</u>	<u>18,286</u>	<u>432,739</u>
<u>968</u>	<u>14,395</u>	<u>2,542</u>	<u>62,151</u>
61	6,167	5,872	15,074
3	1,457	6	1,702
935			935
		31,003	31,003
		757	757
131	836		3,895
68	948	190	4,302
	127		127
<u>1,198</u>	<u>9,535</u>	<u>37,828</u>	<u>57,795</u>
		197,209	197,209
		5,017	5,017
342	5,430		6,374
31	50	38	1,467
4,528	59,064	8,864	270,915
836	12,459	1,909	52,689
<u>5,737</u>	<u>77,003</u>	<u>213,037</u>	<u>533,671</u>
<u>6,935</u>	<u>86,538</u>	<u>250,865</u>	<u>591,466</u>
<u>299</u>	<u>2,637</u>	<u>170</u>	<u>18,913</u>
37	257,539		286,912
(5,762)	17,614	(230,207)	(402,401)
<u>\$ (5,725)</u>	<u>\$ 275,153</u>	<u>\$ (230,207)</u>	<u>\$ (115,489)</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Operating Revenues:			
Charges for services	\$ 26,856	\$ 117,061	\$ 11,120
Other revenues	248		25
Total Operating Revenues	<u>27,104</u>	<u>117,061</u>	<u>11,145</u>
Operating Expenses:			
Personal services	1,774	71,642	4,558
Utilities, rentals, and other services	3,795	15,141	1,121
Commodities and supplies	9,161	27,154	4,801
Grants and subsidies			761
Depreciation and amortization	6,837	4,189	697
Travel	6	66	21
Claims expense			
Claims adjustment expense			
Total Operating Expenses	<u>21,573</u>	<u>118,192</u>	<u>11,959</u>
Operating Income (Loss)	<u>5,531</u>	<u>(1,131)</u>	<u>(814)</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	1,409	(134)	
Interest and other investment income			
Interest expense	(55)	(147)	(14)
Other revenues (expenses)			
Total Nonoperating Revenues and Expenses	<u>1,354</u>	<u>(281)</u>	<u>(14)</u>
Income (Loss) before Transfers	6,885	(1,412)	(828)
Capital contributions			
Transfers in			
Transfers out	<u>(6,000)</u>	<u>(11,300)</u>	<u>(5)</u>
Change in Net Position	885	(12,712)	(833)
Net Position at July 1, As Restated	15,392	(164,438)	6,996
Net Position at June 30	<u>\$ 16,277</u>	<u>\$ (177,150)</u>	<u>\$ 6,163</u>

<u>Central Printing</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>Totals June 30, 2018</u>
\$ 1,295	\$ 40,205	\$ 35,979	\$ 232,516
	25	26,648	26,946
<u>1,295</u>	<u>40,230</u>	<u>62,627</u>	<u>259,462</u>
1,126	23,111	7,914	110,125
142	18,556	11,202	49,957
252	10,917	77	52,362
			761
133	6,070		17,926
	19	15	127
		59,507	59,507
		1,393	1,393
<u>1,653</u>	<u>58,673</u>	<u>80,108</u>	<u>292,158</u>
<u>(358)</u>	<u>(18,443)</u>	<u>(17,481)</u>	<u>(32,696)</u>
	(18)		1,257
	261		261
(12)	(248)	(6)	(482)
		78	78
<u>(12)</u>	<u>(5)</u>	<u>72</u>	<u>1,114</u>
(370)	(18,448)	(17,409)	(31,582)
	101,923		101,923
	(1,607)	(78)	(18,990)
(370)	81,868	(17,487)	51,351
(5,355)	193,285	(212,720)	(166,840)
<u>\$ (5,725)</u>	<u>\$ 275,153</u>	<u>\$ (230,207)</u>	<u>\$ (115,489)</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Cash Flows from Operating Activities			
Cash received from customers - public	\$	\$	\$
Cash received from customers - state	26,931	118,727	11,276
Cash payments to suppliers for goods and services	(12,959)	(43,315)	(5,724)
Cash payments for employee salaries and benefits	(1,565)	(57,851)	(4,184)
Cash payments for claims expense			
Cash payments from other sources	248		26
Cash payments to other sources			(761)
Net Cash Provided (Used) by Operating Activities	<u>12,655</u>	<u>18,494</u>	<u>633</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds			
Transfers to other funds	(6,000)	(11,300)	(5)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(6,000)</u>	<u>(11,300)</u>	<u>(5)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(3,982)	(3,858)	(241)
Principal paid on revenue bond maturities and equipment contracts	(3,407)	(1,229)	(214)
Interest paid on revenue bonds and equipment contracts	(55)	(147)	(14)
Proceeds from the sale of capital assets	627		
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(6,817)</u>	<u>(5,234)</u>	<u>(469)</u>
Cash Flows from Investing Activities			
Purchase of investment securities			
Proceeds from the sale of investment securities		(1,422)	
Interest and dividends on investments			
Net Cash Provided (Used) in Investing Activities		<u>(1,422)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(162)	538	159
Cash and Cash Equivalents at July 1	11,992	\$ 8,092	\$ 1,636
Cash and Cash Equivalents at June 30	<u>\$ 11,830</u>	<u>\$ 8,630</u>	<u>\$ 1,795</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 5,531	\$ (1,131)	\$ (814)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	6,837	4,189	697
Miscellaneous nonoperating income (expense)			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	2	89	(118)
Interfund receivables	72	2,513	274
Inventories	6		256
(Increase) decrease in deferred outflows	(639)	(14,971)	(237)
Increase (decrease) in liabilities:			
Accounts payable	(15)	(768)	(98)
Interfund payables	6	(252)	40
Claims liability			
Claims adjustment liability			
Compensated absences	(9)	(392)	18
Unearned revenue		(4)	
Pension liability	671	15,076	532
OPEB liability	251	5,682	48
Increase (decrease) in deferred inflows	(58)	8,463	35
Net Cash Provided by Operating Activities	<u>\$ 12,655</u>	<u>\$ 18,494</u>	<u>\$ 633</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2018
\$	\$	\$	\$
	832	35,454	37,219
1,295	39,537	27,585	225,351
(343)	(26,548)	(11,151)	(100,040)
(812)	(18,345)	(3,447)	(86,204)
	25	(42,056)	(42,056)
		(2,841)	299
		3,544	(3,602)
140	(4,499)		30,967
	101,923		101,923
	(1,607)	(78)	(18,990)
	100,316	(78)	82,933
	(29,210)		(37,291)
(129)	(806)		(5,785)
(12)	(248)		(476)
			627
(141)	(30,264)		(42,925)
	(35)		(35)
		(5)	(1,422)
		(5)	(5)
	(35)	(5)	(1,462)
(1)	65,518	3,461	69,513
\$ 1	9,700	14,217	45,638
\$	\$ 75,218	\$ 17,678	\$ 115,151
\$	\$	\$	\$
(358)	(18,443)	(17,481)	(32,696)
133	6,070		17,926
		(2,000)	(2,000)
	4	49	26
	172	(55)	2,976
4			266
(266)	(5,154)	(1,368)	(22,635)
(10)	3,043	275	2,427
58	(118)	1,603	1,337
		16,237	16,237
		371	371
(3)	77	42	(267)
	(13)		(17)
198	5,312	5,370	27,159
128	1,914	333	8,356
256	2,637	168	11,501
\$ 140	\$ (4,499)	\$ 3,544	\$ 30,967

CAPITAL ASSETS

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY SOURCE
JUNE 30, 2018
(Expressed In Thousands)

	June 30, 2018
Governmental Funds Capital Assets	
Land	\$ 222,664
Improvements other than buildings	27,394
Buildings	1,215,672
Machinery and equipment	574,268
Software/other intangibles	94,496
Easements	98,292
Construction in progress	2,691,504
Infrastructure	20,701,773
Total Governmental Funds Capital Assets	<u>\$ 25,626,063</u>
Investments in Governmental Funds Capital Assets by Source	
General Fund	\$ 113,839
Special Revenue Funds	712,938
Donations	166,364
Other	2,496,411
Capital Projects Fund:	
State appropriations	55,596
Revenue bonds	593,083
Federal grants	375,382
Other	235,794
Infrastructure (A)	20,701,773
Capital assets acquired prior to July 1, 1984 (A)	137,255
Capital assets acquired after July 1, 1984 (A)	37,628
Total Governmental Funds Capital Assets by Source	<u>\$ 25,626,063</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, 2018
(Expressed in Thousands)

	<u>Land</u>	<u>Improvements Other Than Buildings</u>	<u>Buildings</u>
General Government	\$ 34,113	\$ 12,402	\$ 320,563
Legislative & Judicial	2,032		10,453
Commerce	122,495	6,585	17,120
Education & Humanities	1,216	664	46,286
Human Resources	1,592	2,112	85,080
Justice	4,535	5,478	512,792
Natural Resources and Environmental Protection	38,776	153	1,685
Public Protection and Regulation			
Transportation	17,905		221,693
Total Governmental Funds Capital Assets by Function	<u>\$ 222,664</u>	<u>\$ 27,394</u>	<u>\$ 1,215,672</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, 2018</u>
\$ 31,436	\$ 36,605	\$ 61,601	\$ 65,484	\$	\$ 562,204
14,677			2,347		29,509
31,408		113	2,689		180,410
28,377		12,474	3,770		92,787
20,540	52,664		182,955		344,943
92,878	5,227		12,987		633,897
39,448		18,981			99,043
5,706					5,706
309,798		5,123	2,421,272	20,701,773	23,677,564
<u>\$ 574,268</u>	<u>\$ 94,496</u>	<u>\$ 98,292</u>	<u>\$ 2,691,504</u>	<u>\$ 20,701,773</u>	<u>\$ 25,626,063</u>

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
General Government	\$ 562,709	\$ 3,210	\$ (3,715)	\$ 562,204
Legislative & Judicial	28,256	1,473	(220)	29,509
Commerce	182,159	4,835	(6,584)	180,410
Education & Humanities	91,993	5,464	(4,670)	92,787
Human Resources	345,669	815	(1,541)	344,943
Justice	628,391	27,510	(22,004)	633,897
Natural Resources and Environmental Protection	97,973	3,189	(2,119)	99,043
Public Protection and Regulation	5,194	1,252	(740)	5,706
Transportation	23,325,720	915,277	(563,433)	23,677,564
Total Governmental Funds Capital Assets by Function	<u>\$ 25,268,064</u>	<u>\$ 963,025</u>	<u>\$ (605,026)</u>	<u>\$ 25,626,063</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, 2018
(Expressed in Thousands)

	<u>Pension Funds</u>	<u>Insurance Funds</u>	<u>Totals June 30, 2018</u>
Assets			
Cash and Short-Term Investments:			
Cash	\$ 806,709	\$ 320,621	\$ 1,127,330
Short-term investments	411,720	60,718	472,438
Total Cash and Short-Term Investments	<u>1,218,429</u>	<u>381,339</u>	<u>1,599,768</u>
Receivables:			
Investments - accounts receivable	279,130	119,984	399,114
Interest receivable	1,272	441	1,713
Accounts receivable	231,586	88,811	320,397
Total Receivables	<u>511,988</u>	<u>209,236</u>	<u>721,224</u>
Investments at Fair Value:			
Corporate and government bonds	11,817,190	3,594,477	15,411,667
Common stocks	17,024,202	1,574,097	18,598,299
Mortgages	149,149	753	149,902
Alternatives	1,282,830	81,233	1,364,063
Derivatives	(826)	(339)	(1,165)
Real estate	1,587,293	241,875	1,829,168
Other	2,480,010	631,051	3,111,061
Total Investments at Fair Value	<u>34,339,848</u>	<u>6,123,147</u>	<u>40,462,995</u>
Invested security collateral	488,924	217,925	706,849
Capital assets, net	20,761		20,761
Prepaid expenses	106	20	126
Total Assets	<u>36,580,056</u>	<u>6,931,667</u>	<u>43,511,723</u>
Liabilities			
Investments - accounts payable	323,936	134,533	458,469
Accounts payable	15,754	7,774	23,528
Obligations under securities lending	488,924	217,925	706,849
Total Liabilities	<u>828,614</u>	<u>360,232</u>	<u>1,188,846</u>
Net Position Restricted for Pensions and Other Post Employment Benefits	<u>\$ 35,751,442</u>	<u>\$ 6,571,435</u>	<u>\$ 42,322,877</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, 2018**
(Expressed in Thousands)

