

Comprehensive Annual Financial Report

for the Fiscal Year Ended

June 30, 2017



Shaker Village of Pleasant Hill, Harrodsburg Kentucky



Commonwealth of Kentucky Comprehensive Annual Financial
Report for the Fiscal Year Ended June 30, 2017

Matthew G. Bevin, Governor



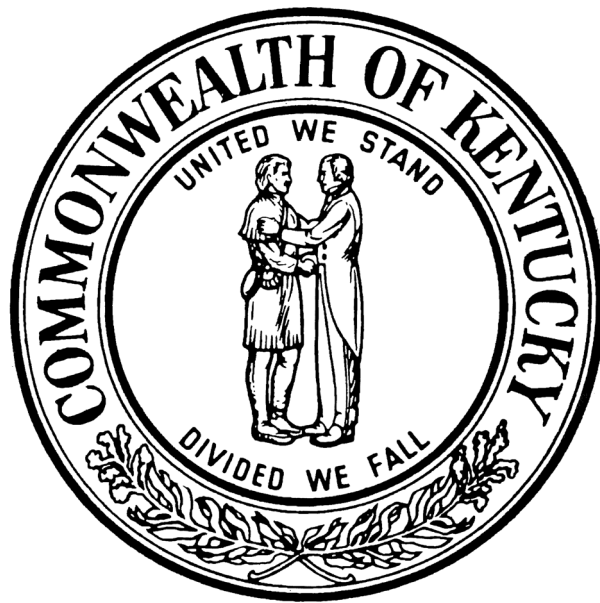
Prepared by:
Finance and Administration Cabinet
William M. Landrum III, Secretary

Office of the Controller
Edgar C. Ross, Controller

Statewide Accounting Services
Donald Sweasy, Executive Director



Matthew G. Bevin
Governor



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INTRODUCTORY SECTION



Matthew G. Bevin
Governor

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William M. Landrum III
Secretary

December 13, 2017

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, 2017. 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, 2017, 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

As we continue in the second quarter of fiscal year 2018, the temporary impact and disruption inflicted by hurricanes Harvey, Irma, and Maria must be considered relative to the strong momentum the national economy was experiencing prior to the storms. The most recent revisions to real GDP showed the economy growing at a 3.1 percent annual rate in the second quarter of the 2018 fiscal year, with the impact from the hurricanes revised down to slightly less than 0.5 percentage points from the previous estimate of about 1.25 percent reduction in national output due to the storms. In turn suggesting if it were not for the disruptions stemming from the hurricanes, third-quarter GDP growth could have registered 3.5 percent, following the 3.1 percent growth in the second quarter. To date, the advanced estimate of third quarter GDP growth provided by the Bureau of Economic Analysis' is a solid 3.0 percent annual rate, followed by 2.6 percent in the fourth quarter and 2.3 percent in the first quarter of 2018.

The continued expansion of the national economy will be fueled by growth in consumer spending. Household wealth continues to improve, as real income, home prices, and gains in employment continue their upward trends. Real consumption expenditures are forecasted to increase at an average annual rate of 2.6% over the remainder of fiscal year 2018.

Despite the increases in household wealth and the continuing decline in unemployment, broad measures of inflation, such as the Personal Consumption Expenditures (PCE), continue to be measured at lower rates than the two percent (2.0%) target of the Federal Reserve. The continued modest increase in inflation will likely concern Federal Reserve members, as they consider whether additional increases in interest rates are warranted in December. The Federal Reserve must balance the low current measures of inflation with the increases being observed in the labor market.

The Employment Cost Index has increased 0.7% in the most recent calendar quarter and has risen 2.5% over the last year. Increases in wages and salaries and a sharp increase in businesses reporting “hard-to-fill” job openings provide evidence of an ever-tightening labor market. The current unemployment rate is below the Federal Reserve and the Congressional Budget Office’s estimates of full employment, and further labor cost increases and pressure on profitability are likely to continue.

In addition to raising the benchmark interest rate, the Federal Reserve is expected to continue to shrink the \$4.5 trillion balance sheet of bonds purchased by the Federal Reserve since the beginning of the Great Recession. The Federal Reserve made the purchases through three rounds of emergency asset purchases of Treasury bonds and mortgage backed securities intended to stimulate the economy. The selling of these assets, coupled with the expected shift for the U.S. Treasury to issue more short-term Treasury bills, will add to an increase in short-term interest rates in the remainder of fiscal year 2018.

Kentucky Economy

The Commonwealth entered the first quarter of fiscal year 2018 on a positive note, continuing its recent run of employment gains. Personal incomes of Kentuckians grew 3.0 percent during the first quarter of fiscal year 2018, slightly outperforming the national increase of 2.9 percent. Kentuckian’s wages and salaries showed yet more contrast between the national averages with growth of 3.9 percent in the first quarter versus 2.6 percent for the US, respectively. Over the next three quarters, Kentucky personal income is forecasted to increase by 4.3 percent, while Kentuckians wages and salaries’ are projected to maintain a robust pace of growth at an estimated 5.1 percent over the same horizon. Sustained growth patterns in personal income is certainly a bright spot for the Commonwealth’s economic outlook.

As a result, the continued pattern of employment gain should sustain the rate of revenue collected for the General Fund providing a certain degree of benefit to Kentucky’s economy. Thus far, the General Fund has grown at a rate of 2.9 percent for the first quarter of the 2018 fiscal year. In spite of favorable conditions derived from forward-looking indicators, Office of the State Budget Director will continue to err on the side of caution due to uncertain economic conditions on the national level and the implications that could occur on the state level.

Kentucky employment is projected to grow in 10 of the 11 super-sector groups over the course of the next three quarters, providing plausible growth assumptions for income and employment prospects. Of all the sectors, service-providing employment as a whole is on target to have the greatest employment gain, specifically within the business services employment, which is projected to grow at a relatively brisk pace of 3.4 percent for the full year of fiscal year 2018. In addition, the service sector information employment is anticipated to grow at a swift rate of 3.2 percent over the same period. It is not uncommon for employment in one service super-sector to replace lost employment in another service super-sector as industries realign themselves based on market demands. However, the current forecast does not indicate such a displacement as key service super-sectors are expected to rise uniformly. Following the trend of preceding quarters, construction continues to be a bright spot in the Kentucky employment outlook. The full year of fiscal year 2018 projects steady growth of 4.2 percent in construction employment.

Despite the recent turnaround in coal severance tax collections from negative to positive growth, the mining industry remains a persistent weak spot in Kentucky’s economy. Coal severance year-to-date tax collections are up 5.9 percent for the first quarter of fiscal year 2018. However, overall tax collections declined for the fifth consecutive year reaching an all-time low of \$100.5 million in fiscal year 2017. On a year-to-year basis, Eastern and Western Kentucky coalmine employment continues to decrease at a steady pace. An additional sector of employment that continues to project weak growth for the remainder of the fiscal year is the government sector; flat to slightly negative growth of 0.01 percent is projected for the full 2018 fiscal year. Stagnate growth seen within the government sector comes as no surprise with the ongoing uncertainty of the State’s budget as well as anticipated changes on the Federal and State level.

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 2017 are:

	<u>Debt Service (thousands)</u>	<u>Ratio to Total General Governmental Expenditures</u>	<u>Debt Per Capita</u>
General Bonded Debt	\$1,118,236	4.3 %	\$1,478

No general obligation bonds were authorized or outstanding at June 30, 2017.

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

Major Initiatives

Fiscal year 2017 was the second 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 fiscal year 2018 budgets were enacted in the 2016 Regular Session of the Kentucky General Assembly. General Fund revenue fell short of the enacted estimate by 1.3 percent in fiscal year 2017, which was \$138.5 million below the budgeted estimate. This revenue shortfall required a combination of General Fund reductions and transfers of excess Restricted Funds to close the fiscal year. Road Fund revenues exceeded the official estimate by 3.5 percent. The combination of excess revenues and other spending lapses resulted in a Road Fund surplus of \$57.2 million. In fiscal year 2016, General Fund spending increased by 8.2 percent, and Road Fund spending decreased by 11.9 percent.

The General Fund's 8.2 percent spending growth was focused in the three areas: Medicaid (65 percent of the spending growth), criminal justice (25 percent of the spending growth), and elementary and secondary education (10 percent of the spending growth). Outside those areas, most other areas of spending declined for the ninth consecutive fiscal year. Some areas of the government have incurred up to 46.8 percent in General Fund budget reductions since fiscal year 2008.

Fiscal year 2017 marked the third year after 2014 when changes were made to pension benefits provided by the Kentucky Employees Retirement System. The actuarially defined contribution was fully funded, along with an additional \$98.2 million to reduce the unfunded liability. The actuarially defined contribution for the Teachers' Retirement System was funded at 95%.

In spite of the additional funding provided in fiscal year 2017, the status of the pension plans has continued to deteriorate. To address this crisis, the Commonwealth began consideration of additional pension reforms. Consultants began their work on a Pension Performance and Best Practices Analysis.

In an effort to control costs in fiscal year 2017, the Commonwealth continued the implementation of managed care in the Medicaid program. The dramatic increases in Medicaid costs required significant fiscal year spending reductions in other areas of government. To further address the 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 the recently expanded Medicaid population, that is, those with income between 100% and 138% of the federal defined poverty level. The Commonwealth also initiated negotiations to achieve savings in the financial arrangements with managed care service providers.

Other policy initiatives initiated during the last six months of fiscal year 2017 included reduced spending in many areas of government, implementation of \$100 million workforce development grants for capital projects, increased funding for student education assistance, the “Cut the Red Tape” regulatory reform initiative, passing legislation to implement the recommendations of the Kentucky Council on Criminal Justice Reform, passing legislation that clarifies the rules for the Commonwealth to enter into financial arrangements with private businesses (Public Private Partnerships), and establishing 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 2017 were about \$772 million from all fund sources, down from \$825 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 routine 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, 2016. 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 blue ink that reads "William M. Landrum III". The signature is written in a cursive style with a long horizontal line extending from the end.

William M. Landrum III, Secretary
Finance and Administration Cabinet



MATTHEW G. BEVIN
Governor

Commonwealth of Kentucky
FINANCE AND ADMINISTRATION CABINET
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WILLIAM M. LANDRUM III
Secretary

EDGAR C. ROSS
Controller

December 13, 2017

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, 2017, 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, 2016

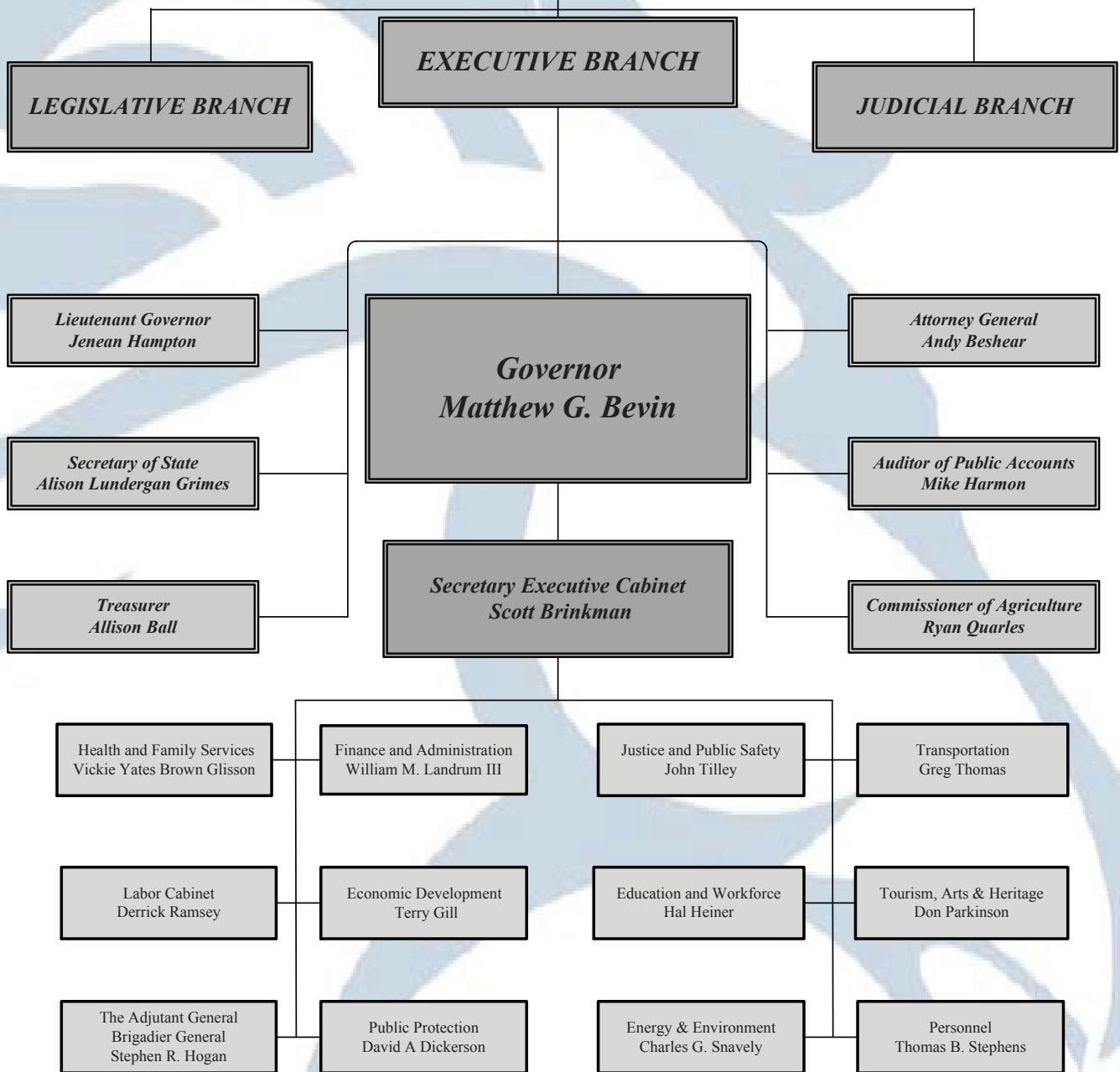
A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is written in a cursive, flowing style.

Executive Director/CEO

COMMONWEALTH OF KENTUCKY

ELECTORATE OF KENTUCKY

"UNITED WE STAND, DIVIDED WE FALL"



*Principal Officials at June 30, 2017

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, 2017, 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
- Debt Service Fund - Kentucky Wired Infrastructure Company, Inc.
- 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 Coal Workers' Pneumoconiosis Fund
 - Kentucky Workers' Compensation Fund
 - Petroleum Storage Tank Environmental Assurance Program

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

- 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
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Certain Fiduciary Funds including:

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

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

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

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	1.57%	0.08%
Primary Government - Business-Type Activities	26.12%	4.90%
Component Units	90.88%	88.77%
 Fund Financial Statements:		
Governmental Funds - Non-Major Funds	41.10%	2.07%
Proprietary Funds - Business-Type Activities - Enterprise Funds	25.92%	4.90%
Proprietary Funds - Governmental Activities - Internal Service Funds	0.11%	1.50%
Fiduciary Funds - Pension and Insurance Trust Funds	100%	100%
Component Units	90.88%	88.77%

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
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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, 2017, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

An audit report of the financial statements for Kentucky State University has not been released as of the date of this report, and therefore, amounts presented are unaudited. Kentucky State University's financial activities have been included in the basic financial statements as discretely presented component units and represent .684 percent of assets and .863 percent of revenues, of the Commonwealth's aggregate discretely presented component units.