	Pension Funds	Insurance Funds	Totals June 30, 2018
Additions			
Contributions:			
Employer	\$ 2,233,611	\$ 511,334	\$ 2,744,945
Member	812,285	131,004	943,289
Non-Employer		16	16
Total Contributions	<u>3,045,896</u>	<u>642,354</u>	<u>3,688,250</u>
Other Contributions:			
Recovery Income			
Participant fees	7,916		7,916
Other receipts	116,913	10,707	127,620
Total Other Contributions	<u>124,829</u>	<u>10,707</u>	<u>135,536</u>
Investment Income:			
Net increase (decrease) in fair value of investments	2,687,782	442,651	3,130,433
Interest	426,608	114,941	541,549
Dividends	268,021	7,420	275,441
Real estate operating income, net	29,958		29,958
Securities lending income, net	14,432	3,361	17,793
Total Investment Income	<u>3,426,801</u>	<u>568,373</u>	<u>3,995,174</u>
Less: Investment expense	154,546	50,020	204,566
Less: Securities lending expense	6,871	2,017	8,888
Net Investment Income	<u>3,265,384</u>	<u>516,336</u>	<u>3,781,720</u>
Total Additions	<u>6,436,109</u>	<u>1,169,397</u>	<u>7,605,506</u>
Deductions			
Benefit payments	4,291,029	5,453	4,296,482
Refunds	66,022		66,022
Administrative expenses	54,789	4,071	58,860
Capital project expense			
Self funding insurance cost		6,787	6,787
Healthcare premium subsidies		371,842	371,842
Other deductions, net		161,091	161,091
Total Deductions	<u>4,411,840</u>	<u>549,244</u>	<u>4,961,084</u>
Change in Net Position	2,024,269	620,153	2,644,422
Net Position - Restricted for Pension and Other Post Employment Benefits			
Net Position at July 1	33,727,173	5,951,282	39,678,455
Net Position at June 30	<u>\$ 35,751,442</u>	<u>\$ 6,571,435</u>	<u>\$ 42,322,877</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
JUNE 30, 2018
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 142,087	\$ 34,579	\$ 371,771	\$ 131,178
Short-term investments				
Total Cash and Short-Term Investments	<u>142,087</u>	<u>34,579</u>	<u>371,771</u>	<u>131,178</u>
Receivables:				
Investments - accounts receivable	34,713	11,358	124,294	41,796
Interest receivable				
Contributions/Accounts receivable	42,926	5,438	55,791	16,552
Total Receivables	<u>77,639</u>	<u>16,796</u>	<u>180,085</u>	<u>58,348</u>
Investments at Fair Value:				
Corporate and government bonds	1,280,790	439,897	4,737,895	1,575,009
Common stocks	374,860	98,760	1,100,389	365,428
Mortgages				
Alternatives				
Derivatives	(150)	(41)	(463)	(154)
Real estate	67,441	24,040	253,849	81,436
Other	160,458	55,093	608,868	207,728
Total Investments at Fair Value	<u>1,883,399</u>	<u>617,749</u>	<u>6,700,538</u>	<u>2,229,447</u>
Invested security collateral	74,233	25,766	284,587	94,439
Capital assets, net	1,523	130	2,570	203
Prepaid expenses				
Total Assets	<u>2,178,881</u>	<u>695,020</u>	<u>7,539,551</u>	<u>2,513,615</u>
Liabilities				
Investments - accounts payable	52,882	15,687	162,721	56,385
Accounts payable	2,877	2,394	5,921	1,744
Obligations under securities lending	74,233	25,766	284,587	94,439
Total Liabilities	<u>129,992</u>	<u>43,847</u>	<u>453,229</u>	<u>152,568</u>
Net Position Restricted for Pensions and Other Post Employment Benefits	<u>\$ 2,048,889</u>	<u>\$ 651,173</u>	<u>\$ 7,086,322</u>	<u>\$ 2,361,047</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2018
\$ 18,826	\$ 104,402	\$ 276	\$ 12	\$ 3,578	\$ 806,709
	403,683			8,037	411,720
<u>18,826</u>	<u>508,085</u>	<u>276</u>	<u>12</u>	<u>11,615</u>	<u>1,218,429</u>
4,501	62,259	169	40		279,130
		1,014	258		1,272
11,803	48,578	110	11	50,377	231,586
<u>16,304</u>	<u>110,837</u>	<u>1,293</u>	<u>309</u>	<u>50,377</u>	<u>511,988</u>
174,115	2,835,075	84,628	20,525	669,256	11,817,190
35,054	12,544,453	224,983	51,933	2,228,342	17,024,202
	149,149				149,149
	1,282,830				1,282,830
(18)					(826)
9,833	1,150,694				1,587,293
21,949	1,416,515	67	31	9,301	2,480,010
<u>240,933</u>	<u>19,378,716</u>	<u>309,678</u>	<u>72,489</u>	<u>2,906,899</u>	<u>34,339,848</u>
9,899					488,924
11	16,324				20,761
	106				106
<u>285,973</u>	<u>20,014,068</u>	<u>311,247</u>	<u>72,810</u>	<u>2,968,891</u>	<u>36,580,056</u>
7,230	29,031				323,936
419	2,282			117	15,754
9,899					488,924
<u>17,548</u>	<u>31,313</u>			<u>117</u>	<u>828,614</u>
<u>\$ 268,425</u>	<u>\$ 19,982,755</u>	<u>\$ 311,247</u>	<u>\$ 72,810</u>	<u>\$ 2,968,774</u>	<u>\$ 35,751,442</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, 2018
(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	\$ 619,986	\$ 32,792	\$ 355,470	\$ 124,951
Member	104,972	17,891	160,370	61,089
Total Contributions	<u>724,958</u>	<u>50,683</u>	<u>515,840</u>	<u>186,040</u>
Other Contributions:				
Participant fees				
Other receipts	75,242	11,813	13,731	4,991
Total Other Contributions	<u>75,242</u>	<u>11,813</u>	<u>13,731</u>	<u>4,991</u>
Investment Income:				
Net increase (decrease) in fair value of investments	112,993	42,668	477,218	158,788
Interest	46,969	13,800	154,008	50,956
Dividends				
Real estate operating income, net				
Securities lending income, net	1,624	478	4,823	1,607
Total Investment Income	<u>161,586</u>	<u>56,946</u>	<u>636,049</u>	<u>211,351</u>
Less: Investment expense	13,157	4,833	54,718	18,196
Less: Securities lending expense	852	265	2,954	981
Net Investment Income	<u>147,577</u>	<u>51,848</u>	<u>578,377</u>	<u>192,174</u>
Total Additions	<u>947,777</u>	<u>114,344</u>	<u>1,107,948</u>	<u>383,205</u>
Deductions				
Benefit payments	967,374	65,616	726,568	244,119
Refunds	13,603	2,501	14,608	4,214
Administrative expenses	10,692	975	19,592	1,504
Capital project expense				
Total Deductions	<u>991,669</u>	<u>69,092</u>	<u>760,768</u>	<u>249,837</u>
Change in Net Position	(43,892)	45,252	347,180	133,368
Net Position - Restricted for Pension and Other Post Employment Benefits				
Net Position at July 1	2,092,781	605,921	6,739,142	2,227,679
Net Position at June 30	<u>\$ 2,048,889</u>	<u>\$ 651,173</u>	<u>\$ 7,086,322</u>	<u>\$ 2,361,047</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2018
\$ 36,486	\$ 1,048,997	\$ 12,529	\$ 2,400	\$	\$ 2,233,611
5,522	319,127	1,977	233	141,104	812,285
<u>42,008</u>	<u>1,368,124</u>	<u>14,506</u>	<u>2,633</u>	<u>141,104</u>	<u>3,045,896</u>
				7,916	7,916
10,568		444	124		116,913
<u>10,568</u>		<u>444</u>	<u>124</u>	<u>7,916</u>	<u>124,829</u>
14,497	1,574,078	20,744	4,820	281,976	2,687,782
5,605	138,043	2,018	757	14,452	426,608
	262,675	4,579	767		268,021
	29,958				29,958
183	5,717				14,432
<u>20,285</u>	<u>2,010,471</u>	<u>27,341</u>	<u>6,344</u>	<u>296,428</u>	<u>3,426,801</u>
1,693	55,517	109	25	6,298	154,546
105	1,714				6,871
<u>18,487</u>	<u>1,953,240</u>	<u>27,232</u>	<u>6,319</u>	<u>290,130</u>	<u>3,265,384</u>
<u>71,063</u>	<u>3,321,364</u>	<u>42,182</u>	<u>9,076</u>	<u>439,150</u>	<u>6,436,109</u>
58,805	2,004,808	23,194	4,526	196,019	4,291,029
22	31,072		2		66,022
194	11,390	458	108	9,876	54,789
<u>59,021</u>	<u>2,047,270</u>	<u>23,652</u>	<u>4,636</u>	<u>205,895</u>	<u>4,411,840</u>
12,042	1,274,094	18,530	4,440	233,255	2,024,269
256,383	18,708,661	292,717	68,370	2,735,519	33,727,173
<u>\$ 268,425</u>	<u>\$ 19,982,755</u>	<u>\$ 311,247</u>	<u>\$ 72,810</u>	<u>\$ 2,968,774</u>	<u>\$ 35,751,442</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
JUNE 30, 2018
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 45,934	\$ 26,698	\$ 118,335	\$ 63,045
Short-term investments				
Total Cash and Short-Term Investments	<u>45,934</u>	<u>26,698</u>	<u>118,335</u>	<u>63,045</u>
Receivables:				
Investments - accounts receivable	20,229	11,178	52,013	28,790
Interest receivable				
Contributions/Accounts receivable	12,396	657	14,016	4,236
Total Receivables	<u>32,625</u>	<u>11,835</u>	<u>66,029</u>	<u>33,026</u>
Investments at Fair Value:				
Corporate and government bonds	599,098	343,417	1,528,617	825,140
Common stocks	94,948	82,162	404,726	227,216
Mortgages				
Alternatives				
Derivatives	(57)	(34)	(153)	(83)
Real estate	25,727	18,847	81,828	44,780
Other	72,701	42,936	206,376	107,249
Total Investments at Fair Value	<u>792,417</u>	<u>487,328</u>	<u>2,221,394</u>	<u>1,204,302</u>
Invested security collateral	36,100	22,759	97,332	53,693
Capital assets, net				
Prepaid expenses				
Total Assets	<u>907,076</u>	<u>548,620</u>	<u>2,503,090</u>	<u>1,354,066</u>
Liabilities				
Investments - accounts payable	24,116	12,474	58,317	32,065
Accounts payable	98	3	674	36
Obligations under securities lending	36,100	22,759	97,332	53,693
Total Liabilities	<u>60,314</u>	<u>35,236</u>	<u>156,323</u>	<u>85,794</u>
Net Position Restricted for Pensions and Other Post Employment Benefits	<u>\$ 846,762</u>	<u>\$ 513,384</u>	<u>\$ 2,346,767</u>	<u>\$ 1,268,272</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2018
\$ 7,640	\$ 58,885	\$ 77	\$ 7	\$ 320,621
	60,718			60,718
<u>7,640</u>	<u>119,603</u>	<u>77</u>	<u>7</u>	<u>381,339</u>
4,483	3,219	47	25	119,984
		281	160	441
885	56,600	18	3	88,811
<u>5,368</u>	<u>59,819</u>	<u>346</u>	<u>188</u>	<u>209,236</u>
125,231	136,754	23,472	12,748	3,594,477
34,806	635,601	62,400	32,238	1,574,097
	753			753
	81,233			81,233
(12)				(339)
7,189	63,504			241,875
14,839	186,913	18	19	631,051
<u>182,053</u>	<u>1,104,758</u>	<u>85,890</u>	<u>45,005</u>	<u>6,123,147</u>
8,041				217,925
	20			20
<u>203,102</u>	<u>1,284,200</u>	<u>86,313</u>	<u>45,200</u>	<u>6,931,667</u>
5,067	2,494			134,533
	6,963			7,774
8,041				217,925
<u>13,108</u>	<u>9,457</u>			<u>360,232</u>
<u>\$ 189,994</u>	<u>\$ 1,274,743</u>	<u>\$ 86,313</u>	<u>\$ 45,200</u>	<u>\$ 6,571,435</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, 2018
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 132,368	\$ 4,301	\$ 120,796	\$ 55,028
Member				
Non-Employer	5		11	
Total Contributions	<u>132,373</u>	<u>4,301</u>	<u>120,807</u>	<u>55,028</u>
Other Contributions:				
Recovery Income				
Medicare D Receipts				
Other Receipts	4,303	954	4,533	750
Total Other Contributions	<u>4,303</u>	<u>954</u>	<u>4,533</u>	<u>750</u>
Investment Income:				
Net increase (decrease) in fair value of investments	49,902	36,484	170,708	94,771
Interest	16,700	10,420	48,144	26,083
Dividends				
Securities lending income, net	574	344	1,493	814
Total Investment Income	<u>67,176</u>	<u>47,248</u>	<u>220,345</u>	<u>121,668</u>
Less: Investment expense	5,501	4,479	21,924	12,172
Less: Securities lending expense	344	202	901	492
Net Investment Income	<u>61,331</u>	<u>42,567</u>	<u>197,520</u>	<u>109,004</u>
Total Additions	<u>198,007</u>	<u>47,822</u>	<u>322,860</u>	<u>164,782</u>
Deductions				
Benefit payments				
Refunds				
Administrative expenses	760	104	761	376
Self funding insurance cost	1,819	79	4,248	603
Healthcare Premiums Subsidies	130,069	18,697	131,631	74,844
Other deductions, net	3		6	
Total Deductions	<u>132,651</u>	<u>18,880</u>	<u>136,646</u>	<u>75,823</u>
Change in Net Position	65,356	28,942	186,214	88,959
Net Position - Restricted for Pension and Other Post Employment Benefits				
Net Position at July 1	781,406	484,442	2,160,553	1,179,313
Net Position at June 30	<u>\$ 846,762</u>	<u>\$ 513,384</u>	<u>\$ 2,346,767</u>	<u>\$ 1,268,272</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2018
\$ 9,397	\$ 188,161 130,777	\$ 1,277 218	\$ 6 9	\$ 511,334 131,004 16
<u>9,397</u>	<u>318,938</u>	<u>1,495</u>	<u>15</u>	<u>642,354</u>
(33)		123	77	10,707
<u>(33)</u>		<u>123</u>	<u>77</u>	<u>10,707</u>
14,289	67,683	5,857	2,957	442,651
3,922	8,642	560	470	114,941
	5,674	1,270	476	7,420
125	11			3,361
<u>18,336</u>	<u>82,010</u>	<u>7,687</u>	<u>3,903</u>	<u>568,373</u>
1,841	4,056	31	16	50,020
75	3			2,017
<u>16,420</u>	<u>77,951</u>	<u>7,656</u>	<u>3,887</u>	<u>516,336</u>
<u>25,784</u>	<u>396,889</u>	<u>9,274</u>	<u>3,979</u>	<u>1,169,397</u>
	5,453			5,453
62	1,778	109	121	4,071
38				6,787
13,881	161,082	1,962	758	371,842
<u>13,981</u>	<u>168,313</u>	<u>2,071</u>	<u>879</u>	<u>549,244</u>
11,803	228,576	7,203	3,100	620,153
178,191	1,046,167	79,110	42,100	5,951,282
<u>\$ 189,994</u>	<u>\$ 1,274,743</u>	<u>\$ 86,313</u>	<u>\$ 45,200</u>	<u>\$ 6,571,435</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.

Coal Workers' Pneumoconiosis Fund - accounts for monies held for coal workers pneumoconiosis claims incurred after December 12, 1996 which are filed on or before June 30, 2017.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2018
(Expressed in Thousands)

	<u>Commonwealth Choice Program</u>	<u>County Fees Trust Fund</u>	<u>Special Deposit Trust Fund</u>	<u>Coal Workers' Pneumoconiosis Fund</u>	<u>Totals June 30, 2018</u>
Assets					
Cash and cash equivalents	\$	\$	\$	\$	\$
Investments, net of amortization		415	111,520	1,710	113,645
Invested security collateral			161,817	290	162,107
Receivables, net	4,352	61,172	237,371	0	237,371
Total Assets	<u>\$ 4,352</u>	<u>\$ 61,587</u>	<u>\$ 518,324</u>	<u>\$ 5,986</u>	<u>\$ 590,249</u>
Liabilities					
Accounts payable	\$ 4,352	\$	\$ 147,180	\$ 958	\$ 152,490
Amounts held in custody for others		61,587	133,773	5,028	200,388
Obligations under securities lending			237,371	0	237,371
Total Liabilities	<u>\$ 4,352</u>	<u>\$ 61,587</u>	<u>\$ 518,324</u>	<u>\$ 5,986</u>	<u>\$ 590,249</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	<u>Balances</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2018</u>
<u>COMMONWEALTH CHOICE PROGRAM</u>				
<u>Assets</u>				
Cash & cash equivalents-restricted	\$	\$	\$	\$
Accounts receivable	3,854	498		4,352
Total Assets	<u>\$ 3,854</u>	<u>\$ 498</u>	<u>\$</u>	<u>\$ 4,352</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,854	\$ 498	\$	\$ 4,352
Total Liabilities	<u>\$ 3,854</u>	<u>\$ 498</u>	<u>\$</u>	<u>\$ 4,352</u>
<u>COUNTY FEES TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 415	\$	\$	\$ 415
Accounts receivable	51,750	156,343	146,921	61,172
Total Assets	<u>\$ 52,165</u>	<u>\$ 156,343</u>	<u>\$ 146,921</u>	<u>\$ 61,587</u>
<u>Liabilities</u>				
Amounts held in custody for others	\$ 52,165	\$ 9,422	\$	\$ 61,587
Total Liabilities	<u>\$ 52,165</u>	<u>\$ 9,422</u>	<u>\$</u>	<u>\$ 61,587</u>
<u>SPECIAL DEPOSIT TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 138,248	\$ 788,125	\$ 814,853	\$ 111,520
Investments	103,793	58,024		161,817
Invested security collateral	657,259		419,888	237,371
Accounts receivable	40,920		33,304	7,616
Total Assets	<u>\$ 940,220</u>	<u>\$ 846,149</u>	<u>\$ 1,268,045</u>	<u>\$ 518,324</u>
<u>Liabilities</u>				
Accounts payable	\$ 151,675	\$	\$ 4,495	\$ 147,180
Amounts held in custody for others	131,016	133,773	131,016	133,773
Obligations under securities lending	657,529		420,158	237,371
Total Liabilities	<u>\$ 940,220</u>	<u>\$ 133,773</u>	<u>\$ 555,669</u>	<u>\$ 518,324</u>
<u>COAL WORKERS' PNEUMOCONIOSIS FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$	\$ 1,710	\$	\$ 1,710
Investments		290		290
Invested security collateral				
Accounts receivable		3,986		3,986
Total Assets	<u>\$</u>	<u>\$ 5,986</u>	<u>\$</u>	<u>\$ 5,986</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 958	\$	\$ 958
Amounts held in custody for others		5,028		5,028
Obligations under securities lending				
Total Liabilities	<u>\$</u>	<u>\$ 5,986</u>	<u>\$</u>	<u>\$ 5,986</u>
<u>ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 138,663	\$ 789,835	\$ 814,853	\$ 113,645
Investments	103,793	58,314		162,107
Invested security collateral	657,259		419,888	237,371
Interfund loan receivable				
Accounts receivable	96,524	160,827	180,225	77,126
Total Assets	<u>\$ 996,239</u>	<u>\$ 1,008,976</u>	<u>\$ 1,414,966</u>	<u>\$ 590,249</u>
<u>Liabilities</u>				
Accounts payable	\$ 155,529	\$ 1,456	\$ 4,495	\$ 152,490
Amounts held in custody for others	183,181	148,223	131,016	200,388
Obligations under securities lending	657,529		420,158	237,371
Total Liabilities	<u>\$ 996,239</u>	<u>\$ 149,679</u>	<u>\$ 555,669</u>	<u>\$ 590,249</u>

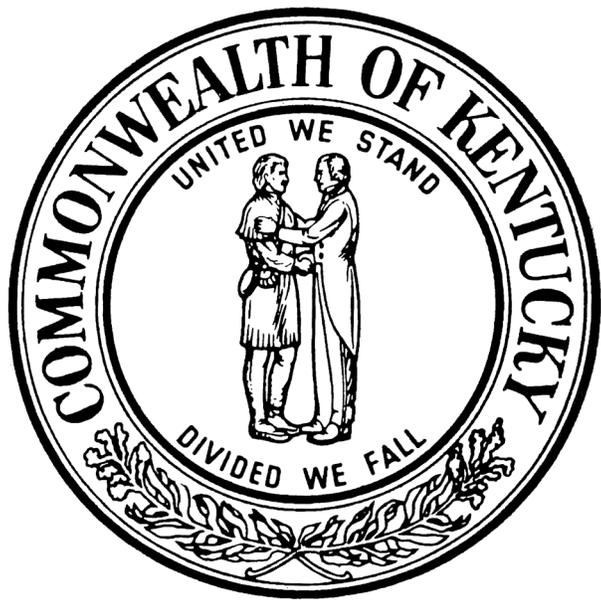
NON-MAJOR COMPONENT UNITS - COMBINING

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2018
Assets			
Current assets:			
Cash and cash equivalents	\$ 88,447	\$ 368,541	\$ 456,988
Restricted cash	12,877	16,072	28,949
Investments, net of amortization	314,149		314,149
Accounts receivable, net	110,328	97,649	207,977
Interest receivable	2,230	418	2,648
Inventories	449	6,804	7,253
Prepaid expenses	1,620	10,629	12,249
Other current assets	73,458	3,457	76,915
Total Current Assets	603,558	503,570	1,107,128
Noncurrent assets:			
Restricted cash	81,202	155,293	236,495
Long-term investments	28,634	211,410	240,044
Restricted long-term investments	110,455	357,588	468,043
Long-term receivables, net	1,070,056	23,835	1,093,891
Land	121,359	77,404	198,763
Improvements other than buildings	89,138	195,767	284,905
Buildings	720,725	2,651,074	3,371,799
Machinery and equipment	134,412	379,838	514,250
Historical treasures	1,471		1,471
Other capital assets	9,691	112,724	122,415
Less: Accumulated depreciation and amortization	(403,660)	(1,547,641)	(1,951,301)
Construction in progress	183,271	199,014	382,285
Total Capital Assets	856,407	2,068,180	2,924,587
Other assets	8,428	15,087	23,515
Total Noncurrent Assets	2,155,182	2,831,393	4,986,575
Total Assets	2,758,740	3,334,963	6,093,703
Deferred outflows of resources	44,623	372,434	417,057
Liabilities			
Current liabilities:			
Accounts payable and accruals	24,826	70,864	95,690
Current portion of long-term debt:			
Notes payable	2,510	1,549	4,059
Bonds payable	26,981	41,255	68,236
Capital lease obligations	6,592	3,160	9,752
Compensated absences	1,256	20,761	22,017
Claims liability		1,853	1,853
Unearned revenues	8,747	43,933	52,680
Payable from restricted assets		10,173	10,173
Other current liabilities	867	11,515	12,382
Total Current Liabilities	71,779	205,063	276,842
Noncurrent liabilities:			
Notes payable	5,811	10,398	16,209
Bonds payable	657,846	582,047	1,239,893
Capital lease obligations	65,284	54,405	119,689
Compensated absences	526	1,526	2,052
Net pension liability	167,114	1,618,857	1,785,971
Net OPEB liability	31,653	306,463	338,116
Other long-term liabilities	468	97,514	97,982
Total Noncurrent Liabilities	928,702	2,671,210	3,599,912
Total Liabilities	1,000,481	2,876,273	3,876,754
Deferred inflows of resources	8,911	507,677	516,588
Net Position			
Net investment in capital assets	450,327	1,237,951	1,688,278
Restricted for:			
Debt service		494	494
Capital projects	45,484	100,713	146,197
Other purposes	1,303,932	549,136	1,853,068
Unrestricted	(5,772)	(1,564,847)	(1,570,619)
Total Net Position	\$ 1,793,971	\$ 323,447	\$ 2,117,418

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2018
Expenses:			
Operating and other expenses	\$ 472,155	\$ 1,387,021	\$ 1,859,176
Total expenses	<u>472,155</u>	<u>1,387,021</u>	<u>1,859,176</u>
Program Revenues:			
Charges for services	130,720	671,178	801,898
Operating grants and contributions	284,579	116,806	401,385
Capital grants and contributions	29,669	1,088	30,757
Total Program Revenues	<u>444,968</u>	<u>789,072</u>	<u>1,234,040</u>
Net Program (Expense) Revenue	<u>(27,187)</u>	<u>(597,949)</u>	<u>(625,136)</u>
General Revenues:			
Unrestricted grants and contributions	57,417	564,474	621,891
Unrestricted investment earnings	11,616	35,576	47,192
Gain on sale of capital assets	(1,381)	902	(479)
Miscellaneous general	27,122	71,583	98,705
Total General Revenues	<u>94,774</u>	<u>672,535</u>	<u>767,309</u>
Change in Net Position	<u>67,587</u>	<u>74,586</u>	<u>142,173</u>
Net Position at July 1, As Restated	1,726,384	248,861	1,975,245
Net Position at June 30	<u>\$ 1,793,971</u>	<u>\$ 323,447</u>	<u>\$ 2,117,418</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.

Louisville Arena Authority – The Louisville Arena Authority was created in 2005 and oversees the financial process of the KFC Yum! Center. The Arena Authority guided the development, financing and construction process of the \$238 million arena. It also selected the financing, construction, design and management partners, which includes AEG Facilities as the current managing and operating entity.

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, 2018**

(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	\$ 563	\$ 23,871	\$ 226	\$ 8,128
Restricted cash	8,530	4,198		
Investments, net of amortization	716			
Accounts receivable, net	1,156	42,946		2,510
Interest receivable		424		
Inventories				
Prepaid expenses				828
Other current assets		450	2,249	
Total Current Assets	10,965	71,889	2,475	11,466
Noncurrent assets:				
Restricted cash				33,741
Long-term investments	19		1,256	
Restricted long-term investments	23,657	77,373		
Long-term receivables, net		12,675		
Land	546			27,835
Improvements other than buildings	71,398			
Buildings	370	12,075		381,725
Machinery and equipment	346	4,128		41,047
Historical treasures				
Other capital assets				3,191
Less: Accumulated depreciation and amortization	(15,983)	(9,612)		(204,251)
Construction in progress	2,975			174,507
Total Capital Assets	59,652	6,591		424,054
Other assets				
Total Noncurrent Assets, Net	83,328	96,639	1,256	457,795
Total Assets	94,293	168,528	3,731	469,261
Deferred outflows of resources	714	2,467		15,992
Liabilities				
Current liabilities:				
Accounts payable and accruals	869	1,825	2,249	6,830
Current portion of long-term debt:				
Notes payable				
Bonds payable				3,535
Capital lease obligations	1,874	670		4,031
Compensated absences	84			
Unearned revenues				3,905
Other current liabilities				161
Total Current Liabilities	2,827	2,495	2,249	18,462
Noncurrent liabilities:				
Notes payable				
Bonds payable				19,438
Capital lease obligations	48,602	710		15,972
Compensated absences	24			
Net pension liability	3,149	11,406		70,814
Net OPEB liability	596	2,160		13,413
Other long-term liabilities				
Total Noncurrent Liabilities	52,371	14,276		119,637
Total Liabilities	55,198	16,771	2,249	138,099
Deferred inflows of resources	115	976		2,276
Net Position				
Net investment in capital assets	9,177	5,211		381,078
Restricted for:				
Capital projects	32,808			33,741
Other purposes		148,037	1,482	
Unrestricted	(2,291)			(69,941)
Total Net Position	\$ 39,694	\$ 153,248	\$ 1,482	\$ 344,878