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 141 through 157, and information about infrastructure assets reported using the modified approach on pages 158 through 161, claims development information for entity risk pools on pages 162 and 163, Schedule of Contributions - Pension on page 164 through 172, Schedule of Changes in Net Pension Liability and Related Ratios on page 174 and 175, and the Schedule of Commonwealth's Proportionate Share of the Net Pension Liability on page 176 and 177, 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 181 through 235 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

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Other Information

The Introductory and Statistical sections presented in this report on pages 2 through 10 and pages 237 through 259 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,

A handwritten signature in dark ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

December 13, 2017

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, 2017. 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, 2017, by \$16.5 billion, a decrease in net position of \$1.5 billion related to current year activity. Assets of the Commonwealth's business-type activities exceeded liabilities by \$749.6 million, an increase in net position of \$277.1 million related to current year activity. Total net position decreased by \$1.2 billion to (\$15.8) billion.

The assets of component units exceeded liabilities at fiscal year ending June 30, 2017, by \$9.2 billion, an increase of \$664 million related to current year activity.

This negative net position of the governmental activities occurred when the Commonwealth adopted Governmental Accounting Standards Board (GASB) Statement No. 68 and No. 71 (GASB 68 and 71), Accounting and Financial Reporting for Pensions the provisions of which require the Commonwealth, as a participating employer in the Kentucky Employees Retirement System, the State Police Retirement System, the Teachers Retirement System, the Judicial Retirement Plan and the Legislators' Retirement Plan (the Plans), to reflect in the Statement of Net Position its proportionate share of the net pension liability of the Plans. The adoption of this pronouncement resulted in a decrease of \$24.6 billion in the Commonwealth's beginning net position on the 2015 Financial Statements. The pension systems will continue to be under funded over the next several years until the Commonwealth's current and future plans to better fund these systems gradually reduce this liability.

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 FY 17, the Commonwealth's governmental funds reported combined ending fund balances of \$2.1 billion, a net decrease of \$233 million in comparison with the prior year. Approximately 90.99 percent or \$1.9 billion of the ending fund balance is restricted. There is unrestricted (committed, assigned, or unassigned) fund balance of \$91.2 million available for spending either at the government's discretion or upon legislative approval.

Enterprise funds reported net position of \$749.6 million, of which \$850 million was restricted or invested in capital assets and the balance of (\$100.4) million was unrestricted.

Long-Term Debt:

The Commonwealth's total long-term debt obligations (bonds and notes payable) decreased by \$153 million to \$7.76 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	Balance Sheet	Statement of Fund Net Position	Statements of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	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 (\$15.8) billion at the end of FY 17, as compared to (\$14.6) billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$23 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 \$1.5 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position. The unrestricted net position, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is (\$40.2) billion; therefore, funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net position when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities-shown in Note 15 to the financial statements) on the statement of net position.

Table 2 below presents the Commonwealth's condensed statement of net position as of June 30, 2017 and June 30, 2016, 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	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 5,642,245	\$ 5,648,975	\$ 2,065,498	\$ 1,953,429	\$ 7,707,743	\$ 7,602,404
Capital Assets	24,664,221	24,172,064	297,831	305,311	24,962,052	24,477,375
Other Assets	377	383			377	383
Total Assets	30,306,843	29,821,422	2,363,329	2,258,740	32,670,172	32,080,162
Deferred outflows of resources	7,679,502	2,927,000	51,293	33,289	7,730,795	2,960,289
Non Current Liabilities	49,961,437	42,905,383	1,241,503	1,286,855	51,202,940	44,192,238
Other Liabilities	3,940,411	3,666,272	419,765	531,769	4,360,176	4,198,041
Total Liabilities	53,901,848	46,571,655	1,661,268	1,818,624	55,563,116	48,390,279
Deferred inflows of resources	598,768	1,240,506	3,757	898	602,525	1,241,404
Net investment in capital assets	22,688,638	21,955,878	287,610	293,958	22,976,248	22,249,836
Restricted	954,449	847,543	562,392	369,431	1,516,841	1,216,974
Unrestricted	(40,157,358)	(37,867,160)	(100,405)	(190,882)	(40,257,763)	(38,058,042)
Total Net Position	\$ (16,514,271)	\$ (15,063,739)	\$ 749,597	\$ 472,507	\$ (15,764,674)	\$ (14,591,232)

Changes in Net Position

The revenues and expenses information, as shown in Table 3, was derived from the government-wide Statement of Activities and reflects how the Commonwealth's net position changed during FY 17. The Commonwealth received program revenues of \$14.9 billion and general revenues (including transfers) of \$12.3 billion for total revenues of \$27.2 billion during FY 17. Expenses for the Commonwealth during FY 17 were \$28.4 billion, which resulted in a total decrease of the Commonwealth's net position in the amount of \$1.2 billion, net of contributions, transfers and special items.

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

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

	2017 Governmental Activities	2016 Governmental Activities	2017 Business-Type Activities	2016 Business-Type Activities	2017 Total	2016 Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,553,090	\$ 1,620,640	\$ 2,495,138	\$ 2,533,236	\$ 4,048,228	\$ 4,153,876
Operating Grants and Contributions	9,956,021	9,956,639	5,578	954	9,961,599	9,957,593
Capital Grants and Contributions	837,491	872,127			837,491	872,127
General Revenues:						
Income Taxes	4,863,684	4,801,048			4,863,684	4,801,048
Sales Taxes	5,905,042	5,787,853			5,905,042	5,787,853
Property Taxes	596,752	584,823			596,752	584,823
Other Taxes	423,460	441,538			423,460	441,538
Investment Earnings		1,650	(1,329)	29,381	(1,329)	31,031
Other	542,066	421,157	11,609	5,176	553,675	426,333
Total Revenues	24,677,606	24,487,475	2,510,996	2,568,747	27,188,602	27,056,222
Expenses:						
Governmental Activities:						
General Government	2,771,326	4,544,453			2,771,326	4,544,453
Legislative and Judicial	489,343	446,233			489,343	446,233
Commerce	299,840	122,430			299,840	122,430
Education and Humanities	7,328,124	4,970,560			7,328,124	4,970,560
Human Resources	11,988,867	12,088,721			11,988,867	12,088,721
Justice	1,216,143	1,006,195			1,216,143	1,006,195
Natural Resources and Environmental Protection	191,666	190,919			191,666	190,919
Public Protection and Regulation	150,344	97,921			150,344	97,921
Transportation	1,674,300	1,602,621			1,674,300	1,602,621
Interest Expense	210,456	372,787			210,456	372,787
Business-type Activities:						
State Parks			124,685	113,679	124,685	113,679
Kentucky Horse Park			21,143	21,049	21,143	21,049
Kentucky Public Employees Health Plan			1,510,884	1,498,925	1,510,884	1,498,925
Insurance Administration			39,370	189,476	39,370	189,476
Unemployment Compensation			345,909	343,857	345,909	343,857
Total Expenses	26,320,409	25,442,840	2,041,991	2,166,986	28,362,400	27,609,826
Increase (Decrease) in Net Position Before Transfers	(1,642,803)	(955,365)	469,005	401,761	(1,173,798)	(553,604)
Transfers	192,425	41,497	(192,425)	(41,497)		
Change in Net Position	(1,450,378)	(913,868)	276,580	360,264	(1,173,798)	(553,604)
Net Position, July 1, as restated	(15,063,893)	(14,149,871)	473,017	112,243	(14,590,876)	(14,037,628)
Net Position, June 30	\$ (16,514,271)	\$ (15,063,739)	\$ 749,597	\$ 472,507	\$ (15,764,674)	\$ (14,591,232)

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 \$1.45 billion or 9.6 percent. Approximately 47.8 percent of the governmental activities' total revenue came from taxes, while 43.7 percent resulted from grants and contributions (including federal aid). Table 4 below presents program expenses and revenues for governmental activities. Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

Table 4: Governmental Activities (Expressed in Thousands)

State Programs	Program Expenses	Program Revenues	Net Program (Expenses) Revenue
General Government	\$ 2,771,326	\$ 972,705	\$ (1,798,621)
Legislative and Judicial	489,343	31,815	(457,528)
Commerce	299,840	77,619	(222,221)
Education and Humanities	7,328,124	1,093,317	(6,234,807)
Human Resources	11,988,867	8,798,609	(3,190,258)
Justice	1,216,143	64,882	(1,151,261)
Natural Resources and Environmental Protection	191,666	106,289	(85,377)
Public Protection and Regulation	150,344	97,441	(52,903)
Transportation	1,674,300	1,103,925	(570,375)
Interest Expense	210,456		(210,456)
Totals	\$ 26,320,409	\$ 12,346,602	\$ (13,973,807)

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 \$276.6 million. Program revenues generated by the operations of the State Parks and the Kentucky Horse Park were not sufficient to cover program expenses. General revenues were needed to support expenses of these programs. Program revenues generated by the operations of the Kentucky Public Employees Health Plan, Insurance Administration and Unemployment Compensation were sufficient to cover program expenses.

Table 5: Business Type Activities (Expressed in Thousands)

State Programs	Program Expenses	Program Revenues	Net Program (Expenses) Revenue
State Parks	\$ 124,685	\$ 52,526	\$ (72,159)
Kentucky Horse Park	21,143	12,416	(8,727)
Kentucky Public Employees Health Plan	1,510,884	1,759,562	248,678
Insurance Administration	39,370	125,299	85,929
Unemployment Compensation	345,909	550,913	205,004
Totals	\$ 2,041,991	\$ 2,500,716	\$ 458,725

Discretely Presented Component Units:

During the fiscal year the Commonwealth of Kentucky added a new non-major discretely presented component unit. The Louisville Arena Authority, Incorporated (LAA) was created in 2005 and oversees the financial process of the KFC YUM! Center. The LAA guided the development, financing and construction process of the \$238 million arena. The LAA was determined to be a component unit of the Commonwealth because of two factors:

- Control – The Governor appoints the majority of the Board of Directors.
- Financial Burden- The LAA has received a tax abatement (TIF) from the Commonwealth.

Overall Analysis

Financial highlights for the State as a whole during fiscal year ended June 30, 2017, include the following:

- The liabilities of the State's governmental activities now exceed assets (net position) at the close of the fiscal year. Liabilities exceeded assets by \$16.5 billion and the State's business-type activities now have assets that exceed liabilities (net position) by \$750 million.
- The State's total net position decreased during the year by \$1.17 million. Net position of governmental activities decreased by \$1.45 billion, while net position of business-type activities increased by \$276.6.
- The net position of the governmental activities continues to be a negative because of the implementation of GASB 68 and 71 and the subsequent restatement of the fiscal year 2015 financial statements.

FINANCIAL ANALYSIS OF THE COMMONWEALTH'S INDIVIDUAL FUNDS

At June 30, 2017, the Commonwealth's governmental funds reported combined ending fund balances of \$2.1 billion, a net decrease of \$232.6 million in comparison with the prior year. \$97 million is non-spendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The \$1.9 billion is restricted for certain purposes and is not available to fund current operations. The \$91.2 million is considered unrestricted (committed, assigned, or unassigned). When the unrestricted balance is positive it is available for spending either at the government's discretion or upon legislative approval.

General Fund

The General Fund is the primary operating fund of the Commonwealth. The fund balance at June 30, 2017, was \$6.2 million. The balance reported reflects a decrease of \$349 million from the previously reported amount, which represents an decrease of 98.3%. The major factor for the decrease in fund balance is an increase in expenditures of \$880 million or 9.2%.

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 \$6.2 million represents the non-spendable amount. The unrestricted had a balance of \$55 thousand, therefore is available for spending at the government's discretion or upon legislative approval.

Major Special Revenue Funds

The major special revenue funds experienced normal cyclical changes in revenues and expenditures. The revenues increased by \$120.2 million from the previous year, a change of less than 1 percent. Expenditures increased by \$247.5 million from the previous year, a change of 1.8 per cent. The Transportation Fund experienced a slight increase in revenues and a small decrease in expenditures, resulting in an increase in fund balance of \$76.5 million.

Proprietary Funds - The Commonwealth's proprietary funds reported net position of \$624 million, which included \$749.6 million in the enterprise funds and (\$125.6) million in the internal service funds. This is a total increase in net position of \$257.2 million from the previous year. This change in net position involved mainly from one fund, the Unemployment Compensation Fund which had an increase of \$193 million for the 2017 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, as the national and state economy began to improve, the official revenue forecast for the General Fund was increased. The General Fund revenues, for the year, were more than the final budgetary estimates by approximately \$51 million. Actual expenditures for the year were approximately \$361.9 million less than the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$26.4 billion, with accumulated depreciation of \$1.5 billion, leaving a net book value of \$24.9 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 1.9 percent in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$745.3 million for the year. Most of this amount was used to construct or reconstruction roads and bridges. Depreciation charges for the year totaled \$110.3 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 63,753 lane miles of roads and approximately 8,928 bridges that the Commonwealth has responsibility for maintaining.

- There have been no significant changes in the condition level of infrastructure assets.
- The asset condition level established by the Commonwealth has approximately been met and exceeded for the past eight years.

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 \$64.7 million to \$6.6 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 2017. No general obligation bonds were authorized or outstanding at June 30, 2017. Additional information on the Commonwealth's long-term debt obligations can be found in Note 15 of the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

While FY 16 was a very favorable year for the Kentucky economy, and many forward-looking indicators are positive, there is increasing uncertainty about the state's outlook reflective of conditions nationally. Multiple entities have revised their GDP forecasts downward throughout the fourth quarter, partially due to discouraging news from abroad. Kentucky is not immune to external shocks, and the Kentucky Cabinet for Economic Development has recently expressed concerns about export growth due to the headwinds from a stronger dollar and weaker trading partners. Kentucky currently ranks in the top ten among US states for growth of international exports; exports grew 1.2 percent in the third quarter despite declining US export growth overall. The United Kingdom has traditionally been the Commonwealth's second-largest destination for exports, so the recent weakening of the pound due to Brexit could have negative implications for Kentucky's manufacturing sector. This event happened after the forecast for this report was generated, and its implications have not yet been incorporated.

Slower international economic growth, however, is helping keep downward pressure on the prices for gasoline, construction supplies, and interest rates. One of the brightest spots in the outlook is the housing and construction sector. The most recent Burgundy Book produced by the Louisville office of the St. Louis Federal Reserve noted that office construction has been remarkably higher than last year and that there was evidence of increases in speculative multi-family building. The latest Census data indicate that new permits to build single-family housing units in Kentucky are up almost 12 percent from the same quarter last year, indicating an increased expectation of building in the coming months. Accordingly, the GOEA MAK model projects that construction employment growth will be 3.3 percent over the first three quarters of FY 17, stronger than employment growth overall.

A majority of businesses surveyed by the Federal Reserve report that they expect to raise wages for at least some positions at a higher rate than in previous years. Indeed, the latest data indicate that Kentuckians' wages and salaries will grow at a rate above five percent in the first two quarters of FY 17, and that Kentuckians' personal incomes will grow at or just above the US average. Should it hold, this rate of growth would be the envy of several states. The latest leading index for the 50 states as published by the Philadelphia Federal Reserve indicates that Kentucky's economy will be among the highest in growth over the next two quarters.