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
\$ 2,142	\$ 4,020	\$ 20,568	\$ 37	\$ 1,767	\$ 15,133
(826)	14,535		296	306,829	
192	468		6	62,574	49,433
9	27	44		1,389	
88			337		
260	499				
	302	8,717			
<u>1,865</u>	<u>19,851</u>	<u>29,329</u>	<u>676</u>	<u>372,559</u>	<u>64,566</u>
	712				
18,016		375		6,276	4,753
	8,016			669	
50	288	16,545		991,448	
129	76		1,167		
31,571	16,880		6,706		
38,846	34,829		963	15	
	206				
(53,087)	(44,815)		(1,948)		
	417				
<u>17,459</u>	<u>7,593</u>		<u>6,888</u>	<u>15</u>	
<u>5,004</u>	<u>35</u>				
<u>40,529</u>	<u>16,644</u>	<u>16,920</u>	<u>6,888</u>	<u>998,408</u>	<u>4,753</u>
<u>42,394</u>	<u>36,495</u>	<u>46,249</u>	<u>7,564</u>	<u>1,370,967</u>	<u>69,319</u>
	<u>8,553</u>	<u>980</u>	<u>602</u>	<u>7,573</u>	<u>41</u>
1,230	1,406	139	92	7,525	
321	125			23,610	
44					
210	694	110	65		
627	1,427				
35		20			
<u>2,467</u>	<u>3,652</u>	<u>269</u>	<u>157</u>	<u>31,135</u>	
1,845	1,041			240,066	
18					
	571	77	11		
	52,916	9,341	4,091	5,512	281
				435	
<u>1,863</u>	<u>54,528</u>	<u>9,418</u>	<u>4,102</u>	<u>246,013</u>	<u>281</u>
<u>4,330</u>	<u>58,180</u>	<u>9,687</u>	<u>4,259</u>	<u>277,148</u>	<u>281</u>
	<u>2,715</u>		<u>5</u>	<u>384</u>	<u>351</u>
15,007	6,425		6,889		
	698				
4,335	8,406	4,384		1,101,008	
18,722	(31,376)	33,158	(2,987)		68,728
<u>\$ 38,064</u>	<u>\$ (15,847)</u>	<u>\$ 37,542</u>	<u>\$ 3,902</u>	<u>\$ 1,101,008</u>	<u>\$ 68,728</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - AUTHORITIES
JUNE 30, 2018
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Louisville Arena Authority, Inc	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2018
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,180	\$ 3,246	\$ 991	\$ 88,447
Restricted cash		131	18	12,877
Investments, net of amortization				314,149
Accounts receivable, net		1,315		110,328
Interest receivable				2,230
Inventories				449
Prepaid expenses		132	12	1,620
Other current assets				73,458
Total Current Assets	<u>4,180</u>	<u>4,824</u>	<u>1,021</u>	<u>603,558</u>
Noncurrent assets:				
Restricted cash		44,839	1,593	81,202
Long-term investments	711		6,360	28,634
Restricted long-term investments				110,455
Long-term receivables, net				1,070,056
Land		91,606		121,359
Improvements other than buildings		17,740		89,138
Buildings		266,470	16	720,725
Machinery and equipment		21,795		134,412
Historical treasures			1,471	1,471
Other capital assets		6,291		9,691
Less: Accumulated depreciation and amortization		(71,172)	(1,295)	(403,660)
Construction in progress				183,271
Total Capital Assets		<u>332,730</u>	<u>192</u>	<u>856,407</u>
Other assets				8,428
Total Noncurrent Assets, Net	<u>711</u>	<u>377,569</u>	<u>8,145</u>	<u>2,155,182</u>
Total Assets	<u>4,891</u>	<u>382,393</u>	<u>9,166</u>	<u>2,758,740</u>
Deferred outflows of resources				44,623
Liabilities				
Current liabilities:				
Accounts payable and accruals		4,277	91	24,826
Current portion of long-term debt:				
Notes payable		500	58	2,510
Bonds payable				26,981
Capital lease obligations				6,592
Compensated absences				1,256
Unearned revenues		1,569	44	8,747
Other current liabilities			3	867
Total Current Liabilities		<u>6,346</u>	<u>196</u>	<u>71,779</u>
Noncurrent liabilities:				
Notes payable		3,375		5,811
Bonds payable		394,442		657,846
Capital lease obligations				65,284
Compensated absences				526
Net pension liability				167,114
				31,653
Other long-term liabilities				468
Total Noncurrent Liabilities		<u>397,817</u>		<u>928,702</u>
Total Liabilities		<u>404,163</u>	<u>196</u>	<u>1,000,481</u>
Deferred inflows of resources				8,911
Net Position				
Net investment in capital assets			1,350	450,327
Restricted for:				
Capital projects			1,148	45,484
Other purposes				1,303,932
Unrestricted	4,891	(21,770)	6,472	(5,772)
Total Net Position	<u>\$ 4,891</u>	<u>\$ (21,770)</u>	<u>\$ 8,970</u>	<u>\$ 1,793,971</u>



**COMMONWEALTH OF KENTUCKY
 COMBINING STATEMENT OF ACTIVITIES
 NON-MAJOR COMPONENT UNITS - AUTHORITIES
 FOR THE YEAR ENDED JUNE 30, 2018**

(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
Expenses:				
Operating and other expenses	\$ 4,281	\$ 263,159	\$ 7,970	\$ 63,980
Total expenses	<u>4,281</u>	<u>263,159</u>	<u>7,970</u>	<u>63,980</u>
Program Revenues:				
Charges for services		23,875		43,361
Operating grants and contributions		270,448		
Capital grants and contributions				
Total Program Revenues		<u>294,323</u>		<u>43,361</u>
Net Program (Expense) Revenue	<u>(4,281)</u>	<u>31,164</u>	<u>(7,970)</u>	<u>(20,619)</u>
General Revenues:				
Unrestricted grants and contributions	245		9,446	3,249
Unrestricted investment earnings	4,369			(930)
Gain on sale of capital assets				25
Miscellaneous general			640	45,284
Total General Revenues	<u>4,614</u>		<u>10,086</u>	<u>47,628</u>
Change in Net Position	<u>333</u>	<u>31,164</u>	<u>2,116</u>	<u>27,009</u>
Net Position at July 1, As Restated	39,361	122,084	(634)	317,869
Net Position at June 30	<u>\$ 39,694</u>	<u>\$ 153,248</u>	<u>\$ 1,482</u>	<u>\$ 344,878</u>

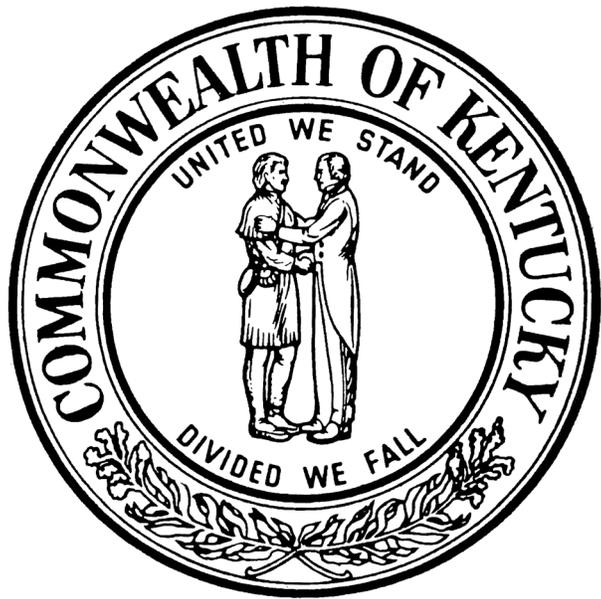
Kentucky Center for the Arts Corporation	Kentucky Authority for Educational Television	Kentucky Economic Development Finance Authority	Kentucky Artisan Center	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation
\$ 18,181	\$ 33,885	\$ 6,698	\$ 2,951	\$ 25,947	\$ 121
18,181	33,885	6,698	2,951	25,947	121
9,653	1,977	795	1,628	19,242	
1,874	10,329		838		
				29,669	
11,527	12,306	795	2,466	48,911	
(6,654)	(21,579)	(5,903)	(485)	22,964	(121)
6,394	13,504	2,002		10,752	11,825
1,147	1,812			3,521	
(1)	(36)	167			
7,540	15,280	2,169		14,273	11,825
886	(6,299)	(3,734)	(485)	37,237	11,704
38,064	(25,396)	38,331	3,230	1,100,312	68,728
\$ 38,950	\$ (31,695)	\$ 34,597	\$ 2,745	\$ 1,137,549	\$ 80,432

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)**

	Kentucky Grain Insurance Corporation	Louisville Arena Authority, Inc.	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2018
Expenses:				
Operating and other expenses	\$ 1	\$ 43,393	\$ 1,588	\$ 472,155
Total expenses	<u>1</u>	<u>43,393</u>	<u>1,588</u>	<u>472,155</u>
Program Revenues:				
Charges for services		29,324	865	130,720
Operating grants and contributions			1,090	284,579
Capital grants and contributions				29,669
Total Program Revenues		<u>29,324</u>	<u>1,955</u>	<u>444,968</u>
Net Program (Expense) Revenue	<u>(1)</u>	<u>(14,069)</u>	<u>367</u>	<u>(27,187)</u>
General Revenues:				
Unrestricted grants and contributions				57,417
Unrestricted investment earnings	57	781	859	11,616
Gain on sale of capital assets		(1,405)		(1,381)
Miscellaneous general		(18,933)		27,122
Total General Revenues	<u>57</u>	<u>(19,557)</u>	<u>859</u>	<u>94,774</u>
Change in Net Position	<u>56</u>	<u>(33,626)</u>	<u>1,226</u>	<u>67,587</u>
Net Position at July 1, As Restated	4,835	11,856	7,744	1,726,384
Net Position at June 30	<u>\$ 4,891</u>	<u>\$ (21,770)</u>	<u>\$ 8,970</u>	<u>\$ 1,793,971</u>

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS-AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2018**
(Expressed in Thousands)

	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Totals June 30, 2018
Cash Flows from Operating Activities			
Cash payments to suppliers for goods and services	\$ (108)	\$ (1)	\$ (109)
Cash payments for employee salaries and benefits	(603)		(603)
Cash payments to other sources	(11,059)		(11,059)
Cash payments from other sources	11,825		11,825
Net Cash Provided (Used) by Operating Activities	<u>55</u>	<u>(1)</u>	<u>54</u>
Cash Flows from Investing Activities			
Proceeds from the sale of investment securities	1,855	444	2,299
Interest and dividends on investments		57	57
Net Cash Provided (Used) in Investing Activities	<u>1,855</u>	<u>501</u>	<u>2,356</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,910	500	2,410
Cash and Cash Equivalents at July 1	15,133	3,680	18,813
Cash and Cash Equivalents at June 30	<u>\$ 17,043</u>	<u>\$ 4,180</u>	<u>\$ 21,223</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 11,704	\$ (1)	\$ 11,703
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
(Increase) Decrease in deferred outflow	(11,058)		(11,058)
Increase (decrease) in liabilities:	41		41
Pension liabilities	(632)		(632)
Net Cash Provided (Used) by Operating Activities	<u>\$ 55</u>	<u>\$ (1)</u>	<u>\$ 54</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, 2018

(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Assets			
Current assets:			
Cash and cash equivalents	\$ 46,033	\$ 105,182	\$ 21,301
Restricted cash			4,915
Accounts receivable, net	23,951	16,649	8,214
Interest receivable		60	
Inventories	278	897	2,095
Prepaid expenses	774	5,313	16
Other current assets	187	329	1,619
Total Current Assets	<u>71,223</u>	<u>128,430</u>	<u>38,160</u>
Noncurrent assets:			
Restricted cash	64,088	274	
Long-term investments	93,337	51,533	50,939
Restricted long-term investments		113,940	
Long-term receivables, net	5,994	9,003	4,037
Land	8,436	17,835	23,721
Improvements other than buildings	61,707	70,092	
Buildings	512,590	749,557	328,104
Machinery and equipment	29,106	162,815	33,279
Other capital assets	47,709		34,842
Less: Accumulated depreciation and amortization	(265,708)	(437,138)	(194,021)
Construction in progress	105,013	31,630	42,409
Total Capital Assets	<u>498,853</u>	<u>594,791</u>	<u>268,334</u>
Other assets		5,760	6,542
Total Noncurrent Assets, Net	<u>662,272</u>	<u>775,301</u>	<u>329,852</u>
Total Assets	<u>733,495</u>	<u>903,731</u>	<u>368,012</u>
Deferred outflows of resources	<u>101,739</u>	<u>83,292</u>	<u>42,004</u>
Liabilities			
Current liabilities:			
Accounts payable and accruals	18,561	14,660	4,689
Current portion of long-term debt:			
Notes payable		1,104	
Bonds payable	9,012	15,484	4,270
Capital lease obligations		574	1,923
Compensated absences	3,262	2,803	2,873
Claims liability		1,229	
Unearned revenues	11,267	19,080	4,874
Payable from restricted assets			160
Other current liabilities	222	5,362	1,563
Total Current Liabilities	<u>42,324</u>	<u>60,296</u>	<u>20,352</u>
Noncurrent liabilities:			
Notes payable		3,403	
Bonds payable	116,385	217,885	75,100
Capital lease obligations	25,500	15,127	13,486
Compensated absences			
Net pension liability	430,840	383,922	183,737
Net OPEB liability	73,022	61,303	31,623
Other long-term liabilities	49,451	22,357	5,794
Total Noncurrent Liabilities	<u>695,198</u>	<u>703,997</u>	<u>309,740</u>
Total Liabilities	<u>737,522</u>	<u>764,293</u>	<u>330,092</u>
Deferred inflows of resources	<u>191,458</u>	<u>128,007</u>	<u>69,118</u>
Net Position			
Net investment in capital assets	235,410	314,645	171,463
Restricted for:			
Debt service			
Capital projects	63,050	14,329	
Other purposes	81,134	162,642	61,555
Unrestricted	(473,340)	(396,893)	(222,212)
Total Net Position	<u>\$ (93,746)</u>	<u>\$ 94,723</u>	<u>\$ 10,806</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2018
\$ 76,771	\$ 102,610	\$ 15,500	\$ 1,144	\$ 368,541
	3,821		7,336	16,072
21,178	18,503	5,088	4,066	97,649
198	160			418
3,142	392			6,804
1,746	2,302		478	10,629
1,322				3,457
<u>104,357</u>	<u>127,788</u>	<u>20,588</u>	<u>13,024</u>	<u>503,570</u>
67,924	23,007			155,293
	2,614	9,385	3,602	211,410
119,155	105,683	17,735	1,075	357,588
2,652	1,914	235		23,835
15,155	9,969	2,288		77,404
17,691	42,290	3,987		195,767
374,403	531,166	155,254		2,651,074
36,404	92,663	25,481	90	379,838
13,541		16,632		112,724
(223,247)	(291,154)	(136,304)	(69)	(1,547,641)
6,264	4,096	9,602		199,014
<u>240,211</u>	<u>389,030</u>	<u>76,940</u>	<u>21</u>	<u>2,068,180</u>
2,553	198	34		15,087
<u>432,495</u>	<u>522,446</u>	<u>104,329</u>	<u>4,698</u>	<u>2,831,393</u>
<u>536,852</u>	<u>650,234</u>	<u>124,917</u>	<u>17,722</u>	<u>3,334,963</u>
<u>53,839</u>	<u>70,980</u>	<u>14,489</u>	<u>6,091</u>	<u>372,434</u>
6,753	12,547	4,357	9,297	70,864
395		50		1,549
4,066	8,187	236		41,255
54	60	549		3,160
6,776	3,020	1,638	389	20,761
624				1,853
2,911	5,640	161		43,933
	10,013			10,173
3,103	584	121	560	11,515
<u>24,682</u>	<u>40,051</u>	<u>7,112</u>	<u>10,246</u>	<u>205,063</u>
6,995				10,398
66,120	104,304	2,253		582,047
77	215			54,405
		1,170	356	1,526
231,098	315,866	73,394		1,618,857
37,821	59,503	12,061	31,130	306,463
5,285	14,030	597		97,514
<u>347,396</u>	<u>493,918</u>	<u>89,475</u>	<u>31,486</u>	<u>2,671,210</u>
<u>372,078</u>	<u>533,969</u>	<u>96,587</u>	<u>41,732</u>	<u>2,876,273</u>
<u>73,205</u>	<u>12,104</u>	<u>30,794</u>	<u>2,991</u>	<u>507,677</u>
159,215	280,744	76,453	21	1,237,951
287	207			494
17,813	5,521			100,713
111,308	112,897	15,862	3,738	549,136
(143,215)	(224,228)	(80,290)	(24,669)	(1,564,847)
<u>\$ 145,408</u>	<u>\$ 175,141</u>	<u>\$ 12,025</u>	<u>\$ (20,910)</u>	<u>\$ 323,447</u>

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
FOR THE YEAR ENDED JUNE 30, 2018**

(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Expenses:			
Operating and other expenses	\$ 312,859	\$ 349,045	\$ 143,657
Total Expenses	<u>312,859</u>	<u>349,045</u>	<u>143,657</u>
Program Revenues:			
Charges for services	138,786	201,039	64,154
Operating grants and contributions	49,049	18,668	19,134
Capital grants and contributions			
Total Program Revenues	<u>187,835</u>	<u>219,707</u>	<u>83,288</u>
Net Program (Expense) Revenue	<u>(125,024)</u>	<u>(129,338)</u>	<u>(60,369)</u>
General Revenues:			
Unrestricted grants and contributions	108,833	150,057	25,031
Unrestricted investment earnings	1,966	19,395	5
Gain on sale of capital assets		(77)	(267)
Miscellaneous general	(9,479)	4,752	59,287
Total General Revenues	<u>101,320</u>	<u>174,127</u>	<u>84,056</u>
Change in Net Position	<u>(23,704)</u>	<u>44,789</u>	<u>23,687</u>
Net Position at July 1, As Restated	(70,042)	49,934	(12,881)
Net Position at June 30	<u>\$ (93,746)</u>	<u>\$ 94,723</u>	<u>\$ 10,806</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2018
\$ 189,948	\$ 265,052	\$ 69,200	\$ 57,260	\$ 1,387,021
189,948	265,052	69,200	57,260	1,387,021
117,508	130,439	15,766	3,486	671,178
6,651	10,691	815	11,798	116,806
	437		651	1,088
124,159	141,567	16,581	15,935	789,072
(65,789)	(123,485)	(52,619)	(41,325)	(597,949)
71,867	121,620	49,526	37,540	564,474
10,595	1,852	1,763		35,576
(79)	1,432		(107)	902
4,527	8,212	4,284		71,583
86,910	133,116	55,573	37,433	672,535
21,121	9,631	2,954	(3,892)	74,586
124,287	165,510	9,071	(17,018)	248,861
\$ 145,408	\$ 175,141	\$ 12,025	\$ (20,910)	\$ 323,447



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)**

	2018	2017	2016	2015
General Fund				
Nonspendable:				
Inventories	\$ 5,769	\$ 6,219	\$ 5,465	\$ 6,230
Assigned		55	30,765	27,069
Unassigned	(64,909)		318,790	71,060
Total General Fund	<u>(59,140)</u>	<u>6,274</u>	<u>355,020</u>	<u>104,359</u>
All Other Governmental Funds				
Nonspendable:				
Inventories	59,340	75,234	75,254	74,105
Cash with Fiscal Agents	47,367	15,576	16,136	18,954
Restricted	2,218,345	1,901,478	1,822,185	1,706,764
Committed	177,916	74,876	133,075	160,804
Assigned	21,442	17,039	18,014	15,033
Unassigned	(50,026)	(765)	(98,045)	(56,950)
Total All Other Governmental Funds	<u>2,474,384</u>	<u>2,083,438</u>	<u>1,966,619</u>	<u>1,918,710</u>
 Total Fund Balances - Governmental Funds	 <u>\$ 2,415,244</u>	 <u>\$ 2,089,712</u>	 <u>\$ 2,321,639</u>	 <u>\$ 2,023,069</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.

2014	2013	2012	2011	2010
\$ 6,505	\$ 7,299	\$ 5,515	\$ 6,099	\$ 5,079
(137,295)	34,700	35,563	57,456	71,975
<u>(130,790)</u>	<u>159,198</u>	<u>54,035</u>	<u>249,482</u>	<u>9,150</u>
	<u>201,197</u>	<u>95,113</u>	<u>313,037</u>	<u>86,204</u>
54,006	81,264	86,240	49,078	54,290
13,503	17,918	29,045	67,469	80,576
2,068,293	2,373,349	2,452,952	2,165,308	1,833,356
188,706	175,676	183,414	148,636	161,548
13,054	7,019	13,157	27,034	15,641
<u>(2,582)</u>	<u>(596,756)</u>	<u>(420,183)</u>	<u>(120,235)</u>	<u>(65,628)</u>
<u>2,334,980</u>	<u>2,058,470</u>	<u>2,344,625</u>	<u>2,337,290</u>	<u>2,079,783</u>
<u>\$ 2,204,190</u>	<u>\$ 2,259,667</u>	<u>\$ 2,439,738</u>	<u>\$ 2,650,327</u>	<u>\$ 2,165,987</u>

2009
\$ 80,135
<u>(49,698)</u>
<u>\$ 30,437</u>
\$ 882,654
309,234
719,767
45,585
<u>\$ 1,957,240</u>

**COMMONWEALTH OF KENTUCKY
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)

	2018	2017	2016	2015
Revenues				
Taxes	\$ 12,345,610	\$ 11,888,139	\$ 11,730,500	\$ 11,492,919
Licenses, fees, and permits	391,615	382,398	380,075	386,757
Intergovernmental	11,004,224	10,792,470	10,824,674	10,135,711
Charges for services	1,257,259	1,272,133	1,302,541	1,173,174
Fines and forfeits	54,469	52,338	61,660	64,755
Interest and other investment income	32,557	21,463	31,501	30,590
Increase (decrease) in fair value of investments	(13,980)	(6,037)	(6,140)	(13,544)
Securities lending income	11,158	6,616	3,470	2,664
Other revenues	609,703	634,834	584,782	520,001
Total Revenues	<u>25,692,615</u>	<u>25,044,354</u>	<u>24,913,063</u>	<u>23,793,027</u>
Expenditures				
Current:				
General government	2,269,763	2,341,583	2,263,041	2,107,483
Legislative and judicial	445,112	442,646	444,087	437,109
Commerce	93,765	111,080	110,490	98,826
Education and humanities	6,020,339	6,016,531	5,558,814	5,347,187
Human resources	12,506,650	12,227,415	12,095,613	11,437,873
Justice	1,009,506	967,790	874,867	839,455
Natural resources and environmental protection	170,995	181,889	182,296	186,641
Public protection and regulation	110,748	106,215	101,590	103,448
Transportation	2,290,599	2,339,776	2,566,675	2,661,224
Debt Service:				
Principal retirement	726,825	611,066	616,543	571,281
Interest and fiscal charges	313,291	330,631	336,567	352,558
Other expenditures	6,242	6,672	14,683	20,431
Securities lending expense	9,359	4,792	2,421	1,190
Capital outlay:				
Buildings	338,373	353,165	477,916	231,483
Total Expenditures	<u>26,311,567</u>	<u>26,041,251</u>	<u>25,645,603</u>	<u>24,396,189</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(618,952)</u>	<u>(996,897)</u>	<u>(732,540)</u>	<u>(603,162)</u>
Other Financing Sources (Uses)				
Transfers in	2,263,303	2,120,376	1,922,969	2,058,253
Transfers out	(2,075,678)	(1,912,607)	(1,907,707)	(2,009,118)
Capitalized leases	17,311	1,861	2,634	17,070
Issuance of bonds:				
New issues	644,402	513,545	826,325	222,922
Refunding issues	163,646	56,689	988,677	373,712
Premiums	250,320	36,078	231,610	76,777
Discounts		(1,161)	(2,420)	(972)
Certificates of participation				68,575
Premiums				1,621
Issuance of notes:				
New issues			106,850	
Refunding issues				
Payments to refunded bond escrow agent	(306,257)	(50,494)	(1,116,316)	(409,405)
Total Other Financing Sources (Uses)	<u>957,047</u>	<u>764,287</u>	<u>1,052,622</u>	<u>399,435</u>
Net Change in Fund Balances	<u>\$ 338,095</u>	<u>\$ (232,610)</u>	<u>\$ 320,082</u>	<u>\$ (203,727)</u>
Debt service as a percentage of noncapital expenditures	<u>3.94%</u>	<u>3.71%</u>	<u>3.71%</u>	<u>3.78%</u>

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

2014	2013	2012	2011	2010	2009
\$ 10,954,839	\$ 10,813,909	\$ 10,403,782	\$ 10,113,502	\$ 9,366,175	\$ 9,560,283
350,454	337,431	339,642	330,263	330,387	323,012
9,008,083	7,143,403	7,098,675	8,016,458	8,381,546	7,055,624
1,276,821	1,175,388	1,117,177	911,202	803,961	774,553
69,531	80,227	80,132	82,856	86,980	90,812
26,785	13,403	30,822	29,092	45,214	67,076
(9,410)	(7,661)	(18,705)	795	(150)	(4)
2,696	4,198	3,121	1,966	1,711	11,060
627,647	678,358	562,394	822,936	492,508	461,824
<u>22,307,446</u>	<u>20,238,656</u>	<u>19,617,040</u>	<u>20,309,070</u>	<u>19,508,332</u>	<u>18,344,240</u>
2,067,170	2,282,198	2,390,204	2,302,228	2,592,283	2,472,452
419,461	406,800	409,685	392,791	378,475	359,666
97,811	92,312	112,139	86,506	92,437	94,989
5,317,501	5,384,681	5,322,439	6,125,603	5,104,048	4,860,442
10,399,966	7,963,372	7,984,895	8,088,667	8,124,836	7,919,632
804,747	825,194	802,108	789,602	782,443	737,997
185,547	201,048	213,283	200,899	193,111	188,039
92,600	158,617	157,846	163,438	115,857	120,406
2,566,382	2,263,175	2,109,125	1,959,030	2,014,490	1,977,924
547,610	534,078	306,504	308,484	386,212	299,940
355,438	354,688	367,966	351,539	306,139	252,466
9,858	12,763	55,983	8,002	27,335	25,036
1,058	2,362	1,593	1,163	933	6,080
203,514	330,795	253,894	466,335	609,309	442,315
<u>23,068,663</u>	<u>20,812,083</u>	<u>20,487,664</u>	<u>21,244,287</u>	<u>20,727,908</u>	<u>19,757,384</u>
<u>(761,217)</u>	<u>(573,427)</u>	<u>(870,624)</u>	<u>(935,217)</u>	<u>(1,219,576)</u>	<u>(1,413,144)</u>
2,021,428	1,810,448	1,539,696	1,852,945	1,955,274	2,157,662
(2,013,769)	(1,833,096)	(1,530,423)	(1,675,200)	(1,776,171)	(1,880,360)
27	10,007	9,546	6,864	10,182	4,456
256,887	221,310	419,700	472,123	873,326	655,350
141,631	127,644	527,118	240,590	347,835	508,520
80,769	27,295	74,049	34,035	37,442	35,905
(689)	(408)	(927)	(2,022)	(2,619)	(4,193)
383,000	163,290	82,717	737,370	89,710	
39,765					
<u>(189,883)</u>	<u>(127,035)</u>	<u>(455,473)</u>	<u>(233,642)</u>	<u>(186,602)</u>	<u>(508,320)</u>
<u>719,166</u>	<u>399,455</u>	<u>666,003</u>	<u>1,433,063</u>	<u>1,358,253</u>	<u>969,020</u>
<u>\$ (42,051)</u>	<u>\$ (173,972)</u>	<u>\$ (204,621)</u>	<u>\$ 497,846</u>	<u>\$ 138,677</u>	<u>\$ (444,124)</u>
<u>3.91%</u>	<u>4.29%</u>	<u>3.31%</u>	<u>3.11%</u>	<u>3.34%</u>	<u>2.89%</u>