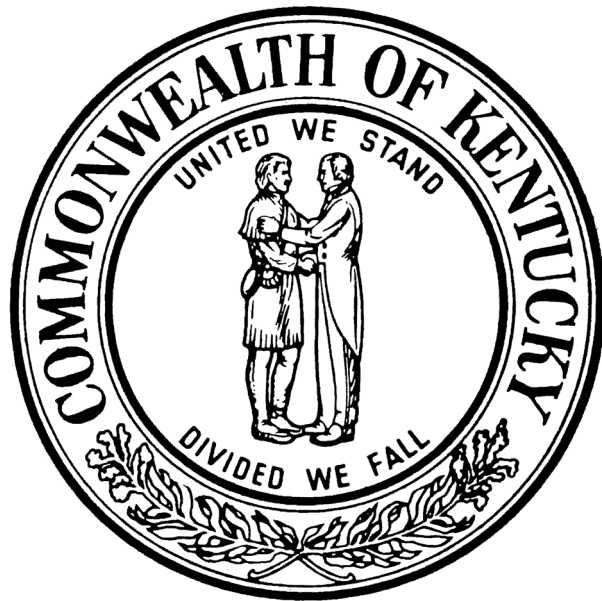
One enduring reason for Kentucky's growth in recent years is its automobile and transportation parts manufacturing sectors benefiting from record national demand for automobiles and transportation equipment. A recent study by Toyota found that its payroll alone now accounts for 1.6 percent of total employee compensation in Kentucky. The latest data from the Bureau of Labor Statistics show that employment growth in durable goods transportation equipment is up 7.1 percent year-over-year. Motor vehicle manufacturing employment is up 9.3 percent. With the announced expansions and additions of major automobile manufacturers in the Commonwealth last year additional jobs in these sectors are expected into FY 17. While the latest data for the quarter from the US Census suggest the growth of US new orders for transportation equipment, motor vehicles, and parts are decelerating, new orders are still up significantly from the same period in FY 15 and suggest further growth in employment in these areas. The deceleration in the growth of new orders, however, warrants some concern and revisions will be monitored closely, especially in light of the fact that many auto parts are exported to the UK and the Eurozone.

One reason for the boom in automobile and automotive parts manufacturing is low gasoline prices. This encourages greater miles driven. The Federal Highway Administration's latest report in this quarter indicates cumulative travel on US roads is up 3.7 percent year-over-year. This bodes well for the state's travel and tourism industry and should continue, since energy prices and unemployment are widely forecast to remain low. But the low energy prices continue to be a drag on mining output and related employment, adversely affecting several counties. However, the Kentucky MAK model's forecast, based on Global Insight's national forecast, suggests that mining and natural resources employment may have hit its bottom and can expect some relief as energy prices pick up later in FY 17.

As a whole, the forecast is positive and suggests Kentuckians can be optimistic about employment prospects and income growth. However, this depends upon how the US economy weathers the coming months. This in turn will have a great bearing on whether the Kentucky Outlook holds up.

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, 2017
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents (Note 5)	\$ 834,707	\$ 591,577	\$ 1,426,284	\$ 1,533,348
Cash on deposit with the federal Government (Note 5)		399,606	399,606	
Cash with fiscal agents (Note 5)	15,576		15,576	
Restricted cash (Note 5)	6,810		6,810	
Restricted investments (Note 5)				5,373
Investments, net of amortization (Note 5)	1,524,711	497,642	2,022,353	1,745,558
Invested security collateral (Note 5)	690,153	221,768	911,921	
Receivables, net (Note 4)	2,355,584	280,971	2,636,555	3,562,285
Notes receivable	4,864	132	4,996	
Capital lease receivable (Note 4)	175,450		175,450	
Internal balances (Note 7)	(51,721)	51,721		
Inventories	79,378	19,501	98,879	49,813
Prepaid expenses	4,615	2,580	7,195	31,846
Unamortized cost of issuance	2,118		2,118	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (Note 5)				918,487
Investments (Note 5)				1,998,585
Capital assets (Note 6):				
Land	241,921	24,077	265,998	421,822
Improvements other than buildings	30,475	154,164	184,639	627,828
Buildings	1,524,738	352,047	1,876,785	8,474,995
Machinery and equipment	689,562	23,264	712,826	1,505,966
Other capital assets				877,157
Easements and other intangibles	194,208	2,322	196,530	66,501
Less: Accumulated depreciation and amortization	(1,180,577)	(272,107)	(1,452,684)	(5,194,610)
Construction in progress	2,835,265	14,064	2,849,329	822,725
Infrastructure	20,328,629		20,328,629	1,085,567
Total Capital Assets	24,664,221	297,831	24,962,052	8,687,951
Other assets	377		377	441,785
Total Assets	30,306,843	2,363,329	32,670,172	18,975,031
Deferred outflows of resources (Note 15)	7,679,502	51,293	7,730,795	571,460
Liabilities				
Accounts payable (Note 4)	1,871,214	29,361	1,900,575	619,928
Tax refunds payable	390,671		390,671	
Unearned revenue	2,269	1,366	3,635	193,313
Other liabilities				136,290
Liabilities from restricted assets				9,649
Obligations under securities lending	690,153	221,768	911,921	
Noncurrent liabilities:				
Due within one year (Note 15)	986,104	167,270	1,153,374	322,688
Due in more than one year (Note 15)	49,961,437	1,241,503	51,202,940	8,352,705
Total Liabilities	53,901,848	1,661,268	55,563,116	9,634,573
Deferred inflows of resources (Note 15)	598,768	3,757	602,525	701,196
Net Position				
Net investment in capital assets	22,688,638	287,610	22,976,248	4,949,019
Restricted for:				
Debt service	140,670		140,670	349,899
Capital projects	307,284		307,284	446,448
Highways	506,495		506,495	
Unemployment benefits		562,392	562,392	
Other purposes (Note 1)				3,695,432
Unrestricted	(40,157,358)	(100,405)	(40,257,763)	(230,076)
Total Net Position	\$ (16,514,271)	\$ 749,597	\$ (15,764,674)	\$ 9,210,722

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, 2017
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 2,771,326	\$ 805,329	\$ 155,048	\$ 12,328
Legislative and judicial	489,343	28,079	3,736	
Commerce	299,840	52,894	24,691	34
Education and humanities	7,328,124	58,831	1,034,208	278
Human resources	11,988,867	166,820	8,625,642	6,147
Justice	1,216,143	26,185	38,697	
Natural resources and environmental protection	191,666	38,673	67,616	
Public protection and regulation	150,344	92,734	4,707	
Transportation	1,674,300	283,545	1,676	818,704
Interest expense	210,456			
Total Governmental Activities	26,320,409	1,553,090	9,956,021	837,491
Business-Type Activities:				
State Parks	124,685	52,526		
Kentucky Horse Park	21,143	12,416		
Kentucky Public Employees Health Plan	1,510,884	1,759,562		
Insurance Administration	39,370	125,299		
Unemployment Compensation	345,909	545,335	5,578	
Total Business-Type Activities	2,041,991	2,495,138	5,578	
Total Primary Government	\$ 28,362,400	\$ 4,048,228	\$ 9,961,599	\$ 837,491
Component Units:				
Authorities:				
Kentucky Housing Corporation	\$ 280,377	\$ 80,896	\$ 206,452	\$
Kentucky Higher Education Student Loan Corporation	30,853	25,009		
Kentucky Lottery Corporation	739,621	986,960		
Kentucky Public Transportation Infrastructure Authority	55,663	31,324		47,987
Universities, Colleges, & Related Entities:				
University of Kentucky	3,037,896	2,320,875	408,196	69,398
University of Louisville	1,240,577	856,725	90,158	
Kentucky Community and Technical College System	571,970	98,714	99,855	10,789
Other component units	1,950,006	818,654	423,836	38,298
Total Component Units	\$ 7,906,963	\$ 5,219,157	\$ 1,228,497	\$ 166,472
General Revenues (Note 1):				
Taxes:				
Sales and gross receipt tax				
Individual income tax				
Corporate income tax				
Property tax				
License and privilege tax				
Severance tax				
Inheritance and estate tax				
Miscellaneous taxes				
Unrestricted grants and contributions				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous general				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position at July 1, As Restated (Note 2)				
Net Position at June 30				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Totals	
\$ (1,798,621)	\$	\$ (1,798,621)	
(457,528)		(457,528)	
(222,221)		(222,221)	
(6,234,807)		(6,234,807)	
(3,190,258)		(3,190,258)	
(1,151,261)		(1,151,261)	
(85,377)		(85,377)	
(52,903)		(52,903)	
(570,375)		(570,375)	
(210,456)		(210,456)	
(13,973,807)		(13,973,807)	
	(72,159)	(72,159)	
	(8,727)	(8,727)	
	248,678	248,678	
	85,929	85,929	
	205,004	205,004	
	458,725	458,725	
(13,973,807)	458,725	(13,515,082)	
			\$ 6,971
			(5,844)
			247,339
			23,648
			(239,427)
			(293,694)
			(362,612)
			(669,218)
			(1,292,837)
5,905,042		5,905,042	
4,405,457		4,405,457	
458,227		458,227	
596,752		596,752	
29,310		29,310	
145,487		145,487	
45,827		45,827	
202,836		202,836	
11,449	5,534	16,983	1,338,141
	(1,329)	(1,329)	138,853
8,318		8,318	3,451
522,299	6,075	528,374	476,706
192,425	(192,425)		
12,523,429	(182,145)	12,341,284	1,957,151
(1,450,378)	276,580	(1,173,798)	664,314
(15,063,893)	473,017	(14,590,876)	8,546,408
\$ (16,514,271)	\$ 749,597	\$ (15,764,674)	\$ 9,210,722

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 page 182

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
(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)	\$ 289,301	\$ 31,867	\$ 7	\$ 103,373	\$ 23,160	\$ 2,143	\$ 339,218	\$ 789,069
Cash with fiscal agents (Note 5)						15,576		15,576
Restricted cash (Note 5)			6,810					6,810
Investments, net of amortization (Note 5)	7,603	360,886		476,507	260,506	597	405,561	1,511,660
Invested security collateral	108,328	141,150		206,704	101,718		132,253	690,153
Receivables, net (Note 4)	954,667	139,624	1,047,386	70,225	23,454		119,162	2,354,518
Notes receivable			246	2,401			2,021	4,668
Capital lease receivable (Note 4)						175,450		175,450
Interfund receivables (Note 7)	108,259	724	12,606	120,210	4,855		144,691	391,345
Interfund loans receivable (Note 7)	16,724	880		1,026			12,030	30,660
Inventories	6,219	68,009	98	2,647				76,973
Other assets				58				58
Total Assets	<u>\$ 1,491,101</u>	<u>\$ 743,140</u>	<u>\$ 1,067,153</u>	<u>\$ 983,151</u>	<u>\$ 413,693</u>	<u>\$ 193,766</u>	<u>\$ 1,154,936</u>	<u>\$ 6,046,940</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable (Note 4)	\$ 667,704	\$ 88,899	\$ 932,476	\$ 116,185	\$ 3,671	\$ 2,136	\$ 19,228	\$ 1,830,299
Tax refunds payable	390,671							390,671
Interfund payables (Note 7)	136,955	1,614	27,946	86,903	576		192,738	446,732
Interfund loans payable (Note 7)	3,890		15,150	6,566				25,606
Obligations under securities lending	108,328	141,150		206,704	101,718		132,253	690,153
Unearned revenue							1,958	1,958
Total Liabilities	<u>1,307,548</u>	<u>231,663</u>	<u>975,572</u>	<u>416,358</u>	<u>105,965</u>	<u>2,136</u>	<u>346,177</u>	<u>3,385,419</u>
Deferred inflows of resources								
Unavailable	<u>177,279</u>	<u>4,982</u>	<u>92,248</u>	<u>33,409</u>	<u>444</u>	<u>175,450</u>	<u>87,997</u>	<u>571,809</u>
Fund Balances:								
Nonspendable (Note 1)	6,219	68,009	98	5,106		15,576	2,021	97,029
Restricted for (Note 1)		438,486		491,781	307,284	604	663,323	1,901,478
Committed to (Note 1)				21,646			53,230	74,876
Assigned to (Note 1)	55			14,851			2,188	17,094
Unassigned (Note 1)			(765)					(765)
Total Fund Balances	<u>6,274</u>	<u>506,495</u>	<u>(667)</u>	<u>533,384</u>	<u>307,284</u>	<u>16,180</u>	<u>720,762</u>	<u>2,089,712</u>
Total Liabilities and Fund Balances	<u>\$ 1,491,101</u>	<u>\$ 743,140</u>	<u>\$ 1,067,153</u>	<u>\$ 983,151</u>	<u>\$ 413,693</u>	<u>\$ 193,766</u>	<u>\$ 1,154,936</u>	<u>\$ 6,046,940</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, 2017
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds	\$	2,089,712
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land and other non-depreciable assets	321,137	
Buildings, equipment, and other depreciable assets	1,861,680	
Infrastructure	20,328,629	
Accumulated depreciation	(880,738)	
Construction in progress	<u>2,756,900</u>	24,387,608

Certain revenues are earned but not available, and therefore, are deferred in the funds.		571,809
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		6,938
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Internal service funds are used by management to charge the costs of Fleet Management, Computer Services, Central Printing, Prison Industries, Property Management and Risk Management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		(125,603)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital lease obligations	(30,280)	
Compensated absences	(235,662)	
Pollution remediation obligations	(10,456)	
Judgements and contingencies	(312,560)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	(120,651)	
Net pension obligations and related deferred outflows/inflows	<u>(34,223,922)</u>	(34,933,531)

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	(6,627,298)	
Notes payable	(1,196,130)	
Unamortized premiums and discounts	(504,387)	
Less deferred amounts on refundings	(67,890)	
Accrued interest payable	<u>(115,499)</u>	(8,511,204)