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

	2018	2017	2016	2015
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 23,354,312	\$ 22,688,638	\$ 21,955,878	\$ 21,288,572
Restricted	1,208,350	954,449	847,543	984,229
Unrestricted	<u>(42,257,250)</u>	<u>(40,157,358)</u>	<u>(37,867,160)</u>	<u>(36,414,312)</u>
Total Governmental Activities Net Position	<u>(17,694,588)</u>	<u>(16,514,271)</u>	<u>(15,063,739)</u>	<u>(14,141,511)</u>
Business-type Activities:				
Invested in Capital Assets, net of related debt	274,521	287,610	293,958	303,571
Restricted	688,144	562,392	369,431	212,629
Unrestricted	<u>(116,858)</u>	<u>(100,405)</u>	<u>(190,882)</u>	<u>(403,957)</u>
Total Business-Type Activities Net Position	<u>845,807</u>	<u>749,597</u>	<u>472,507</u>	<u>112,243</u>
Primary Government:				
Invested in capital assets, net of related debt	23,628,833	22,976,248	22,249,836	21,592,143
Restricted	1,896,494	1,516,841	1,216,974	1,196,858
Unrestricted	<u>(42,374,108)</u>	<u>(40,257,763)</u>	<u>(38,058,042)</u>	<u>(36,818,269)</u>
Total Primary Government Net Position	<u>\$ (16,848,781)</u>	<u>\$ (15,764,674)</u>	<u>\$ (14,591,232)</u>	<u>\$ (14,029,268)</u>

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

2014	2013	2012	2011	2010	2009
\$ 20,986,040	\$ 20,195,976	\$ 19,616,044	\$ 19,153,511	\$ 18,418,874	\$ 19,547,435
1,099,649	1,167,435	1,480,299	1,286,431	1,206,293	1,094,433
<u>(11,812,580)</u>	<u>(10,315,863)</u>	<u>(9,731,379)</u>	<u>(8,071,118)</u>	<u>(6,803,987)</u>	<u>(5,861,735)</u>
10,273,109	11,047,548	11,364,964	12,368,824	12,821,180	14,780,133
315,131	328,382	334,611	350,505	341,172	330,078
63,847	913	729	326	9,646	5,615
<u>(594,125)</u>	<u>(876,277)</u>	<u>(1,014,186)</u>	<u>(1,199,294)</u>	<u>(1,151,091)</u>	<u>(859,772)</u>
<u>(215,147)</u>	<u>(546,982)</u>	<u>(678,846)</u>	<u>(848,463)</u>	<u>(800,273)</u>	<u>(524,079)</u>
21,301,171	20,524,358	19,950,655	19,504,016	18,760,046	19,877,513
1,163,496	1,168,348	1,481,028	1,286,757	1,215,939	1,100,048
<u>(12,406,705)</u>	<u>(11,192,140)</u>	<u>(10,745,565)</u>	<u>(9,270,412)</u>	<u>(7,955,078)</u>	<u>(6,721,507)</u>
<u>\$ 10,057,962</u>	<u>\$ 10,500,566</u>	<u>\$ 10,686,118</u>	<u>\$ 11,520,361</u>	<u>\$ 12,020,907</u>	<u>\$ 14,256,054</u>

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

	2018	2017	2016	2015
Function/Program Revenues				
Primary Government:				
Governmental Activities:				
Charges for Services:				
General government	\$ 799,460	\$ 805,329	\$ 818,313	\$ 626,337
Legislative and judicial	27,852	28,079	27,802	25,866
Commerce	73,820	52,894	51,991	58,617
Education and humanities	59,137	58,831	59,712	64,776
Human Resources	221,671	166,820	208,967	164,793
Justice	27,348	26,185	30,880	22,755
Natural resources and environmental protection	40,587	38,673	41,941	17,014
Public protection and regulation	93,860	92,734	92,908	87,134
Transportation	297,202	283,545	288,126	299,446
Operating Grants and Contributions	10,211,396	9,956,021	9,956,639	9,270,753
Capital Grants and Contributions	825,730	837,491	872,127	865,320
Total Governmental Activities	<u>12,678,063</u>	<u>12,346,602</u>	<u>12,449,406</u>	<u>11,502,811</u>
Business-Type Activities:				
Charges for Services:				
State Parks	53,320	52,526	51,424	47,931
Kentucky Lottery Corporation				
Kentucky Horse Park	9,542	12,416	12,930	12,407
Insurance Administration	116,676	125,299	130,825	124,106
Kentucky Public Employees' Health Plan	1,795,381	1,759,562	1,739,913	1,712,136
Unemployment Compensation	395,464	545,335	598,144	743,369
Operating Grants and Contributions	9,946	5,578	954	
Capital Grants and Contributions				149
Total Business-Type Activities	<u>2,380,329</u>	<u>2,500,716</u>	<u>2,534,190</u>	<u>2,640,098</u>
Total Primary Government	<u>\$ 15,058,392</u>	<u>\$ 14,847,318</u>	<u>\$ 14,983,596</u>	<u>\$ 14,142,909</u>
Expenses				
Primary Government:				
Governmental Activities:				
General government	\$ 3,112,212	\$ 2,771,326	\$ 4,544,453	\$ 2,557,827
Legislative and judicial	489,661	489,343	446,233	433,354
Commerce	151,184	299,840	122,430	110,041
Education and humanities	7,138,207	7,328,124	4,970,560	5,822,980
Human Resources	12,488,174	11,988,867	12,088,721	11,098,078
Justice	1,360,214	1,216,143	1,006,195	952,071
Natural resources and environmental protection	232,219	191,666	190,919	190,532
Public protection and regulation	148,967	150,344	97,921	107,258
Transportation	1,864,030	1,674,300	1,602,621	1,819,570
Interest expense	306,124	210,456	372,787	341,922
Total Governmental Activities	<u>27,290,992</u>	<u>26,320,409</u>	<u>25,442,840</u>	<u>23,433,633</u>
Business-Type Activities:				
State Parks	153,913	124,685	113,679	110,220
Kentucky Lottery Corporation				
Kentucky Horse Park	20,310	21,143	21,049	19,278
Insurance Administration	(85,034)	39,370	189,476	116,723
Kentucky Public Employees' Health Plan	1,614,792	1,510,884	1,498,925	1,420,292
Unemployment Compensation	282,583	345,909	343,857	340,223
Total Business-Type Activities	<u>1,986,564</u>	<u>2,041,991</u>	<u>2,166,986</u>	<u>2,006,736</u>
Total Primary Government	<u>\$ 29,277,556</u>	<u>\$ 28,362,400</u>	<u>\$ 27,609,826</u>	<u>\$ 25,440,369</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (14,612,929)	\$ (13,973,807)	\$ (12,993,434)	\$ (11,930,822)
Business-Type Activities	393,765	458,725	367,204	633,362
Total Primary Government Net Expense	<u>\$ (14,219,164)</u>	<u>\$ (13,515,082)</u>	<u>\$ (12,626,230)</u>	<u>\$ (11,297,460)</u>

	2014	2013	2012	2011	2010	2009
\$	699,518	\$ 681,819	\$ 668,709	\$ 438,993	\$ 384,050	\$ 366,634
	25,584	25,676	21,750	21,177	20,226	28,561
	44,538	41,337	53,375	36,774	40,657	47,770
	43,192	67,290	66,246	78,996	55,926	50,988
	230,057		16,593	484,958	103,025	121,752
	23,434	27,369	21,500	22,121	21,641	20,611
	45,334	308,890	12,451	43,338	41,123	35,959
	83,516	93,172	92,806	83,816	73,066	71,078
	269,701	238,296	249,231	218,846	230,918	238,110
	8,211,316	6,294,292	6,381,991	7,071,327	7,621,275	6,575,144
	801,353	806,675	836,370	697,927	773,661	550,416
	<u>10,477,543</u>	<u>8,584,816</u>	<u>8,421,022</u>	<u>9,198,273</u>	<u>9,365,568</u>	<u>8,107,023</u>
	49,016	48,774	50,064	49,437	50,802	52,439
	10,679	9,981	9,161	772,349	772,497	810,544
	113,248	112,177	122,962	7,798	6,880	6,423
	1,692,801	1,680,011	1,681,642	110,829	121,445	93,438
	561,692	532,298	521,893	1,752,908	1,548,458	1,392,971
	174,235	408,125	705,465	471,876	1,556,290	412,430
	378	155	1,032	953,112	3,849	363,028
	<u>2,602,049</u>	<u>2,791,521</u>	<u>3,092,219</u>	<u>2,326</u>	<u>4,060,221</u>	<u>4,633</u>
\$	<u>13,079,592</u>	<u>11,376,337</u>	<u>11,513,241</u>	<u>13,318,908</u>	<u>13,425,789</u>	<u>11,242,929</u>
\$	2,840,370	\$ 3,333,535	\$ 3,002,882	\$ 3,212,093	\$ 4,377,373	\$ 3,837,639
	420,929	406,949	411,579	400,786	376,743	360,872
	112,067	112,296	132,078	113,156	124,263	112,825
	5,539,119	5,214,551	5,818,383	6,036,864	5,148,482	4,887,919
	10,000,356	7,618,717	7,623,348	7,652,130	7,725,161	7,611,725
	933,126	936,118	923,628	887,611	876,065	822,301
	192,059	229,245	221,822	198,067	192,518	197,086
	92,798	160,071	156,755	164,052	113,558	121,952
	2,127,851	1,720,513	1,496,753	1,340,012	1,175,210	1,331,764
	355,842	369,773	403,534	377,725	332,639	265,984
	<u>22,614,517</u>	<u>20,101,768</u>	<u>20,190,762</u>	<u>20,382,496</u>	<u>20,442,012</u>	<u>19,550,067</u>
	96,587	92,724	93,925	92,777	101,861	98,795
	19,511	15,856	13,970	566,117	568,183	619,902
	86,063	93,876	38,081	14,804	13,521	11,411
	1,642,048	1,677,143	1,687,322	232,100	107,286	(18,953)
	1,092,231	1,287,408	1,193,572	1,624,444	1,497,656	1,434,951
	<u>2,936,440</u>	<u>3,167,007</u>	<u>3,026,870</u>	<u>1,521,994</u>	<u>1,958,414</u>	<u>1,317,067</u>
\$	<u>25,550,957</u>	<u>23,268,775</u>	<u>23,217,632</u>	<u>24,434,732</u>	<u>24,688,933</u>	<u>23,013,240</u>
\$	(12,136,974)	\$ (11,516,952)	\$ (11,769,740)	\$ (11,184,223)	\$ (11,076,444)	\$ (11,443,044)
	(334,391)	(375,486)	65,349	68,399	(186,700)	(327,267)
\$	<u>(12,471,365)</u>	<u>(11,892,438)</u>	<u>(11,704,391)</u>	<u>(11,115,824)</u>	<u>(11,263,144)</u>	<u>(11,770,311)</u>

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

	2018	2017	2016	2015
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Sales and gross receipt	\$ 6,062,029	\$ 5,905,042	\$ 5,787,853	\$ 5,714,300
Individual income	4,604,710	4,405,457	4,311,015	4,064,705
Corporate income	500,315	458,227	490,033	540,132
Property	628,810	596,752	584,823	570,998
License and privilege	38,001	29,310	39,563	13,742
Severance	142,095	145,487	156,245	235,068
Inheritance and estate	50,093	45,827	48,789	52,616
Miscellaneous taxes	208,344	202,836	196,941	190,700
Unrestricted grants and contributions	9,798	11,449	10,403	10,348
Unrestricted investment earnings			1,650	4,264
Gain on sale of capital assets	16,562	8,318	7,689	7,259
Miscellaneous general	505,243	522,299	403,065	413,140
Transfers	271,843	192,425	41,497	108,470
Total General Revenues and Transfers	<u>13,037,843</u>	<u>12,523,429</u>	<u>12,079,566</u>	<u>11,925,742</u>
Change in Net Position	(1,575,086)	(1,450,378)	(913,868)	(5,080)
Net Position at July 1, as Restated	(16,119,502)	(15,063,893)	(14,149,871)	(14,136,431)
Net Position at June 30	<u>\$ (17,694,588)</u>	<u>\$ (16,514,271)</u>	<u>\$ (15,063,739)</u>	<u>\$ (14,141,511)</u>
Business-Type Activities:				
Unrestricted grants and contributions	\$ 20,086	\$ 5,534	\$ 29,381	\$ 14,971
Unrestricted investment earnings		(1,329)		14,971
Gain on sale of capital assets				
Miscellaneous general	6,943	6,075	5,176	5,693
Transfers	(271,848)	(192,425)	(41,497)	(108,470)
Total General Revenues and Transfers	<u>(244,819)</u>	<u>(182,145)</u>	<u>(6,940)</u>	<u>(87,806)</u>
Change in Net Position	148,946	276,580	360,264	545,556
Net Position at July 1, as Restated	696,861	473,017	112,243	(433,313)
Net Position at June 30	<u>\$ 845,807</u>	<u>\$ 749,597</u>	<u>\$ 472,507</u>	<u>\$ 112,243</u>
Change in Net Position				
Governmental Activities	\$ (1,575,086)	\$ (1,450,378)	\$ (913,868)	\$ (5,080)
Business-Type Activities	148,946	276,580	360,264	545,556
Total Primary Government Changes in Net Position	<u>\$ (1,426,140)</u>	<u>\$ (1,173,798)</u>	<u>\$ (553,604)</u>	<u>\$ 540,476</u>

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

2014	2013	2012	2011	2010	2009
\$ 5,575,312	\$ 5,292,465	\$ 5,505,336	\$ 5,152,345	\$ 4,880,831	\$ 4,777,321
3,752,868	3,748,008	3,474,027	3,451,268	3,125,824	3,359,471
456,601	423,093	370,485	317,578	235,654	278,103
553,339	556,986	534,189	509,961	504,189	534,441
21,170	21,091	26,792	29,690	29,198	37,442
251,231	461,866	170,980	366,633	325,077	362,965
51,513	20,503	68,119	45,144	38,058	43,237
184,605	203,467	148,305	168,847	152,016	146,977
12,663	16,332	14,640	14,071	9,365	10,263
(37)	2,179	(21,439)	7,146	9,531	(9,977)
10,969	8,885	10,363	9,727	22,682	12,730
496,504	544,186	493,133	444,309	388,144	319,408
(4,214)	(22,093)	(12,293)	206,078	172,007	264,032
<u>11,362,524</u>	<u>11,276,968</u>	<u>10,782,637</u>	<u>10,722,797</u>	<u>9,892,576</u>	<u>10,136,413</u>
(774,450)	(239,984)	(987,103)	(461,426)	(1,183,868)	(1,306,631)
11,047,559	11,287,532	12,352,067	12,830,250	14,005,048	16,086,764
<u>\$ 10,273,109</u>	<u>\$ 11,047,548</u>	<u>\$ 11,364,964</u>	<u>\$ 12,368,824</u>	<u>\$ 12,821,180</u>	<u>\$ 14,780,133</u>
\$ 13,546	\$ (16,154)	\$ 55,123	\$ 208	\$ 47,657	\$ (28,261)
32			56,203	1,844	38
648,434	501,411		597	35,792	48,894
4,214	22,093		21,902	(172,007)	(264,032)
<u>666,226</u>	<u>507,350</u>	<u>55,123</u>	<u>(206,078)</u>	<u>(86,714)</u>	<u>(243,361)</u>
331,835	131,864	192,756	(127,168)	(273,414)	(570,628)
(546,982)	(678,846)	(871,602)	(58,769)	(526,859)	46,549
<u>\$ (215,147)</u>	<u>\$ (546,982)</u>	<u>\$ (678,846)</u>	<u>\$ (848,463)</u>	<u>\$ (800,273)</u>	<u>\$ (524,079)</u>
\$ (774,450)	\$ (239,984)	\$ (987,103)	\$ (461,426)	\$ (1,183,868)	\$ (1,306,631)
331,835	131,864	192,756	(58,769)	(273,414)	(570,628)
<u>\$ (442,615)</u>	<u>\$ (108,120)</u>	<u>\$ (794,347)</u>	<u>\$ (520,195)</u>	<u>\$ (1,457,282)</u>	<u>\$ (1,877,259)</u>

**COMMONWEALTH OF KENTUCKY
PERSONAL INCOME TAX INFORMATION
CALENDAR YEARS 2007 and 2016**

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

Ky Federal AGI (from Ky form 740) Income Level	Calendar Year 2016			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Resident Taxpayer				
Less than \$25,001	711,683	39.54%	\$ 128,955,288	3.35%
\$25,001-\$50,000	444,854	24.72%	579,147,732	15.06%
\$50,001-\$100,000	405,183	22.51%	1,050,366,550	27.31%
\$100,001-\$200,000	187,565	10.42%	997,610,307	25.94%
\$200,001-\$500,000	41,643	2.31%	564,529,260	14.68%
Greater than \$500,000	8,774	0.49%	525,239,215	13.66%
Total Resident	1,799,702	100.00%	3,845,848,352	100.00%
Non-Resident Taxpayer				
Less than \$25,001	58,786	32.77%	6,233,250	2.94%
\$25,001-\$50,000	34,357	19.15%	17,732,443	8.37%
\$50,001-\$100,000	34,841	19.42%	32,082,393	15.14%
\$100,001-\$200,000	23,499	13.10%	36,173,685	17.07%
\$200,001-\$500,000	13,980	7.79%	34,663,288	16.35%
Greater than \$500,000	13,925	7.76%	85,085,346	40.14%
Total Non-Resident	179,388	100.00%	211,970,405	100.00%
Totals	1,979,090		\$ 4,057,818,757	

Personal Income Tax Rates

Tax Years 2007 - 2016

Tax Rate	2%	3%	4%	5%
Income Bracket	\$0-3,000	\$3,001-4,000	\$4,001-5,000	\$5,001-8,000
	2016		2007	
Personal Income Tax Revenue	\$ 4,057,818,757	(A)	\$ 3,405,733,452	
Personal Income	119,705,000,000	(B)	99,204,750,000	
Average Effective Rate	2.9%		2.9%	

Source of Tax Information:

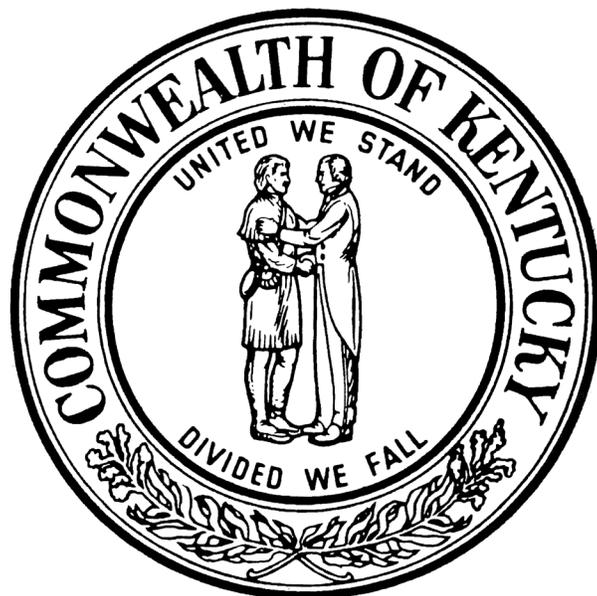
- (A) Kentucky Department of Revenue
- (B) See Schedule of Personal Income
- (C) This information is presented on a cash basis.

Calendar Year 2007

Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
794,134	44.99%	\$ 233,085,648	7.18%
427,762	24.24%	546,160,648	16.82%
385,436	21.84%	1,000,072,984	30.80%
124,060	7.03%	654,058,212	20.14%
26,742	1.51%	366,610,886	11.29%
7,082	0.40%	447,454,964	13.78%
1,765,216	100.00%	3,247,443,342	100.00%

Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
48,545	36.19%	5,696,168	3.60%
23,654	17.63%	12,361,179	7.81%
24,523	18.28%	22,044,739	13.93%
15,307	11.41%	22,499,976	14.21%
9,705	7.23%	20,708,532	13.08%
12,421	9.26%	74,979,516	47.37%
134,155	100.00%	158,290,110	100.00%
1,899,371		\$ 3,405,733,452	

5.8%	6.0%
\$8,001 -75,000	\$75,001 and UP



**COMMONWEALTH OF KENTUCKY
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 FOR CALENDAR YEARS 2008-2017**
 (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	Assessed Value	Estimated	Assessed Value	Estimated	
		Actual Value		Actual Value		Actual Value	
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%
2015	243,570,236	259,117,272	182,300,234	182,300,234	425,870,470	441,417,506	96.5%
2016	251,467,439	267,518,552	189,581,582	189,581,582	441,049,021	457,100,134	96.5%
2017	260,311,049	276,926,647	195,483,003	195,483,003	455,794,052	472,409,650	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 2008-2017**
 (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 **
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
2015	600,161	565,557	94.2%	11,991	577,548	96.2%	64.32
2016	624,237	586,129	93.9%	15,966	602,095	96.5%	65.71
2017	641,169	604,986	94.4%	16,274	621,260	96.9%	64.10

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)

	2018	2017	2016	2015
Governmental Activities Debt				
Revenue Bonds (2)	\$ 6,310,244	\$ 6,276,003	\$ 6,227,678	\$ 6,154,942
Notes (2)	1,008,140	1,196,130	1,399,140	1,467,573
Capital Leases (2)	51,002	46,256	58,064	71,493
Total Government Activities Debt	<u>7,369,386</u>	<u>7,518,389</u>	<u>7,684,882</u>	<u>7,694,008</u>
Business-Type Activities Debt				
Notes (2)				
Capital Leases (2)	9,050	10,219	7,730	12,262
Total Business-Type Activities Debt	<u>9,050</u>	<u>10,219</u>	<u>7,730</u>	<u>12,262</u>
Total Primary Government Debt	<u>\$ 7,378,436</u>	<u>\$ 7,528,608</u>	<u>\$ 7,692,612</u>	<u>\$ 7,706,270</u>
Total Debt Ratios				
Ratio of Total Debt to Personal Income	<u>5.92%</u>	<u>6.29%</u>	<u>6.43%</u>	<u>6.67%</u>
Total Debt Per Capita (1)	<u>\$ 1,471</u>	<u>\$ 1,532.22</u>	<u>\$ 1,738.21</u>	<u>\$ 1,753.30</u>
Net Bonded Debt				
Gross Bonded Debt	\$ 6,310,244	\$ 6,276,003	\$ 6,227,678	\$ 6,154,942
Less: Debt Service Funds	175,892	140,670	136,673	138,192
Net Bonded Debt	<u>\$ 6,134,352</u>	<u>\$ 6,135,333</u>	<u>\$ 6,091,005</u>	<u>\$ 6,016,750</u>
Net Bonded Debt Ratios				
Ratio of Net Bonded Debt to Governmental Funds Revenues	<u>23.90%</u>	<u>27.50%</u>	<u>27.30%</u>	<u>26.97%</u>
Net Bonded Debt Per Capita (1)	<u>\$ 1,223.27</u>	<u>\$ 1,248.66</u>	<u>\$ 1,376.31</u>	<u>\$ 1,373.56</u>

(1) Per Capita calculations are based on the population figures for the prior year. (See Demographics Schedule on page 254)
(2) See Note 16 for Debt Amounts

2014	2013	2012	2011	2010	2009
\$ 6,291,646	\$ 6,427,591	\$ 6,555,730	\$ 6,241,628	\$ 5,959,846	\$ 4,429,520
1,868,377	1,648,642	1,669,372	1,715,915	1,089,740	1,059,520
55,444	211,963	46,069	30,877	32,341	26,638
<u>8,215,467</u>	<u>8,288,196</u>	<u>8,271,171</u>	<u>7,988,420</u>	<u>7,081,927</u>	<u>5,515,678</u>
		1,172			
13,065	1,153,410	14,119	3,542	127	211
13,065	1,153,410	15,291	3,542	127	211
<u>\$ 8,228,532</u>	<u>\$ 9,441,606</u>	<u>\$ 8,286,462</u>	<u>\$ 7,991,962</u>	<u>\$ 7,082,054</u>	<u>\$ 5,515,889</u>
<u>7.35%</u>	<u>8.74%</u>	<u>7.97%</u>	<u>7.81%</u>	<u>7.09%</u>	<u>5.45%</u>
<u>\$ 1,872.12</u>	<u>\$ 2,160.87</u>	<u>\$ 1,896.50</u>	<u>\$ 1,838.81</u>	<u>\$ 1,641.60</u>	<u>\$ 1,292.01</u>
\$ 6,291,646	\$ 6,427,591	\$ 6,555,730	\$ 6,241,628	\$ 5,959,846	\$ 4,429,520
125,732	124,951	120,304	137,921	197,802	353,391
<u>\$ 6,165,914</u>	<u>\$ 6,302,640</u>	<u>\$ 6,435,426</u>	<u>\$ 6,103,707</u>	<u>\$ 5,762,044</u>	<u>\$ 4,076,129</u>
<u>27.64%</u>	<u>31.14%</u>	<u>32.81%</u>	<u>31.11%</u>	<u>29.54%</u>	<u>22.22%</u>
<u>\$ 1,407.61</u>	<u>\$ 1,438.82</u>	<u>\$ 1,472.85</u>	<u>\$ 1,404.36</u>	<u>\$ 1,335.63</u>	<u>\$ 954.77</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
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
2016	4,793,559 **	2,020,476	2.37
2017	4,913,519 **	2,003,912	2.45
2018	5,014,700	2,136,250	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	2017			2008		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
United Parcel Service, Inc.	12,974	1	0.66%	7,664	3	0.40%
Ford Motor Co.	12,960	2	0.66%	6,829	5	0.36%
Amazon.com	11,900	3	0.60%			
Toyota Motor Corp	9,564	4	0.48%	8,928	2	0.47%
Humana Inc.	8,613	5	0.44%	9,344	1	0.49%
Haier US Appliances Solutions, Inc.	6,300	6	0.32%			
FMR LLC	4,500	7	0.23%			
Conduent, Inc.	3,346	8	0.17%			
Deutsche Post AG	3,033	9	0.15%			
Citigroup	2,852	10	0.14%	3,900	7	0.20%
General Electric Co				6,904	4	0.36%
Delta Air Lines, Inc				4,274	6	0.22%
Fidelity Investments				3,900	8	0.20%
Johnson Controls, Inc.				3,826	9	0.20%
Dana Corp.				3,418	10	0.18%
	76,042		3.85%	58,987		3.10%