Net Position of Governmental Activities	\$	<u>(16,514,271)</u>
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THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 10,072,827	\$ 1,339,277	\$	\$ 422,122	\$	\$	\$ 53,913	\$ 11,888,139
Licenses, fees, and permits	32,340	148,052	1	199,467			2,538	382,398
Intergovernmental	11,444		10,720,081	41,897	19,023		25	10,792,470
Charges for services	249,034	9,252	1,172	634,509	470	131,090	246,606	1,272,133
Fines and forfeits	31,556	24		7,058			13,700	52,338
Interest and other investment income	896	3,729	1,423	5,663	4,410	442	4,900	21,463
Increase (decrease) in fair value of investments	(634)	(2,492)	(81)	(1,330)	(1,432)	3	(71)	(6,037)
Securities lending income	1,038	1,353		1,982	975		1,268	6,616
Other revenues	56,179	4,057	80,722	349,602	2,781	474	141,019	634,834
Total Revenues	10,454,680	1,503,252	10,803,318	1,660,970	26,227	132,009	463,898	25,044,354
Expenditures								
Current:								
General government	1,638,967		106,951	192,194			403,471	2,341,583
Legislative and judicial	415,170		3,649	23,827				442,646
Commerce	38,808		20,543	50,853			876	111,080
Education and humanities	4,922,871		955,997	61,432			76,231	6,016,531
Human resources	2,534,094		8,679,651	989,178			24,492	12,227,415
Justice	813,096		37,043	116,385			1,266	967,790
Natural resources and environmental protection	68,330		64,871	45,267			3,421	181,889
Public protection and regulation	18,693		4,387	81,250			1,885	106,215
Transportation	13,670	1,255,671	742,237	171,057			157,141	2,339,776
Debt service:								
Principal retirement						437,928	173,138	611,066
Interest and fiscal charges						238,775	91,856	330,631
Other expenditures						513	6,159	6,672
Securities lending	752	980		1,436	706		918	4,792
Capital outlay:								
Buildings					353,165			353,165
Total Expenditures	10,464,451	1,256,651	10,615,329	1,732,879	353,871	677,216	940,854	26,041,251
Excess (Deficiency) of Revenues over (under) Expenditures	(9,771)	246,601	187,989	(71,909)	(327,644)	(545,207)	(476,956)	(996,897)
Other Financing Sources (Uses)								
Transfers in	338,154	3,552	44	399,257	47,723	543,907	787,739	2,120,376
Transfers out	(677,847)	(173,769)	(91,495)	(434,495)	(10,920)		(524,081)	(1,912,607)
Capitalized leases	479	68	409	905				1,861
Issuance of bonds:								
New issues					287,950		225,595	513,545
Refunding issues							56,689	56,689
Premiums					28,496	474	7,108	36,078
Discounts							(1,161)	(1,161)
Payments to refunded bond escrow agent							(50,494)	(50,494)
Total Other Financing Sources (Uses)	(339,214)	(170,149)	(91,042)	(34,333)	353,249	544,381	501,395	764,287
Net Change in Fund Balances	(348,985)	76,452	96,947	(106,242)	25,605	(826)	24,439	(232,610)
Fund Balances at July 1, As Restated	354,508	429,191	(97,507)	639,979	281,679	17,006	696,344	2,321,200
Increase (decrease) in inventories	751	852	(107)	(353)			(21)	1,122
Fund Balances at June 30	\$ 6,274	\$ 506,495	\$ (667)	\$ 533,384	\$ 307,284	\$ 16,180	\$ 720,762	\$ 2,089,712

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, 2017
(Expressed in Thousands)**

Net Change in Fund Balances-Total Governmental Funds	\$	(232,610)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Assets disposed of, net book value	(56,554)	
Donated assets, fair market value	3,742	
Buildings, equipment, and other depreciable assets	38,610	
Infrastructure	587,468	
Accumulated depreciation	<u>(75,653)</u>	497,613

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

26,834

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	4,615	
Inventories	<u>1,121</u>	5,736

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.

(19,908)

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	(8,871)	
Pollution remediation payments	3,413	
Litigation payments	5,558	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	4,830	
Excess contributions to pension funds	<u>(1,868,986)</u>	(1,857,250)

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	(605,151)	
Repayment of bond principal	626,668	
Payment to refunded bond escrow agent	50,494	
Accrued interest	57,603	
Unamortized issue costs	<u>(407)</u>	129,207

Change in Net Position of Governmental Activities	\$	<u>(1,450,378)</u>
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THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

Enterprise Funds (All Major)

State Parks Fund

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

Kentucky Horse Park Fund

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

Insurance Administration Fund

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

- Workers' Compensation Fund* provides benefits for workers with illnesses, which are not attributable to one employer.
- Coal Workers' Pneumoconiosis* provides benefits for workers with pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal.
- Petroleum Storage Tank Environmental Assurance Program* provides for the cleanup of leaking underground storage tanks in amounts that exceed the insurance required of the owners and operators.
- Mine Subsidence Insurance Program* provides coverage against losses arising out of or due to mine subsidence within the Commonwealth.
- 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 page192

COMMONWEALTH OF KENTUCKY
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017
(Expressed in Thousands)

	Business-Type Activities-		
	State Parks	Kentucky Horse Park	Insurance Administration
Assets			
Current assets:			
Cash and cash equivalents (Note 5)	\$ 1,552	\$ 607	\$ 106,645
Cash on deposit with the federal government (Note 5)			
Invested security collateral (Note 5)			221,768
Receivables, net (Note 4)	1,368	1,109	154
Interfunds receivable (Note 7)	74		3
Inventories	1,565	217	17,719
Prepaid expenses	52		2,234
Total Current Assets	4,611	1,933	348,523
Noncurrent assets:			
Investments, net of amortization (Note 5)	6,787	232	339,720
Receivables, net		132	
Capital assets (Note 6):			
Land	19,624	4,453	
Improvements other than buildings	117,832	36,332	
Buildings	248,223	103,824	
Machinery and equipment	14,984	5,876	2,404
Easements and other intangibles	2,322		
Less: Accumulated depreciation and amortization	(225,204)	(45,512)	(1,391)
Construction in progress	11,748		2,316
Total Capital Assets	189,529	104,973	3,329
Other assets			
Total Noncurrent Assets	196,316	105,337	343,049
Total Assets	200,927	107,270	691,572
Deferred outflows of resources (Note 15)	28,703	3,939	15,593
Liabilities			
Current liabilities:			
Accounts payable (Note 4)	4,515	1,377	1,815
Judgments payable (Note 15)	5		
Interfunds payable (Note 7)	2,633	72	16,115
Claims liability (Note 15)			74,151
Claims adjustment liability (Note 15)			5,351
Capital lease obligations (Note 10) (Note 15)	783	391	
Compensated absences (Note 15)	4,703	508	1,123
Unearned revenue	1,366		
Obligations under securities lending			221,768
Total Current Liabilities	14,005	2,348	320,323
Noncurrent liabilities:			
Claims liability (Note 15)			845,004
Claims adjustment liability (Note 15)			53,506
Capital lease obligations (Note 10) (Note 15)	7,607	1,438	
Compensated absences (Note 15)	964	27	356
Net pension liability (Note 8) (Note 15)	171,614	21,545	96,880
Other liabilities (Note 15)			
Total Noncurrent Liabilities	180,185	23,010	995,746
Total Liabilities	194,190	25,358	1,316,069
Deferred inflows of resources (Note 15)	174	389	2,383
Net Position			
Net investment in capital assets	181,138	103,144	3,328
Restricted for:			
Unemployment benefits			
Unrestricted	(145,872)	(17,682)	(614,615)
Total Net Position	\$ 35,266	\$ 85,462	\$ (611,287)

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, 2017	Activities- Internal Service Funds
\$ 475,093	\$ 7,680	\$ 591,577	\$ 45,638
	399,606	399,606	
		221,768	
87,905	190,435	280,971	1,066
70,464		70,541	5,558
		19,501	2,407
294		2,580	
633,756	597,721	1,586,544	54,669
150,903		497,642	13,051
		132	138
		24,077	17,752
		154,164	3,133
		352,047	338,435
		23,264	137,142
		2,322	1,675
		(272,107)	(299,838)
		14,064	78,365
		297,831	276,664
150,903		795,605	289,853
784,659	597,721	2,382,149	344,522
3,058		51,293	36,652
12,818	8,836	29,361	9,080
		5	
		18,820	6,946
80,038		154,189	23,879
		5,351	788
		1,174	5,781
217		6,551	4,177
		1,366	143
		221,768	
93,073	8,836	438,585	50,794
		845,004	188,097
		53,506	4,614
		9,045	10,243
68		1,415	1,861
16,001		306,040	243,756
	26,493	26,493	
16,069	26,493	1,241,503	448,571
109,142	35,329	1,680,088	499,365
811		3,757	7,412
		287,610	260,639
	562,392	562,392	
677,764		(100,405)	(386,242)
\$ 677,764	\$ 562,392	\$ 749,597	\$ (125,603)

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(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	\$ 52,526	\$	\$
Horse park admissions and sales		12,416	
Insurance receipts			125,299
Unemployment insurance receipts			
Internal service fund receipts			
Other services	2,183	1,200	2,657
Total Operating Revenues	<u>54,709</u>	<u>13,616</u>	<u>127,956</u>
Operating Expenses:			
Personal services	67,811	9,679	30,402
Utilities, rental, and other services	18,659	3,614	2,991
Commodities and supplies	24,449	3,560	2,114
Grants and subsidies	203	4	(67)
Depreciation and amortization	11,767	4,160	253
Travel	269	14	393
Reinsurance expense			
Claims expense	247	49	109,855
Claims adjustment expense			(114,952)
Other expenses	667		8
Total Operating Expenses	<u>124,072</u>	<u>21,080</u>	<u>30,997</u>
Operating Income (Loss)	<u>(69,363)</u>	<u>(7,464)</u>	<u>96,959</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	35	37	10
Interest and other investment income			9,435
Securities lending income			687
Increase (decrease) in fair value of investments			(16,611)
Interest expense	(613)	(63)	(35)
Other revenues (expenses)			(8,348)
Total Nonoperating Revenues (Expenses)	<u>(578)</u>	<u>(26)</u>	<u>(14,862)</u>
Income (Loss) before Capital Contributions and Transfers	(69,941)	(7,490)	82,097
Capital contributions		5,534	
Transfers in	36,924	2,986	1,640
Transfers out	(377)		(34,055)
Change in Net Position	<u>(33,394)</u>	<u>1,030</u>	<u>49,682</u>
Net Position at July 1, As Restated	68,660	84,432	(660,969)
Net Position at June 30	<u>\$ 35,266</u>	<u>\$ 85,462</u>	<u>\$ (611,287)</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, 2017	Activities- Internal Service Funds
\$	\$	\$	\$
		52,526	
		12,416	
1,674,932		1,800,231	
	545,335	545,335	
			236,639
84,630		90,670	18,544
1,759,562	545,335	2,501,178	255,183
8,475	1	116,368	103,320
1,754	54	27,072	53,699
3,282	25,508	58,913	45,671
	320,346	320,486	758
		16,180	18,440
6		682	125
			1,032
1,421,852		1,532,003	36,025
75,515		(39,437)	46
		675	
1,510,884	345,909	2,032,942	259,116
248,678	199,426	468,236	(3,933)
		82	(568)
5,073	5,578	20,086	(14)
		687	
		(16,611)	
		(711)	(655)
50		(8,298)	77
5,123	5,578	(4,765)	(1,160)
253,801	205,004	463,471	(5,093)
		5,534	51
(187,500)	(12,043)	41,550	2,666
66,301	192,961	(233,975)	(17,532)
		276,580	(19,908)
611,463	369,431	473,017	(105,695)
\$ 677,764	\$ 562,392	\$ 749,597	\$ (125,603)

COMMONWEALTH OF KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Business-Type Activities -		
	State Parks	Kentucky Horse Park	Insurance Administration
Cash Flows from Operating Activities			
Cash received from customers - public	\$ 53,430	\$ 11,988	\$ 122,649
Cash received from customers - state	792	79	2,226
Cash payments to suppliers for goods and services	(42,328)	(7,067)	(5,733)
Cash payments for employee salaries and benefits	(55,747)	(8,253)	(15,652)
Cash payments for claims expense	(247)	(49)	(82,834)
Cash payments from other sources	2,183	1,201	1,905
Cash payments to other sources	(667)		
Net Cash Provided (Used) by Operating Activities	<u>(42,584)</u>	<u>(2,101)</u>	<u>22,561</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	36,924	2,986	1,640
Transfers to other funds	(377)		(34,055)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>36,547</u>	<u>2,986</u>	<u>(32,415)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(11,793)	(583)	(486)
Principal paid on revenue bond maturities and equipment contracts	(763)	(388)	
Interest paid on revenue bonds and equipment contracts	(613)	(63)	
Proceeds from the sale of capital assets	35	37	33
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(13,134)</u>	<u>(997)</u>	<u>(453)</u>
Cash Flows from Investing Activities			
Purchase of investment securities		285	(150,904)
Proceeds from the sale of investment securities	18,139		164,732
Interest and dividends on investments			10,139
Net Cash Provided (Used) in Investing Activities	<u>18,139</u>	<u>285</u>	<u>23,967</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,032)	173	13,660
Cash and Cash Equivalents at July 1	2,584	434	92,985
Cash and Cash Equivalents at June 30	<u>\$ 1,552</u>	<u>\$ 607</u>	<u>\$ 106,645</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (69,363)	\$ (7,464)	\$ 96,959
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	11,767	4,160	253
Miscellaneous nonoperating income (expense)			(8,348)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	973	(348)	1,952
Interfund receivables	123	8	292
Inventories	(174)	120	
Prepaid expenses	18		
Other assets		(10)	
(Increase) decrease in deferred outflows	(11,099)	(1,948)	(4,533)
Increase (decrease) in liabilities:			
Accounts payable	(305)	(23)	139
Interfund payables	1,456	15	15,540
Claims liability			(87,495)
Claims adjustment liability			(734)
Compensated absences	216	(18)	34
Unearned revenue	601		
Pension liability	23,039	3,707	10,677
Other liabilities	(10)		(2,175)
Increase (decrease) in deferred inflows	174	(300)	
Net Cash Provided (Used) by Operating Activities	<u>\$ (42,584)</u>	<u>\$ (2,101)</u>	<u>\$ 22,561</u>
Noncash Investing, Capital, and Financing Activities			
Change in fair value of investments	\$	\$	\$ (16,611)
Contributions of capital assets		5,534	
Capital assets acquired through leases	(11)		
Total Noncash Investing, Capital, and Financing Activities	<u>\$ (11)</u>	<u>\$ 5,534</u>	<u>\$ (16,611)</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, 2017	Activities - Internal Service Funds
\$ 186,349	\$ 353,282	\$ 727,698	\$ 36,228
1,481,737		1,484,834	215,770
(14,276)	(26,000)	(95,404)	(106,178)
(4,093)	(2)	(83,747)	(89,413)
(1,536,124)		(1,619,254)	(32,638)
3,600		8,889	222
75,286	(319,427)	(244,808)	(2,102)
192,479	7,853	178,208	21,889
		41,550	2,666
(187,500)	(12,043)	(233,975)	(17,532)
(187,500)	(12,043)	(192,425)	(14,866)
		(12,862)	(13,608)
		(1,151)	(7,849)
		(676)	(656)
		105	148
		(14,584)	(21,965)
		(150,619)	
82,245		265,116	6,433
5,073	5,578	20,790	(14)
87,318	5,578	135,287	6,419
92,297	1,388	106,486	(8,523)
382,796	6,292	485,091	54,161
\$ 475,093	\$ 7,680	\$ 591,577	\$ 45,638
\$ 248,678	\$ 199,426	\$ 468,236	\$ (3,933)
		16,180	18,440
		(8,348)	2,075
(10,366)	24,417	16,628	227
118		541	(3,332)
		(54)	(35)
(78)		(60)	
	(216,471)	(216,481)	
811		(16,769)	(12,655)
(6,623)	25,748	18,936	(10,284)
	(439)	16,572	1,862
(40,348)		(127,843)	3,354
		(734)	46
3		235	(1,567)
		601	(18)
708		38,131	23,198
	(24,828)	(27,013)	
(424)		(550)	4,511
\$ 192,479	\$ 7,853	\$ 178,208	\$ 21,889
\$	\$	\$ (16,611)	\$
		5,534	51
		(11)	(1,021)
\$	\$	\$ (11,088)	\$ (970)

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, 2017
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 5)	\$ 1,486,187	\$ 138,663
Investments, net of amortization (Note 5)		103,793
Pension trust fund investments (Note 5):		
Corporate and government bonds	13,907,077	
Common stocks	17,908,001	
Mortgages	146,736	
Alternatives	1,316,991	
Derivatives	33,028	
Real estate	1,598,989	
Other	2,967,073	
Invested security collateral	575,360	657,259
Receivables, net	674,942	96,524
Prepaid expenses	100	
Capital assets, net	24,361	
Total Assets	<u>40,638,845</u>	<u>996,239</u>
Liabilities		
Investments - accounts payable	363,647	
Accounts payable	21,384	155,529
Amounts held in custody for others		183,181
Obligations under securities lending	575,359	657,529
Total Liabilities	<u>960,390</u>	<u>996,239</u>
Net Position		
Restricted for:		
Pension and other post employment benefits	39,678,455	
Total Net Position	<u>\$ 39,678,455</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, 2017
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds
Additions	
Contributions:	
Employer	\$ 2,739,317
Member	918,310
Non-Employer	200
Total Contributions	<u>3,657,827</u>
Other Contributions:	
Recovery income	25,008
Participant fees	5,950
Other receipts	174,089
Total Other Contributions	<u>205,047</u>
Investment income:	
Net increase (decrease) in fair value of investments	4,262,947
Interest	640,192
Dividends	191,818
Real estate operating income, net	30,478
Securities lending income, net	7,802
Total Investment Income	<u>5,133,237</u>
Less: Investment expense	185,233
Less: Securities lending expense	2,503
Net Investment Income	<u>4,945,501</u>
Total Additions	<u>8,808,375</u>
Deductions	
Benefit payments	4,216,771
Refunds	57,008
Administrative expenses	55,890
Capital project expense	123
Self funding insurance costs	5,784
Healthcare premiums subsidies	356,248
Other deductions, net	178,510
Total Deductions	<u>4,870,334</u>
Change in Net Position	3,938,041
Net Position - Restricted for Pension and Other Post Employment Benefits	
Net Position at July 1	35,740,414
Net Position at June 30	<u><u>\$ 39,678,455</u></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, 2017
(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)	\$ 684,693	\$ 92,935	\$ 175,875	\$ 91,698
Restricted cash (Note 5)				
Restricted investments (Note 5)				
Investments, net of amortization (Note 5)	6,794	8,286		78,335
Accounts receivable, net	326,123	114,480	27,088	6,647
Interest receivable	1,488			
Inventories	41,964	853		
Prepaid expenses	9,801	2,889	5,587	
Other current assets	1,014	10,279		58,273
Total Current Assets	1,071,877	229,722	208,550	234,953
Noncurrent assets:				
Restricted cash (Note 5)	240,981	62,707	138,120	
Long-term investments (Note 5)	45,077	773,060	17,677	249,160
Restricted long-term investments (Note 5)	1,501,299	6,100	56,803	
Long-term receivables, net	301,683	72,279	4,463	560,772
Capital assets (Note 6):				
Land	83,031	103,615	33,042	1,089
Improvements other than buildings	285,319	31,041	19,038	
Buildings	3,277,813	1,305,099	763,472	5,363
Machinery and equipment	604,669	217,980	165,512	4,698
Infrastructure			50,419	
Other capital assets	353,291	311,196	68,334	
Easements and other intangibles				
Less: Accumulated depreciation and amortization	(1,866,552)	(928,115)	(499,632)	(7,477)
Construction in progress	295,855	55,292	87,634	
Total Capital Assets	3,033,426	1,096,108	687,819	3,673
Other assets	411	168,061		5,028
Total Noncurrent Assets, Net	5,122,877	2,178,315	904,882	818,633
Total Assets	6,194,754	2,408,037	1,113,432	1,053,586
Deferred outflows of resources (Note 15)	10,808	7,412	78,711	12,639
Liabilities				
Current liabilities:				
Accounts payable and accruals	335,643	115,305	22,710	23,389
Current portion of long-term debt:				
Notes payable (Note 15)	7,680	24,828		27,080
Bonds payable (Note 15)	32,310	14,415		26,190
Capital lease obligations (Note 10)(Note 15)	12,310	2,678	8,597	
Compensated absences (Note 16)	889		1,031	
Claims liability				
Prize liability				
Unearned revenues	91,380	47,537	9,398	
Payable from restricted assets				
Other current liabilities	35,856	11,023	1,595	64,874
Total Current Liabilities	516,068	215,786	43,331	141,533
Noncurrent liabilities:				
Notes payable (Note 15)	22,012	59,037		
Bonds payable (Note 15)	867,780	280,512		536,647
Capital lease obligations (Note 10)	70,657	15,615	140,967	
Prize liability				
Compensated absences (Note 16)	6,011		9,281	
Net pension liability (Note 8) (Note 15)			445,241	84,211
Other long-term liabilities	312,610	112,566	1,098	13,753
Total Noncurrent Liabilities	1,279,070	467,730	596,587	634,611
Total Liabilities	1,795,138	683,516	639,918	776,144
Deferred inflows of resources (Note 15)	433,729	49,436	47,034	1,949
Net Position				
Net investment in capital assets	1,663,197	678,266	598,967	3,673
Restricted for:				
Debt service	3,774	28,433		225,825
Capital projects	166,659	5,081	38,323	
Other purposes (Note 1)	990,586	816,918	86,215	29,185
Unrestricted	1,152,479	153,799	(218,314)	29,449
Total Net Position	\$ 3,976,695	\$ 1,682,497	\$ 505,191	\$ 288,132

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, 2017
\$ 18,856	\$ 20,149	\$ 85,646	\$ 449,142	\$ 1,533,348
	2,600		25,179	113,425
			5,373	5,373
	2,159		322,166	417,740
259	24,692	17,696	228,601	745,586
14,769		92	1,895	18,244
			6,996	49,813
680	67		12,822	31,846
160,658	888		14,026	245,138
195,222	50,555	103,434	1,066,200	3,160,513
74,681	4,848		283,725	805,062
8,474	11,681		222,689	1,327,818
			434,383	1,998,585
813,980			1,045,278	2,798,455
	423		200,622	421,822
	7,925		292,430	627,828
9,373			3,115,323	8,474,995
		1,033,724	503,734	1,505,966
1717	21,030		1,424	1,085,567
		66,501	121,589	877,157
				66,501
(10,582)	(24,064)		(1,858,188)	(5,194,610)
			383,944	822,725
508	5,314	1,100,225	2,760,878	8,687,951
	112		23,035	196,647
897,643	21,955	1,100,225	4,769,988	15,814,518
1,092,865	72,510	1,203,659	5,836,188	18,975,031
15,295			446,595	571,460
2,315	6,177	16,175	98,214	619,928
23,411			4,371	87,370
			68,654	141,569
			10,454	34,039
2,344	155		23,064	27,483
	29,954		2,273	2,273
			44,998	29,954
7,766	2,555	2,468	9,649	193,313
35,836	38,841	18,643	10,153	9,649
			271,830	136,290
				1,281,868
888,010		755,293	18,770	99,819
			1,208,568	4,536,810
	13,493		100,686	327,925
	1,167			13,493
93,375			998	17,457
243			2,224,163	2,846,990
981,628	14,660	755,293	69,941	510,211
1,017,464	53,501	773,936	3,623,126	8,352,705
17,783			3,894,956	9,634,573
			151,265	701,196
508	5,314	485,822	1,513,272	4,949,019
91,425			442	349,899
			236,385	446,448
7,211			1,765,317	3,695,432
(26,231)	13,695	(56,099)	(1,278,854)	(230,076)
\$ 72,913	\$ 19,009	\$ 429,723	\$ 2,236,562	\$ 9,210,722

COMMONWEALTH OF KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2017
(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	\$ 3,037,896	\$ 1,240,577	\$ 571,970	\$ 280,377
Total Expenses	3,037,896	1,240,577	571,970	280,377
Program Revenues:				
Charges for services	2,320,875	856,725	98,714	80,896
Operating grants and contributions	408,196	90,158	99,855	206,452
Capital grants and contributions	69,398		10,789	
Total Program Revenues	2,798,469	946,883	209,358	287,348
Net Program (Expense) Revenue	(239,427)	(293,694)	(362,612)	6,971
General Revenues:				
Unrestricted grants and contributions	122,678	252,562	372,849	
Unrestricted investment earnings	898	96,959	1,729	
Gain on sale of capital assets			3,684	
Miscellaneous general	366,019	18,549	21,773	
Total General Revenues	489,595	368,070	400,035	
Change in Net Position	250,168	74,376	37,423	6,971
Net Position at July 1, As Restated (Note 2)	3,726,527	1,608,121	467,768	281,161
Net Position at June 30	<u>\$ 3,976,695</u>	<u>\$ 1,682,497</u>	<u>\$ 505,191</u>	<u>\$ 288,132</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, 2017
\$ 30,853	\$ 739,621	\$ 55,663	\$ 1,950,006	\$ 7,906,963
30,853	739,621	55,663	1,950,006	7,906,963
25,009	986,960	31,324	818,654	5,219,157
			423,836	1,228,497
		47,987	38,298	166,472
25,009	986,960	79,311	1,280,788	6,614,126
(5,844)	247,339	23,648	(669,218)	(1,292,837)
			590,052	1,338,141
	(591)	204	39,654	138,853
			(233)	3,451
	(248,571)	36,699	282,237	476,706
	(249,162)	36,903	911,710	1,957,151
(5,844)	(1,823)	60,551	242,492	664,314
78,757	20,832	369,172	1,994,070	8,546,408
\$ 72,913	\$ 19,009	\$ 429,723	\$ 2,236,562	\$ 9,210,722



NOTES TO FINANCIAL STATEMENTS

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Note 1

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

Audited financial statements are available for the following blended component units: Kentucky Retirement System, Kentucky Teachers' Retirement System, Judicial Form Retirement System, Kentucky Public Employees' Deferred Compensation Authority, 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 138 and 139 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 Commissioner of the Department of Personnel, five members elected by the retirement systems, and three members appointed by the Governor.

Kentucky Teachers' Retirement System (KRS 161.220)

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

Judicial Form Retirement System (KRS 21.530)

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

Turnpike Authority of Kentucky (KRS 175.430)

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

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

The Kentucky Employees' Deferred Compensation Authority administers two deferred compensation plans as authorized by sections 457 and 401(k) of the United States Internal Revenue Code. The plans are defined contribution plans with 762 participating employers. Under provisions of the Plans, employees of the Com-

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

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 Commerce Cabinet, the Secretary of the Environmental and Public Protection Cabinet, a member designated by the Kentucky Oil and Gas Association, a member designated by the Kentucky Society of Professional Engineers, a member designated by the Kentucky Gas Association, a citizen member appointed by the governor, and two legislative members.

Board of Agriculture (KRS 246.120)

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

Discretely Presented Component Units

The component 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

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other states. If necessary, the authority can assist with the operation, financing and management of those projects. . The authority consists of eleven voting members. The authority Chairman is the Secretary of the Transportation Cabinet and the Vice Chair is the Secretary of the Finance and Administration Cabinet. Other members include one representative from the Kentucky Association of Counties, one representative from the Kentucky County Judge/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 Kentucky Center for the Arts Corporation is a body corporate created by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The board consists of fifteen members appointed by the Governor. The Commonwealth provides significant operating support to the corporation, creating a financial benefit/burden relationship.

Kentucky Educational Television Authority (KET) (KRS 168.030)

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

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

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

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**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 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

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ended May 31, 2017, 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, Inc.

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, 2016, 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	\$ 57,681
Education	11,098
Instruction	136,049
Scholarships and Fellowships	952,880
Research	772,407
Totals	<u>\$ 1,930,115</u>

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

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The Statement of Activities categorizes program revenues into three groups: charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include

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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 2017, the total amount of sales and gross receipts tax reported in the government wide statements was \$5,905,042 and comprised of:

Sales and Gross Receipts Tax (Expressed in Thousands)		
Sales and Use Tax	\$	3,490,639
Motor Fuels Tax		701,440
Motor Vehicles Usage Tax		541,634
Healthcare Provider Tax		295,143
Tobacco Products Tax		243,474
Insurance Premiums Tax		154,288
Limited Liability Entity Tax		253,823
Alcoholic Beverage Tax		146,227
Telecommunications Tax		58,298
Transient Room Tax		12,686
Parimutuel and Race Track Admission Tax		7,390
Total Sales and Gross Receipts Tax	\$	5,905,042

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.

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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, Coal Workers’ Pneumoconiosis 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 within 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

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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 Authority Educational Television for Education
- 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 2017, the primary government provided \$267,029,000 to the University of Kentucky, \$181,605,000 to the Kentucky Community and Techni-

cal College System, \$132,818,000 to the University of Louisville, and \$220,498,000 to the Kentucky Higher Education Assistance Authority. The Commonwealth contributed capital in the amount of \$47,987,000 to the Kentucky Public Transportation Infrastructure Authority. In addition, the Commonwealth received \$251,594,000 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, 2017, are \$1,494,054,000.

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.

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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; fossilized bones and prehistory artifacts. These assets are not capitalized or depreciated as the assets could not be valued and have inexhaustible useful lives.

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

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

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

The Kentucky Center for the Arts Corporation's discretely presented component unit financial statements for Fiscal Year 2017, do not contain the Center's capital assets. The Finance and Administration Cabinet, Division of Statewide Accounting, Financial Reporting Branch adjusted the Commonwealth of Kentucky's Comprehensive Annual Financial Report to include the capital assets and depreciation of the Center in order to satisfy GAAP requirements.

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M. Governmental Fund Equity

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

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

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

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

The assigned fund category represents resources that do not meet the criteria for restricted or committed because the legislation which created the revenue source did not restrict the use of funds to the degree necessary. However, in accordance with KRS 42.0201(4) the state controller; the executive director of the Office of Financial Management, and the state budget director placed these resources in the special revenue funds with the intent of appropriating at a later date.

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

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

The classifications of governmental fund balances are shown in the table on 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 state wide audit function. It also includes numerous Boards and Commissions that certifies, licenses and regulates various professional groups (for example the State Board of Accountancy).

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

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

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

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

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

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

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

Transportation – is responsible for overseeing the development and maintenance of a safe, efficient multi-modal transportation system throughout the Commonwealth. The Cabinet manages more than 27,000 miles of highways, including roughly 20,500 miles of secondary roads, 3,600 miles of primary roads, and more than 1,400 interstate and parkway miles. The Cabinet also provides direction for 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.