SOURCE: <http://www.thinkkentucky.com>

**DEMOGRAPHIC STATISTICS
FOR CALENDAR YEARS 2008-2017**

For the Year Ended December 31	Estimated Population	Per Capita Income	Unemployment Rate
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%
2015	4,425,592	39,181	5.4%
2016	4,436,974	38,926	5.1%
2017	4,454,189	40,597	4.9%

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

**COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR CALENDAR YEARS 2008-2017**
(Expressed in Thousands, Except Percent Data)

Source	2008**		2009**		2010**		2011**		2012**	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 932,500	0.9%	\$ 1,364,000	1.4%	\$ 1,208,000	1.2%	\$ 811,000	0.8%	\$ 1,062,000	1.0%
Agriculture services, forestry, fisheries and others	421,500	0.4%	319,250	0.3%	316,000	0.3%	280,000	0.3%	330,000	0.3%
Mining	2,475,000	2.4%	2,121,000	2.1%	2,353,000	2.3%	2,256,000	2.2%	2,224,000	2.1%
Manufacturing	16,305,750	16.1%	13,446,500	13.5%	14,293,000	14.0%	12,563,000	12.1%	15,736,000	14.6%
Construction	5,356,750	5.3%	5,045,000	5.1%	4,726,000	4.6%	5,101,000	4.9%	5,568,000	5.2%
Wholesale and retail trade	11,870,500	11.7%	11,548,500	11.7%	11,456,000	11.2%	12,021,000	11.6%	12,306,000	11.4%
Finance, insurance and real estate	6,390,750	6.3%	5,979,500	6.0%	5,956,000	5.8%	6,507,000	6.3%	6,931,000	6.4%
Transportation and public utilities	6,008,000	5.9%	6,062,250	6.1%	6,130,000	6.0%	6,199,000	6.0%	6,529,000	6.0%
Services	30,718,250	29.4%	31,714,500	31.9%	32,939,000	31.6%	34,521,000	32.1%	34,471,000	31.9%
Government and government enterprises	20,809,250	20.5%	22,249,500	22.3%	23,014,000	22.5%	23,727,000	22.8%	22,879,000	21.2%
Earnings by Place of Work	\$ 101,288,250	100.0%	\$ 99,850,000	100.0%	\$ 102,391,000	100.0%	\$ 103,986,000	100.0%	\$ 108,036,000	100.0%

Source	2013**		2014**		2015***		2016***		2017***	
	Amount	Percent								
Farm	\$ 1,954,000	1.7%	\$ 1,790,000	1.5%	\$ 1,490,000	1.2%	\$ 106,000	0.1%	\$ 1,049,000	0.8%
Agriculture services, forestry, fisheries and others	346,000	0.3%	399,000	0.3%	397,000	0.3%	525,000	0.4%	504,000	0.4%
Mining	1,853,000	1.7%	1,809,000	1.6%	1,570,000	1.3%	698,000	0.6%	531,000	0.4%
Manufacturing	15,937,000	14.2%	16,682,000	14.4%	17,371,000	14.5%	18,019,000	15.1%	18,397,000	14.8%
Construction	5,938,000	5.3%	6,662,000	5.8%	6,864,000	5.7%	7,062,000	5.9%	7,432,000	6.0%
Wholesale and retail trade	12,328,000	11.0%	12,727,000	11.0%	13,181,000	11.0%	13,271,000	11.1%	13,436,000	10.8%
Finance, insurance and real estate	7,269,000	6.5%	7,567,000	6.6%	10,020,000	8.4%	10,009,000	8.4%	10,802,000	8.7%
Transportation and public utilities	6,402,000	5.7%	6,745,000	5.8%	7,220,000	6.0%	7,847,000	6.6%	8,387,000	6.7%
Services	36,784,000	32.8%	38,138,000	33.0%	38,121,000	31.9%	39,312,000	32.8%	41,157,000	33.0%
Government and government enterprises	23,180,000	21.1%	22,994,000	19.9%	23,432,000	19.6%	22,856,000	19.1%	22,856,000	18.4%
Earnings by Place of Work	\$ 111,991,000	100.0%	\$ 115,513,000	100.0%	\$ 119,666,000	100.0%	\$ 119,705,000	100.0%	\$ 124,551,000	100.0%

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

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

** Annual estimates computed with BEA table SQ5 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.

*** Starting in 2015 Annual estimates computed with BEA table SA5N.

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**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Personnel										
Number of Full Time Employees- Executive Branch	30,216	31,104	31,977	32,547	31,819	31,961	32,270	32,365	32,309	31,334
Health Insurance Expenditures - Percentage Increase/(decrease)	0.42%	1.1%	2.0%	2.5%	2.0%	7.4%	(3.5%)	4.5%	18.7%	(1.3%)
Education										
K-12 Enrollment	671,899	655,475	679,686	680,519	678,884	677,394	647,827	644,963	636,188	671,147
K-12 Attendance Rate	94.40%	94.50%	94.50%	94.50%	94.60%	94.52%	94.05%	94.05%	94.18%	94.17%
K-12 Graduation Rate	89.70%	89.50%	88.60%	87.90%	87.40%	86.10%	76.68%	80.5%**	83.91%	84.52%
Average ACT Score	20.2	20.1	20	20	19.9	19.6	19.8	19.6	19.4	19.4*
GED Graduates	3,404	3,299	3,091	1,663	7,083	8,890	9,469	10,294	9,357	9,382
College Going Rate for 9th Graders	NA	NA	NA	NA	NA	47%	42%	42%	42%	44%
Postsecondary Education Enrollment	204,506	207,671	208,251	215,509	220,963	225,415	235,833	232,318	223,893	211,179
Bachelor's and Higher Degrees Awarded	35,880	34,326	34,110	32,706	32,374	32,237	30,034	29,911	28,798	27,983
Justice and Public Safety										
Incarcerated Population-Daily Average	23,585	23,168	22,012	21,106	20,446	21,542	21,471	20,785	20,798	21,470
Probation and Parole Population - Daily Average	47,540	46,046	45,956	46,008	45,755	43,196	41,790	41,534	39,364	38,933
Health and Family Services										
Medicaid Enrollment-Average	1,427,523	1,404,625	1,375,071	1,243,432	997,556	829,826	825,648	815,460	788,236	748,296
Food Stamp Recipients-Monthly Average	631,686	685,771	686,773	788,485	843,164	869,035	843,939	814,176	761,654	680,087
Temporary Assistance for Needy Families (TANF)-Monthly Average	41,298	45,874	38,823	42,995	47,996	49,148	48,817	50,583	48,894	48,368
Children with substantiated incidences	24,783	22,526	20,031	19,858	15,193	17,884	15,699	15,721	15,092	14,475
Environmental and Public Protection										
Air Pollution Source Inspections	3,647	3,724	3,652	3,448	3,939	3,919	3,355	3,390	5,910	3,085
Waste Management Inspections	7,178	6,394	6,761	6,866	6,484	6,239	6,062	6,155	7,060	6,731
Acres of Land Reforested	1,565	6,081	2,626	5,472	3,573	8,309	10,396	4,827	4,520	5,580
Mine Permits Issued	317	170	381	446	515	606	719	691	608	688
Mine Reclamation and Enforcement Inspections	16,803	16,682	18,551	20,011	21,450	23,003	26,942	25,392	25,686	24,890
Mine Safety-Completed Inspections	509	924	1,529	2,651	3,023	3,546	3,203	3,102	4,611	2,888
Transportation										
Percentage of Total Road System Needing Improvement	19.6%	17%	17%	17%	19%	19%	19%	15%	18%	14%
Statewide Road Maintainance Rating (Target Score = 80)	84.5	82.6	84	83.7	82.5	80.5	80.1	81.5	79.7	80.9
Daily Miles Traveled-Percentage Changed (as compared to 2005 Data)	3.90%	3.82%	1.52%	(0.31%)	(2.09%)	(1.98%)	0.17%	0.20%	(0.1%)	0.0%
State-Maintained Lane Miles- Annual Percent Change	0.25%	0.25%	0.08%	0.13%	0.33%	0.03%	0.10%	0.30%	0.10%	1.6%
Kentucky Road Construction Cost Index-Percent Increase (1987 Base Year)	64.0%	47.9%	49.5%	45.4%	43.6%	34.9%	10.7%	35.2%	13.9%	22.7%

* 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**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>General Government</u>										
Number of Buildings	367	367	324	312	312	313	310	292	326	309
Number of Vehicles	295	321	341	299	303	305	377	394	365	356
Land (Acres)	15,313	15,307	15,307	15,264	15,263	15,251	15,041	14,968	14,614	14,293
<u>Commerce</u>										
Number of Resort Parks	17	17	17	17	17	17	17	17	17	17
Number of Recreation Parks	23	23	23	23	21	21	21	23	23	24
Number of Historic Sites	11	11	11	11	11	11	9	10	10	11
Area of State Parks (Acres)	45,464	45,426	45,409	45,409	45,180	45,180	45,180	42,397	42,035	42,597
<u>Education and Humanities</u>										
Number of Buildings	61	77	64	65	65	65	65	66	73	72
Number of Vehicles	56	58	65	64	68	83	89	105	101	113
Land (Acres)	384	385	385	385	387	387	387	388	388	388
<u>Human Resources</u>										
Number of Buildings	139	163	167	160	182	182	182	182	200	196
Number of Vehicles	19	17	17	19	18	24	23	45	46	40
Land (Acres)	1,167	1,192	1,206	1,206	1,206	1,206	1,206	1,206	1,206	1,206
<u>Justice</u>										
Number of Buildings	443	517	455	447	449	452	459	465	508	479
Number of Vehicles	1,878	1,760	1,803	1,720	1,715	1,753	2,043	2,102	1,863	1,861
Land (Acres)	8,735	8,735	8,735	8,735	8,735	8,735	8,685	8,865	8,867	8,903
<u>Natural Resources and Environmental Protection</u>										
Number of Buildings	25	30	30	22	20	20	20	21	26	26
Number of Vehicles	815	825	832	807	797	793	847	827	916	815
Land (Acres)	66,473	66,401	66,187	66,187	65,609	64,585	62,661	60,003	59,149	58,325
<u>Public Protection and Regulation</u>										
Number of Vehicles	183	179	157	146	140	149	132	118	121	90
<u>Transportation</u>										
Number of Lane Miles -State										
Maintained Highways	63,836	63,753	63,586	64,187	63,407	63,196	63,175	63,135	62,913	62,823
Number of State maintained Bridges	9,027	8,928	9,016	9,011	9,000	8,976	8,972	8,957	8,933	8,870
Land (Acres)	1,656	1,656	1,656	1,656	1,700	1,653	1,653	1,653	1,981	1,981

**COMMONWEALTH OF KENTUCKY
OPERATING INFORMATION
STATE GOVERNMENT EMPLOYEES BY FUNCTION
FOR THE LAST TEN FISCAL YEARS**

	2018	2017	2016	2015
<u>FULL-TIME EMPLOYEES</u>				
FUNCTION				
General government	4,771	4,565	4,570	4,671
Legislative and judicial	4,038	3,772	3,553	3,578
Commerce	1,684	1,685	1,696	1,633
Education and humanities	2,192	2,392	2,363	2,613
Human resources	7,142	7,197	7,176	7,466
Justice	7,755	7,784	7,735	7,832
Natural resources and environmental protection	1,329	1,396	1,383	1,387
Public protection and regulation	982	1,019	1,005	1,124
Transportation	4,528	4,571	4,551	4,629
Total full-time employees	34,421	34,381	34,032	34,933
<u>PART-TIME and TEMPORARY EMPLOYEES</u>				
FUNCTION				
General government	657	666	665	650
Legislative and judicial	542	422	404	421
Commerce	578	518	538	479
Education and humanities	154	153	156	200
Human resources	138	158	197	123
Justice	30	12	13	16
Natural resources and environmental protection	18	15	14	13
Public protection and regulation	24	15	16	17
Transportation	104	124	138	77
Total part-time and temporary employees	2,245	2,083	2,141	1,996
Total Employees	36,666	36,464	36,173	36,929

2014	2013	2012	2011	2010	2009
4,775	5,089	4,669	4,738	4,841	4,706
3,540	4,159	3,503	3,502	3,597	3,759
1,699	1,520	1,914	1,972	2,023	2,038
2,671	2,671	2,701	2,696	2,712	2,760
7,523	7,470	7,481	7,517	7,482	7,182
7,896	8,054	8,070	8,016	7,938	7,955
1,445	1,608	1,614	1,648	1,675	1,649
1,120	1,034	1,097	1,113	1,127	1,102
4,650	4,690	4,682	4,670	4,713	4,467
<u>35,319</u>	<u>36,295</u>	<u>35,731</u>	<u>35,872</u>	<u>36,108</u>	<u>35,618</u>
662	649	663	657	662	659
445	426	484	476	483	539
494	488	498	384	1,376	1,496
212	211	227	198	306	219
137	126	119	108	124	91
19	21	24	26	39	27
13	18	26	31	56	31
14	18	20	30	31	14
68	88	40	138	133	129
<u>2,064</u>	<u>2,045</u>	<u>2,101</u>	<u>2,048</u>	<u>3,210</u>	<u>3,205</u>
<u>37,383</u>	<u>38,340</u>	<u>37,832</u>	<u>37,920</u>	<u>39,318</u>	<u>38,823</u>

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