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Constraints on Fund Balance

(Expressed in Thousands)

	General Fund	Major Special Revenue Funds		
		Transportation Fund	Federal Fund	Agency Revenue Fund
Fund Balances:				
Nonspendable:				
Inventories	\$ 6,219	\$ 68,009	\$ 98	\$ 2,647
Long-term receivables				2,459
Cash with fiscal agents				
Restricted for:				
Government administration				117,987
Legislative and Judicial				10,263
Commerce				107,318
Education				51,669
Health and human services				73,340
Environmental and natural resources				21,451
Justice				21,904
Public Protection				69,022
Transportation		438,486		18,827
Debt service				
Committed to:				
Government administration				3,734
Commerce				51
Education				306
Health and human services				9
Environmental and natural resources				732
Public Protection				7,037
Transportation				9,777
Assigned to:				
Government administration	24			4,855
Legislative and Judicial	20			1,316
Commerce	5			244
Education	5			1,604
Health and human services				1,842
Environmental and natural resources				106
Justice				4,871
Public Protection	1			
Transportation				13
Unassigned			(765)	
Total Fund Balances	\$ 6,274	\$ 506,495	\$ (667)	\$ 533,384

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Capital Projects Fund	Debt Service Fund	Total
\$	\$	\$
		76,973
		2,459
	15,576	15,576
180,743		298,730
10,293		20,556
48,183		155,501
3,820		55,489
6,243		79,583
12,941		34,392
7,873		29,777
44		69,066
37,144		494,457
	604	604
		3,734
		51
		306
		9
		732
		7,037
		9,777
		4,879
		1,336
		249
		1,609
		1,842
		106
		4,871
		1
		13
		(765)
\$ 307,284	\$ 16,180	\$ 1,368,950

N. Deferred Outflows/Inflows

GASB 63 provides financial reporting guidance relative to deferred outflows of resources, a consumption of net assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, an acquisition of net assets by the entity that is applicable to a future reporting period. GASB 68 and GASB 71 provides financial reporting guidance relative to deferred inflows/outflows as a result of pension 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 15.0 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. Compensatory leave is granted to authorized employees on an hour-for-hour basis. June 30 estimated liabilities for both annual leave and compensatory leave are summarized in Note 16.

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

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

3. Outstanding capital lease obligations for governmental funds.
4. 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 Commonwealth has \$2,866,538,737 of conduit debt, the proceeds of which are used to promote the purposes set forth in KRS 103.200 and 103.210.

Q. Future Changes in Accounting Standards

As of June 30, 2017, the Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Commonwealth.

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

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

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GASB Statement No. 82 – Pension Issues. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

The requirements of this Statement address concerns raised by stakeholders during the implementation process of GASB Statement Nos. 67 and 68. The Statement will return to the use of covered payroll, defined as the payroll on which contributions to a pension plan are based, for the RSI schedules required by GASB Statement Nos. 67 and 68. It will also clarify that a deviation from the guidance in Actuarial Standards of Practice is not considered to be in conformity with the requirements of GASB Statement Nos. 67, 68 or 73 for the selection of assumptions in determining total pension liability. Also, the payments made by an employer to satisfy contribution requirements identified in plan terms as the plan member contributions should be classified as plan member contributions for the purposes of GASB Statement No. 67 and as employee contributions for purposes of GASB Statement No. 68.

GASB Statement No. 83 – Certain Asset Retirement Obligations. The provisions in Statement 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. 85 – Omnibus. The requirements of this Statement are effective for periods beginning after June 15, 2017.

The Board periodically reviews the need for amendments to existing Statements based on stakeholder feedback and technical inquiries. These amendments will address multiple pronouncements that individually would not justify a separate project.

GASB Statement No. 86 – Certain Debt Extinguishment Issues. The requirements of this Statement are effective for periods beginning after June 15, 2017.

The requirements of this Statement establish guidance for certain issues related to debt extinguishment prior to its maturity. GASB Statement No. 86 establishes accounting and financial reporting guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in irrevocable trust for the sole purpose of extinguishing debt.

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.

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. 77 – Tax Abatement Disclosures.

This statement establishes general principles for disclosing information about the nature and magnitude of tax abatements and these transactions will be more transparent to financial statement users.

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 prior year errors. The effect on net position is a decrease of \$155,000.

Business Type Activities: Business Type Activities restated net position due to State Parks restatement of net position due to prior year error. The effect on net position is an increase of \$510,000.

Governmental Funds:

General Fund – General Fund restated net position due to a prior year error. The effect on net position is decrease of \$510,000.

Federal Fund – Federal Fund restated net position due to prior year errors. The effect on net position is an increase of \$73,000.

Proprietary Funds:

State Parks – State Parks restated net position due to a prior year error. The effect on net position is an increase of \$510,000.

Non-Major Component Units – Authorities:

Louisville Arena Authority – Louisville Arena Authority was not previously included in the financial statements therefore the effect on net position is an increase of \$20,121,000.

Note 3

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Governmental Activities – The Governmental Activities has a net position deficit of \$16,514,271. The deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71.

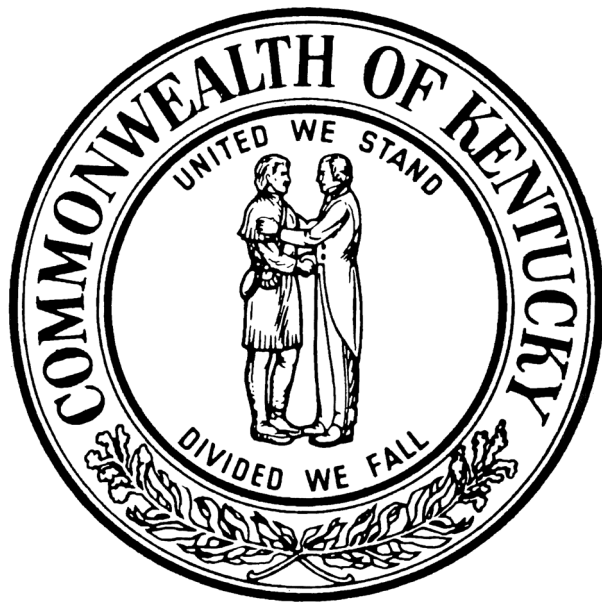
B. Federal Fund – The Federal Fund has a net position deficit of \$667,000. The deficit is a result of expenditure accruals, which will be funded in future periods.

C. Enterprise Funds – The Insurance Administration Fund has a net position deficit of \$611,287,000. The deficit is a result of accumulated claims liability estimated by actuarial methods for the risk pools, which will be funded in future periods.

D. Internal Service Funds – The Risk Management Fund has a net position deficit of \$211,207,000. 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 \$4,694,000. 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 \$136,546,000. This deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71.

E. Component Units – Authorities – The Bluegrass State Skills Corporation has a net position deficit of \$634,000. This deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71. The Kentucky Authority for Educational Television has a net position deficit of \$15,847,000. This deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71.

F. Component Units – Universities, Colleges and Related Entities – Eastern Kentucky University has a net position deficit of \$8,684,000. The Kentucky Council on Postsecondary Education has a net position deficit of \$13,009,000. This deficit is a result of the recognition of the net pension liability, in accordance with GASB 68 and 71.



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, 2017. 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, 2017. All receivables are reported net of an Allowance for Uncollectibles to reflect the true value of receivables. Fines, forfeitures, and license fees are recognized as revenue when received and, therefore, do not require the recognition of accounts receivable. The "Current Taxes Receivable" for Governmental Activities and Business-Type Activities are described below.

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

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

	Governmental Activities			Total	Business- Type Activities	Total Primary
	Major Funds	Non-major Funds	Internal Service Funds	Governmental Activities	Major Funds	Government
Current Payables						
Personal services	\$ 178,329	\$ 612	\$ 3,805	\$ 182,746	\$ 8,829	\$ 191,575
Utilities, rental and other services	22,979	343	2,281	25,603	723	26,326
Commodities and supplies	10,786	127	1,054	11,967	2,278	14,245
Claims	2		1,509	1,511		1,511
Grants and subsidies	1,367,181	11,685	29	1,378,895	16,980	1,395,875
Capital outlay	56,768	6,399	367	63,534		63,534
Travel		14	5	19	19	38
Judgements					2	2
Interest Payable	116,318	32	26	116,375	17	116,392
Other	90,544	16	4	90,564	513	91,077
Total Current Payables	<u>\$ 1,842,907</u>	<u>\$ 19,228</u>	<u>\$ 9,080</u>	<u>\$ 1,871,214</u>	<u>\$ 29,361</u>	<u>\$ 1,900,575</u>
Current Receivables						
Charges for services	\$ 80,734	\$ 111,152	\$ 914	\$ 192,800	\$ 83,808	\$ 276,608
Taxes receivable	1,846,974	49,093		1,896,067		1,896,067
Investment receivable	5,660	7,604		13,264	2,142	15,406
Intergovernmental revenue	1,080,554	8		1,080,562	7,481	1,088,043
Other	79,547	47,453	152	127,152	208,504	335,656
Allowances for uncollectibles	(858,113)	(96,148)		(954,261)	(20,964)	(975,225)
Total Current Receivables	<u>\$ 2,235,356</u>	<u>\$ 119,162</u>	<u>\$ 1,066</u>	<u>\$ 2,355,584</u>	<u>\$ 280,971</u>	<u>\$ 2,636,555</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

Taxes Receivable
(Expressed in Thousands)

Current Taxes Receivable

	Governmental Activities		Total Primary Government
	Major Funds	Non-Major Funds	
Sales and gross receipts	\$ 879,668	\$ 5,480	\$ 885,148
Individual income	729,038		729,038
Corporate	76,094		76,094
Property	117,509		117,509
License and privilege	1,911	1,156	3,067
Coal severance	21,192	1,857	23,049
Inheritance and estate	7,567	119	7,687
Miscellaneous	13,995	40,480	54,475
Total Current Taxes Receivable	<u>\$ 1,846,975</u>	<u>\$ 49,093</u>	<u>\$ 1,896,068</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, 2017, are as follows (Expressed in Thousands):

	Principal	Interest	Total
2018	\$ 20,190	\$ 7,056	\$ 27,246
2019	14,720	6,403	21,123
2020	11,990	5,883	17,873
2021	10,100	5,387	15,487
2022	10,000	4,991	14,991
2023-2027	36,665	20,144	56,809
2028-2032	38,390	12,867	51,257
2033-2037	33,395	14,797	48,192
Total leases receivable	<u>\$ 175,450</u>	<u>\$ 77,528</u>	<u>\$ 252,978</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 \$1,562,415,000 and the bank balance was \$1,562,415,000. 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 \$3,530,635 in securities lending income. On June 30, 2017, the fair value of the securities transferred was \$1,328,264,353 and the fair value of the securities purchased by the Commonwealth was \$1,569,180,000. 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, 2017, the portfolio had no obligations under option. The Commonwealth also purchases securities that have built in covered calls (callable agency securities). The risk in holding these securities is the risk that the security can be called (bought back) by the issuing agency at par either on or after a specific date.

COMMONWEALTH OF KENTUCKY
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Interest Rate Risk

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

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, 2017, 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	\$ 1,140,423	\$ 1,140,423
Cash with Fiscal Agents	22,386	22,386
Cash with Federal Government	399,606	399,606
Total Cash	<u>\$ 1,562,415</u>	<u>\$ 1,562,415</u>

Investments Managed Based Upon Duration

Debt Securities

	Fair Value	Effective
Cash Equivalents	\$ 346,009	0.07
Fixed Income Mutual Funds	285,185	0.01
U.S. Government & Agency Obligations	1,283,340	0.76
Mortgage-Backed Securities	206,235	1.57
Corporate Obligations	180,363	1.45
Asset Backed Securities	84,571	0.79
Municipal Obligations	23,700	0.32
Total Debt Securities	<u>2,409,403</u>	
Portfolio Effective Weighted Duration		<u>0.69</u>

Other Investments

Securities Lending Investments	1,569,180
Guaranteed Investment Contract (two to eight years)	141,266
Total Other Investments	<u>1,710,446</u>
Total Investments	<u>\$ 4,119,849</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
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Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth is statutorily limited as to credit ratings, at the time of purchase. Commercial paper must be rated in the highest category by a nationally recognized rating agency. United States denominated corporate, Yankee, and Eurodollar securities must be rated in one of the three highest categories by a nationally recognized rating agency. Asset-backed securities must be rated in the highest category

by a nationally recognized rating agency. Certificates of Deposit and Bankers acceptances must be rated in one of the three highest categories by a nationally recognized rating agency. By regulation all mortgage pass-through securities and collateralized mortgage obligations must be issued by U.S. government agencies or by government sponsored entities.

The primary government's, excluding the pension and (OPEB) trust funds, rated debt investments as of June 30, 2017, and the ratings are presented in the following table.

Investments and Credit Ratings

Primary Government

(Expressed in Thousands)

	<u>Standard & Poor's/Moody's Credit Ratings</u>						Total Fair Value of Investments
	AAA/Aaa	AA/Aa	A	BBB/Baa	Unrated	NA	
Cash Equivalents	\$	\$ 71,238	\$ 79,874	\$	\$ 194,897	\$	\$ 346,009
Fixed Income Mutual Funds	285,185						285,185
U.S. Government & Agency Obligations	17,046	1,266,294					1,283,340
Mortgage-Backed Securities		206,235					206,235
Corporate Obligations	17,163	98,426	64,774				180,363
Asset Backed Securities	84,571						84,571
Municipal Obligations	305	22,850		545			23,700
Guaranteed Investment Contracts		141,266					141,266
Securities Lending						1,569,180	1,569,180
Total Investments	\$ 404,270	\$ 1,806,309	\$ 144,648	\$ 545	\$ 194,897	\$ 1,569,180	\$ 4,119,849

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, 2017, 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, 2017, 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, 2017.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

Fair Value Measurements and Techniques

Primary Government

(Expressed in Thousands)

	Total Fair Value	Fair Value Measurement Using			
		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
Investments					
Cash Equivalents	\$ 346,009	\$ 346,009	\$	\$	\$
U.S. Agencies/Treasuries	1,283,340	1,283,340			
Fixed Income Mutual Funds	285,185		285,185		
Guaranteed Investment Contracts	141,266			141,266	
Mortgage Backed Securities	206,235		206,235		
Corporate Debt	180,363		180,363		
State and Municipal Obligations	23,700		23,700		
Asset Backed Securities	84,571		84,571		
Securities Lending					1,569,180
Total Investments	\$ 2,550,669	\$ 1,629,349	\$ 780,054	\$ 141,266	\$ 1,569,180

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 \$242,493,000 and the bank balance was \$242,493,000.

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 \$2,084,576,000 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, 2017, are presented on the following page. All investments are presented by investment type.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

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

(Expressed in Thousands)

I. Cash

	Carrying Amount	Bank Balance
Cash	<u>\$ 242,493</u>	<u>\$ 242,493</u>
Total Cash	<u><u>\$ 242,493</u></u>	<u><u>\$ 242,493</u></u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	Fair Value	< 1 year	1-5 Years	6-15 Years	> 15 Years
U.S. Government & Agency Obligations	<u>\$ 1,089,051</u>	<u>\$ 9,013</u>	<u>\$ 9,481</u>	<u>\$ 1,070,557</u>	<u>\$</u>
Corporate Obligations	2,438,911		827,473	1,611,438	
Mortgage-Backed Securities	146,737			106,570	40,167
Asset-Backed Securities	52,576			52,576	
Municipal Obligations	384,589			384,589	
Other	3,250		3,250		
Total Debt Securities	<u>4,115,114</u>	<u>\$ 9,013</u>	<u>\$ 840,204</u>	<u>\$ 3,225,730</u>	<u>\$ 40,167</u>

Investments Managed Based Upon Duration

Debt Securities	Fair Value	Modified	Macaulay
Cash Equivalents	269,069	4.40	
Fixed Income Mutual Funds	25,883	2.76	
U.S. Government & Agency Obligations	317,613	5.64	
Mortgage-Backed Securities	123,692	3.01	
Corporate Obligations	619,713	5.47	
Asset Backed Securities	94,493	5.84	
Municipal Obligations	31,394	3.10	
Guaranteed Investment Contract\Annuities	665,542		3.41
Other	22,524	3.53	
Other	<u>538,278</u>		8.50
Total Debt Securities	<u>2,708,201</u>		
Portfolio Weighted Modified Duration		<u>5.01</u>	
Portfolio Weighted Macaulay Duration			<u>5.69</u>

Other Investments

U.S. Government & Agency Obligations	103
Cash Equivalents	1,243,692
Corporate Obligations	8,335
Common Stock	23,551,749
Pooled Investments	9,454
Limited Partnerships	3,534,093
Real Estate	1,810,784
Securities Lending	575,360
Other Investments	<u>2,140,062</u>
Total Other Investments	<u>32,873,632</u>
Total Investments	<u><u>\$ 39,696,947</u></u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

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, 2017, and the ratings are presented in the following table.

Investments and Credit Ratings
Pension and (OPEB) Trust Funds
(Expressed in Thousands)

Quality Rating	Amount
AAA	\$ 354,506
AA+	73,317
AA	629,740
AA-	41,615
A+	32,301
A	628,458
A-	42,592
BBB+	82,329
BBB	687,191
BBB-	100,710
BB+	96,049
BB	493,915
BB-	99,980
B+	96,042
B	470,829
B-	52,837
CCC+	18,542
CCC	43,944
CCC-	6,593
CC	11,291
D	24,167
Not Rated	1,481,173
Total Credit Risk Debt Securities	5,568,121
Cash Equivalents	1,243,692
U.S. Government & Agencies	1,255,297
Corporate Obligations	8,335
Common Stock	23,551,749
Limited Partnerships	3,534,093
Real Estate	1,820,238
Securities Lending	575,360
Other	2,140,062
Total Investments	\$ 39,696,947

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, 2017.

<u>Asset Description</u>	<u>Amount</u>
Fixed Contract Fund	\$665,542,000
T Rowe Price Mid Cap Growth	330,214,000
Vanguard Wellington	263,681,000
Fidelity Contrafund	272,605,000
Fidelity Growth Co	233,829,000
Vanguard Institutional Index Fund	170,644,000

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, 2017, are presented on the following page.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2017

Foreign Currency Risk

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

Foreign Currency	Short Term	Equity	Debt	None Designated	Total
Australian Dollar	\$ 1,209	\$ 152,836	\$ 29,008	\$	\$ 183,053
Bermudian Dollar		61,563	6,418		67,981
Brazilian Real		63,424	2,040		65,464
British Pound Sterling	482	1,012,408	48,212		1,061,102
Canadian Dollar	15	347,783	89,686		437,484
Cayman Islands Dollar		50,303	4,498		54,801
Chilean Peso		15,802			15,802
Chinese Yuan		69,390	3,980		73,370
Columbian Peso		8,307			8,307
Czech Koruna		528			528
Czech Crown		348			348
Danish Krone		132,123			132,123
Egyptian Pound		1,707			1,707
Euro	(750)	2,288,643	87,146		2,375,039
Hong Kong Dollar	139	333,854			333,993
Hungarian Forint		633			633
Indian Rupee		100,370			100,370
Indonesian Rupiah		50,016			50,016
Israeli Shekel	1	39,856	2,950		42,807
Japanese Yen	12,553	972,617	825		985,995
Korean Won		81,828	3,244		85,072
Liberian Dollar		2,086			2,086
Malaysian Ringgit		24,408			24,408
Mexican Peso		85,409	6,099		91,508
Netherlands Antillean Guilder		24,642			24,642
New Zealand Dollar		25,749			25,749
Norwegian Krone	1	50,762	7,032		57,795
Omani Rial			1,046		1,046
Pakistani Rupee		549			549
Panamanian Balboa		35,638			35,638
Peruvian Nuevo Sol		24			24
Philippine Peso		13,070			13,070
Polish Zloty		4,459			4,459
Qatari Rial		1,459			1,459
Russian Ruble		5,060			5,060
Singapore Dollar	3	46,836			46,839
South African Rand	1	48,267			48,268
South Korean Won		50,150			50,150
Swedish Krona	1	173,394	14,985		188,380
Swiss Franc	1	254,373	2,629		257,003
Taiwan Dollar	180	107,473			107,653
Thai Bhat		20,069			20,069
Turkish Lira		20,242			20,242
UAE Dirham		10,331			10,331
Various	8,335	(220)			8,115
American Funds Euro Pacific Growth Fund		85,063			85,063
Dodge & Cox International Stock Fund		34,402			34,402
DFA International Small Cap		20,555			20,555
Total Securities Subject To Foreign Currency Risk	22,171	6,928,589	309,798		7,260,558
USD (Securities Held By Intl Investment Mgrs)				14,428,490	14,428,490
Total International Investment Securities	\$ 22,171	\$ 6,928,589	\$ 309,798	\$ 14,428,490	\$ 21,689,048

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, 2017, 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, 2017. 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 techniques.

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The Pension and (OPEB) trust funds, have the following valuation measurements, by type, as of June 30, 2017. 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)

	Total Fair Value	Fair Value Measurement Using			
		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	\$ 1,070,672	\$ 1,011,950	\$ 58,620	\$ 102	\$
Guaranteed investment contracts					665,542
Cash Equivalents	1,243,692	826,253	252,412	165,027	9,453
Mortgage Backed Securities	146,737		144,885	1,852	
Corporate Debt	2,671,453	38,109	2,126,836	506,508	
State and Municipal Obligations	384,589		379,365	5,224	
Asset Backed Securities	52,576		52,576		
Real Estate	1,810,785			1,810,785	
Common Stock	28,144,443	17,461,633	5,093,184	5,589,626	
Securities Lending					575,360
Other:	2,874,939	450,154		2,424,785	46,706
Total Investments	\$ 38,399,886	\$ 19,788,099	\$ 8,107,878	\$ 10,503,909	\$ 1,297,061

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

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 \$1,608,143,000 and bank balance was \$1,606,635,000.

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, 2017.

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;	\$	13,987
b) collateralized with securities held by the pledging financial institution; or		649,712
c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commonwealth's name.		(98,115)
Total Deposits Subject To Custodial Credit Risk	\$	<u>565,584</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	\$	794,859
(b) the counterparty's trust department or agent but not in the Commonwealth's name.		189,147
Total Non-Current Cash And Investments Subject To Custodial Credit Risk	\$	<u>984,006</u>

Investment Types:

	Type A (counterparty)	Type B (trust or agent)
Debt Securities		
Cash Equivalents	\$ 2	\$ 59,374
Fixed Income Mutual Funds	6,660	
Corporate Obligations	6,426	
U.S. Government & Agency Obligations	5,114	
Municipal Obligations	2,242	
Total Debt Securities	<u>20,444</u>	<u>59,374</u>
Other Investments		
Cash Equivalents		2,025
Fixed Income Mutual Funds	96,770	19,862
Common Stock	99,208	48,250
Real Estate		2,184
Funds Held In Trust By Others		55,293
Limited Partnerships	571,637	
Other Various	6,800	2,159
Total Other Investments	<u>774,415</u>	<u>129,773</u>
Total Type A	<u>794,859</u>	Total Type B
		<u>189,147</u>
Total Non-Current Cash And Investments Subject To Custodial Credit Risk		<u>\$ 984,006</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

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, 2017.

Cash And Investments By Type
Discretely Presented Major Component Units

(Expressed in Thousands)

I. Cash

	Carrying Amount	Bank Balance
Cash	\$ 585,296	\$ 584,594
Money Market	287,006	287,006
Other	735,841	735,035
Total Cash	<u>\$ 1,608,143</u>	<u>\$ 1,606,635</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	Fair Value	< 1 year	1-5 Years	6-10 Years	> 10 Years
Cash Equivalents	\$ 24,007	\$ 17,347	\$	\$	\$ 6,660
Fixed Income Mutual Funds	130,877	998	128,597	1,072	210
U.S. Government & Agency Obligations	2,329	2,329			
Corporate Obligations	24,048	22,824	1,224		
Guaranteed Investment Contract/Annuities	5,896	69		5,827	
Total Debt Securities	<u>187,157</u>	<u>\$ 43,567</u>	<u>\$ 129,821</u>	<u>\$ 6,899</u>	<u>\$ 6,870</u>

Investments Managed Based Upon Duration

Debt Securities	Fair Value	Effective	Modified
Cash Equivalents			
Money Market Funds	65,494		
Fixed Income Mutual Funds	196,844		4.03
Fixed Income Mutual Funds	27,857		2.91
U.S. Government & Agency Obligations	3,067	1.960	
U.S. Government & Agency Obligations	136,116	4.48	
U.S. Government & Agency Obligations	11,357	1.61	
U.S. Government & Agency Obligations	13,840		
Mortgage Backed Securities	114,528	4.02	
Mortgage Backed Securities	874	11.33	
Corporate Debt	4,533	2.73	
Total Debt Securities	<u>574,510</u>		
Portfolio Effective Weighted Duration		<u>4.13</u>	
Portfolio Modified Weighted Duration			<u>3.89</u>

Other Investments

Cash Equivalents	2,025
Fixed Income Mutual Funds	186,402
Common Stock	687,748
Limited Partnerships	571,637
Alternatives	238,830
Real Estate	242,624
Funds Held In Trust By Others	55,293
Other	18,678
Total Other Investments	<u>2,003,237</u>
Total Investments	<u>\$ 2,764,904</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

Credit Risk of Debt Securities

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

The major discretely presented component units, investments as of June 30, 2017, and the ratings are presented in the following table.

Investments and Credit Ratings
Discretely Presented Major Component Units

(Expressed in Thousands)

	<u>Standard & Poor's/Moody's Credit Ratings</u>						Total Fair Value	
	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba or Lower	Unrated	NA	of Investments
Cash Equivalents	\$ 197,048	\$	\$	\$	\$	\$ 4,890	\$	\$ 201,938
Fixed Income Mutual Funds	10,126	11,093	46,942	32,831	3,941	972,744	265,498	1,343,175
U.S. Government & Agency Obligations	152,400					26,704	74,818	253,922
Mortgage Backed Securities	115,402							115,402
Corporate Obligations	1,762	255	912	1,604				4,533
Common Stock							48,250	48,250
Contracts/Annuities		69				5,827		5,896
Real Estate							2,184	2,184
Other	1,558				13,809	772,078	2,159	789,604
Total Investments	<u>\$ 478,296</u>	<u>\$ 11,417</u>	<u>\$ 47,854</u>	<u>\$ 34,435</u>	<u>\$ 17,750</u>	<u>\$ 1,782,243</u>	<u>\$ 392,909</u>	<u>\$ 2,764,904</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. All of the major discretely presented component units except the Kentucky Housing Corporation (KHC) has policies in place that limit the amount that can be invested in a single issuer to 5% of the total portfolio market value. KHC places no limit on the amount they may invest in any one issuer. More than five percent of the KHC's investments are in GNMA, U.S. Treasury and Dreyfus. These investments are 35%, 42% and 20%, respectively, of the KHC's total investments.

Foreign Currency Risk

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

Of the major discretely presented component units only the University of Kentucky has foreign currency risk as of June 30, 2017. The university has \$4,738,000 in a pooled private equity fund, \$6,208,000 in a pooled private real estate fund and \$37,719,000 in pooled international equity.

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.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

Note 6

CAPITAL ASSETS

*Capital asset activity for the year ended June 30, 2017
(Expressed in Thousands):*

	Primary Government			
	Beginning Balance Restated	Additions	Decreases	Ending Balance
Primary Government:				
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 237,239	\$ 4,695	\$ (13)	\$ 241,921
Construction in progress	2,352,565	572,926	(90,226)	2,835,265
Infrastructure	20,294,040	83,358	(48,769)	20,328,629
Easements and Other Intangibles	95,048	1,920		96,968
Total capital assets not being depreciated	<u>22,978,892</u>	<u>662,899</u>	<u>(139,008)</u>	<u>23,502,783</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	30,464	112	(101)	30,475
Buildings	1,527,455	6,510	(9,227)	1,524,738
Machinery and Equipment	665,136	61,458	(37,032)	689,562
Easements and Other Intangibles	94,560	2,680		97,240
Total capital assets, being depreciated/amortized	<u>2,317,615</u>	<u>70,760</u>	<u>(46,360)</u>	<u>2,342,015</u>
<i>Less accumulated depreciation/amortization:</i>				
Improvements other than buildings	(11,525)	(939)	46	(12,418)
Buildings	(644,582)	(36,354)	4,174	(676,762)
Machinery and Equipment	(443,441)	(51,144)	33,772	(460,813)
Easements and Other Intangibles	(25,129)	(5,455)		(30,584)
Total accumulated depreciation	<u>(1,124,677)</u>	<u>(93,892)</u>	<u>37,992</u>	<u>(1,180,577)</u>
Total capital assets, being depreciated/amortized, net	<u>1,192,938</u>	<u>(23,132)</u>	<u>(8,368)</u>	<u>1,161,438</u>
Governmental activities capital assets, net	<u>\$ 24,171,830</u>	<u>\$ 639,767</u>	<u>\$ (147,376)</u>	<u>\$ 24,664,221</u>
Business-type activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 24,040	\$ 37	\$	\$ 24,077
Construction in progress	15,275	1,739	(2,950)	14,064
Total capital assets, not being depreciated	<u>39,315</u>	<u>1,776</u>	<u>(2,950)</u>	<u>38,141</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	148,137	6,027		154,164
Buildings	349,348	2,699		352,047
Machinery and Equipment	22,430	1,153	(319)	23,264
Easements and Other Intangibles	2,322			2,322
Total capital assets, being depreciated/amortized	<u>522,237</u>	<u>9,879</u>	<u>(319)</u>	<u>531,797</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(79,314)	(4,114)		(83,428)
Buildings	(161,495)	(10,976)		(172,471)
Machinery and Equipment	(13,746)	(975)	315	(14,406)
Easements and Other Intangibles	(1,686)	(116)		(1,802)
Total accumulated depreciation	<u>(256,241)</u>	<u>(16,181)</u>	<u>315</u>	<u>(272,107)</u>
Total capital assets, being depreciated/amortized, net	<u>265,996</u>	<u>(6,302)</u>	<u>(4)</u>	<u>259,690</u>
Business-type activities capital assets, net	<u>\$ 305,311</u>	<u>\$ (4,526)</u>	<u>\$ (2,954)</u>	<u>\$ 297,831</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

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

(Expressed in Thousands)

	Governmental Activities	Business-type Activities
General Government	\$ 13,555	\$
Legislative and Judicial	1,647	
Commerce	2,463	
Education and Humanities	2,469	
Human Resources	5,171	
Justice	21,216	
Natural Resources and Environmental Protection	2,413	
Public Protection and Regulation	416	
Transportation	26,303	
Capital assets held by government's internal service funds are charged to the various functions based on usage of the assets	18,440	
State Parks		11,767
Horse Park		4,160
Insurance Administration		253
Total depreciation expense by activities	<u>\$ 94,093</u>	<u>\$ 16,180</u>

Discretely presented major component units

Capital asset activity for the year ended June 30, 2017

(Expressed in Thousands):

	Component Units			
	Beginning Balance	Additions	Retirements	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 211,879	\$ 9,463	\$ (142)	\$ 221,200
Construction in progress	1,379,805	319,166	(1,260,190)	438,781
Infrastructure	44,263	1,039,880		1,084,143
Totals, capital assets not being depreciated	<u>1,635,947</u>	<u>1,368,509</u>	<u>(1,260,332)</u>	<u>1,744,124</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	297,270	38,478	(350)	335,398
Buildings	5,022,694	369,394	(32,416)	5,359,672
Machinery and Equipment	1,635,403	171,046	(48,649)	1,757,800
Easements and Other Intangibles		66,501		66,501
Total capital assets, being depreciated/amortized	<u>6,955,367</u>	<u>645,419</u>	<u>(81,415)</u>	<u>7,519,371</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(115,955)	(11,597)	350	(127,202)
Buildings	(1,825,926)	(146,129)	7,735	(1,964,320)
Machinery and Equipment	(1,189,243)	(87,113)	31,456	(1,244,900)
Easements and Other Intangibles				
Total accumulated depreciation	<u>(3,131,124)</u>	<u>(244,839)</u>	<u>39,541</u>	<u>(3,336,422)</u>
Total capital assets, being depreciated/amortized, net	<u>3,824,243</u>	<u>400,580</u>	<u>(41,874)</u>	<u>4,182,949</u>
Component units capital assets, net	<u>\$ 5,460,190</u>	<u>\$ 1,769,089</u>	<u>\$ (1,302,206)</u>	<u>\$ 5,927,073</u>

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

(Expressed in Thousands)

Kentucky Housing Corporation	\$ 350
Kentucky Higher Education Student Loan Corporation	225
University of Kentucky	151,445
University of Louisville	59,343
Kentucky Community and Technical College System	32,161
Kentucky Lottery Corporation	1,312
Total depreciation expense by functions/programs	<u>\$ 244,836</u>

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2017

Note 7

INTERFUND TRANSACTIONS

Interfund Transfers In and Out

The table below shows the interfund operating transfers for fiscal year 2017

(Expressed in Thousands):

Transfers In	Transfers Out				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$	\$ 86	\$ 99,986	\$
Transportation Fund				1,832	1,720
Federal Fund					44
Agency Revenue Fund	35,184		13,824		5,170
Capital Projects Fund	7,192	8,496	1,733	24,539	
Debt Service	423,688	12,086	75,715	7,009	23
Non-Major Governmental Funds	173,677	153,187		300,330	5
State Parks Fund	34,825		94	203	1,584
Kentucky Horse Park Fund	2,372			39	575
Insurance Administration Fund			43		599
Internal Service Funds	909			557	1,200
Fiduciary Funds					
Total	<u>\$ 677,847</u>	<u>\$ 173,769</u>	<u>\$ 91,495</u>	<u>\$ 434,495</u>	<u>\$ 10,920</u>

Reasons for transfers:

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

Interfund Receivables and Payables

The table below shows the interfund receivables and payables for fiscal year 2017

(Expressed in Thousands):

Interfund Receivables	Interfund Payables				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$ 1	\$ 22,938	\$ 80,266	\$ 7
Transportation Fund	12		22	174	516
Federal Fund	10,903	66		1,637	
Agency Revenue Fund	41,240	59	18,596		
Capital Projects Fund	4,500		4	351	
Non-Major Governmental Funds	15,868		145	7,033	34
State Parks Fund	73				
Kentucky Public Employees Health Plan	65,243	1,487	1,390	1,709	1
Insurance Administration Fund			1	2	
Internal Service Funds	3,006	1		2,297	18
Total	<u>\$ 140,845</u>	<u>\$ 1,614</u>	<u>\$ 43,096</u>	<u>\$ 93,469</u>	<u>\$ 576</u>

Reasons for interfund payables and receivables:

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

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2017

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
\$ 9,707	\$	\$ 187,500	\$ 24,415	\$	\$ 16,208	\$ 252	\$ 338,154
							3,552
							44
328,324			4,050	12,043	616	46	399,257
1,116			4,090		557		47,723
24,858	377				151		543,907
159,858						682	787,739
218							36,924
							2,986
						998	1,640
							2,666
			1,500				1,500
<u>\$ 524,081</u>	<u>\$ 377</u>	<u>\$ 187,500</u>	<u>\$ 34,055</u>	<u>\$ 12,043</u>	<u>\$ 17,532</u>	<u>\$ 1,978</u>	<u>\$ 2,166,092</u>

Interfund Payables

Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Total
\$ 2,214	\$ 1,964	\$ 37	\$ 15,500	\$	\$ 2,056	\$ 124,983
					880	1,604
						12,606
58,597	102	2	436		2,204	121,236
						4,855
131,788	211		68		1,574	156,721
		1				74
8	262	21	111		232	70,464
						3
131	94	11				5,558
<u>\$ 192,738</u>	<u>\$ 2,633</u>	<u>\$ 72</u>	<u>\$ 16,115</u>	<u>\$</u>	<u>\$ 6,946</u>	<u>\$ 498,104</u>

Note 8

**PENSION PLANS AND OTHER POST
EMPLOYMENT BENEFITS**

Kentucky Retirement Systems

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

The Commonwealth contributes to the KERS, a multiple-employer cost sharing defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances.

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

SPRS is a single-employer defined benefit plan that covers all full-time State Troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances.

The financial statements are prepared using the accrual basis of accounting which is the same method used by all retirement plans of the Commonwealth. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

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

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

Kentucky Judicial Form Retirement System

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

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

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

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

The Judicial Form Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing to the Judicial Form Retirement Plan, 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, or by telephone at (502) 848-8500 or online at www.ktrs.ky.gov.

COMMONWEALTH OF KENTUCKY

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

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

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

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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

Judicial Retirement Plan
Governance KRS 21.345 through KRS 21.570
Single Employer Defined Benefit

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

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

	Fiscal Year 2017		
	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
Total Pension Liability			
Service Costs	\$ 967	\$ 4,913	\$ 8,402
Interest	5,161	23,436	52,951
Differences between expected and actual experience			
Changes in assumptions			56,191
Benefit payments/refunds	(3,999)	(22,868)	(56,279)
Other	22	85	
Net change in total pension liability	2,151	5,566	61,265
Total pension liability at July 1	76,213	371,205	734,157
Total pension liability at June 30	<u>\$ 78,364</u>	<u>\$ 376,771</u>	<u>\$ 795,422</u>
Pension Plan Fiduciary Net Position			
Contributions - employer	\$ 3,380	\$ 15,294	\$ 25,822
Contributions - member	335	1,737	5,262
Net investment income	2,067	8,734	(3,841)
Benefit payments/refunds	(3,999)	(22,867)	(56,279)
Administrative expenses			(180)
Other	22	91	
Net change in plan fiduciary net position	1,805	2,989	(29,216)
Pension plan fiduciary net position at July 1	60,089	264,466	247,229
Pension plan fiduciary net position at June 30	<u>\$ 61,894</u>	<u>\$ 267,455</u>	<u>\$ 218,013</u>
Net pension liability at June 30	<u>\$ 16,470</u>	<u>\$ 109,316</u>	<u>\$ 577,409</u>
Pension plan fiduciary net position as a %			
of the total pension liability	78.98%	70.99%	27.41%
Covered-employee payroll	\$ 4,500	\$ 30,002	\$ 46,685
Net Pension liability as a % of covered employee payroll	366.0%	364.4%	1236.82%

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	Kentucky Employees' Retirement System		State Police Retirement System
	Non-Hazardous	Hazardous	
Employer Contribution	31.46%	14.96%	55.3%
State Contribution as a percentage of nonemployer special funding situation			
Member Contribution	5.00%	8.00%	8.00%
Contributions made in thousands	\$363,090	\$19,185	\$25,822
Actuarial Valuation Date	June 30, 2015	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry age	Entry age	Entry age
Amortization Method	Level percent closed	Level percent closed	Level percent closed
Remaining amortization period	27 years	27 years	27 years
Asset valuation method	Five-year smoothed Market	Five-year smoothed Market	Five-year smoothed Market
Actuarial assumptions:			
Investment rate of return	6.75%	7.50%	6.75%
Inflation Rate	3.25%	3.25%	3.25%
Projected salary increases	4.0% , average , including inflation	4.0% , average , including inflation	4.0% , average , including inflation
Mortality Tables	Active members RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females) For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB in the current mortality table to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.		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.) For healthy retired members and beneficiaries, the mortality table used RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females.) For disabled members the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back four years for males is used for the period after disability retirement.)
Date of Experience Study	The period July1, 2008 - June 30, 2013	The period July1, 2008 - June 30, 2013	The period July1, 2008 - June 30, 2013
Update procedures applied	Standard Roll Forward techniques. The roll forward calculation adds the annual cost ,subtracts the actual benefit payments and refunds then applies the expected investment rate of return for the year. The procedure was used to determine the total pension liability as of June 30,2016		
Membership Information			
Retirees and beneficiaries receiving benefits	40,099	2,739	1,379
Inactive members	43,929	4,067	262
Active plan members	38,121	3,987	924
Total	122,149	10,793	2,565
Membership Information-Hybrid			
Active plan members	6,271	1,077	135
Number of participating employers	358	358	1

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Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Teachers' Retirement System
Traditional plan 50.3% Hybrid plan 2.2%	Traditional plan 75.6% Hybrid plan 0.1%	13.105%-14.1055
		13.105%-14.1055
Members entering the plan prior to September 1, 2008, must contribute 5%. Members entering the plan on or after September 1, 2008, contribute 6% of official salary. Members joining July 1, 2014, or later contribute 5% to a hybrid cash account.		8.185%-12.855%
\$15,295	\$3,381	\$484,986
July 1, 2016	July 1, 2016	June 30, 2015
Entry age normal funding method	Entry age normal funding method	Entry age
Interest + 1% Unfunded past liability	Interest + 1% Unfunded past liability	Level percentage of pay, open
24 Years	24 Years	30 Years
Market Value	Market Value	Five-year smoothed Market
6.85% Defined Benefit Plan 4.0% Hybrid Cash Plan	6.85 % Defined Benefit Plan 4.0% Hybrid Cash Plan	7.5%, net of pension plan investment expense, including inflation
3.00%	3.00%	3.50%
1.0% for the next five years, thereafter 3.5%	1.0% for the next five years, thereafter 3.5%	3.5-7.3%

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 projection of Scale AA to 2020 with a setback of one year for females.

No Procedures Applied

No Procedures Applied

The period July 1, 2005 - June 30, 2010

The actuarial valuation was last performed as of July 1, 2015, and is roll-forward for July 1, 2016. The roll forward method employs generally accepted actuarial techniques. The results in this report have been developed with full reliance on the July 1, 2015, Actuarial Valuation Report. At the measurement date, the hybrid Judicial and Legislators' Plans had multiple members as presented below.

The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the year and then applies the assumed interest rate (SEIR) for the year.

	330	200	49,822
	18	42	8,051
	237	101	72,246
	<u>585</u>	<u>343</u>	<u>130,119</u>
	17	14	
	1	1	193

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Kentucky Judicial Retirement System

The long-term expected rate of return on Judicial and Legislators' Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Judicial and Legislators' Plan's target asset allocation as of June 30, 2016 (see the discussion of the Judicial Plan's investment policy in Note 5) are summarized in the following table:

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

The discount used to measure the total pension liability was 6.41%, an increase from the 6.15% discount rate used as of July 1, 2014. 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, 2049. 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, 2015, for the periods thereafter to determine the total pension liability. The discount used to measure the total pension liability on the second bases was 7.00% for 34 years, and 3.80% thereafter. This is equivalent to an average assumed rate of return of approximately 6.41%.

The following presents the net pension liability of the Judicial Plan, calculated using the discount rate of 6.41%, 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 (5.41%) or 1% point higher (7.41%) than the current rate:

Kentucky Judicial Retirement System			
(Expressed in Thousands)			
	1%	Current	1%
	Decrease	Discount	Increase
	(5.41%)	Rate (6.41%)	(7.41%)
Net Pension Liability	\$ 149,098	\$ 109,316	\$ 75,857

Kentucky Legislators' Retirement System

The discount used to measure the total pension liability was 6.85%, equal to the discount rate used as of July 1, 2014. 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, 2062. 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, 2015, for the periods thereafter to determine the total pension liability. The discount used to measure the total pension liability on the second bases was 7.00% for 47 years, and 3.80% thereafter. This is equivalent to an average assumed rate of return of approximately 6.85%.

The following presents the net pension liability of the Legislators Plan, calculated using the discount rate of 6.85%, as well as what the Legislative Plan's pension liability would be if it was calculated using a discount rate that is 1% point lower (5.85%) or 1% point higher (7.85%) than the current rate:

Kentucky Legislators' Retirement System			
(Expressed in Thousands)			
	1%	Current	1%
	Decrease	Discount	Increase
	(5.85%)	Rate (6.85%)	(7.85%)
Net Pension Liability	\$ 24,678	\$ 16,470	\$ 9,598

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

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis was dated December 3, 2015. 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 ex-

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pected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table: (See the discussion of investment policy in Note 5)

State Police Retirement System		
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Global Equity	54%	5.30%
Intermediate Duration Fixed Income	9%	1.00%
Custom KRS Fixed Income	9%	3.33%
Core Real Estate	5%	4.25%
Diversified Hedge Funds	10%	4.00%
Private Equity	2%	8.00%
Diversified Inflation Strategy	8%	3.15%
Cash Equivalent	3%	-0.25%
Total	100%	

Kentucky Retirement Systems Non-Hazardous Retirement Plan		
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Combined Equity	50%	5.30%
Intermediate Duration Fixed Income	11%	1.00%
Custom Fixed Income	11%	3.33%
Real Estate	5%	4.25%
Absolute Return (Diversified Hedge Funds)	10%	4.00%
Private Equity	2%	8.00%
Diversified Inflation strategies	8%	3.15%
Cash Equivalent	3%	(0.25%)
Total	100%	

Kentucky Retirement Systems Hazardous Retirement Plan		
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Combined Equity	44%	5.4%
Combined Fixed Income	19%	1.5%
Real Return (Diversified Inflation Strategies)	10%	3.5%
Real Estate	5%	4.5%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.5%
Cash Equivalent	2%	(0.25%)
Total	100%	

The discount rate used to measure the total pension liability of KSPRS and KERS non-hazardous was 6.75% a decrease from 7.5%. The discount rate used to measure KERS Hazardous is 7.5% unchanged from the prior year. The projection of cash flow used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The following presents the net pension liability of KSPRS, and KERS Non-Hazardous calculated using the discount rate of 6.75%, and KERS Hazardous using the discount rate of 7.5% 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 (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 665,253	\$ 577,409	\$ 503,953

Kentucky Employees' Retirement System - Non-Hazardous			
(Expressed in Thousands)			
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 9,032,078	\$ 8,017,320	\$ 7,164,496

Kentucky Employees' Retirement System - Hazardous			
(Expressed in Thousands)			
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 482,428	\$ 383,971	\$ 301,328

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Kentucky Teachers' Retirement System

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

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

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

The discount rate used to measure the total pension liability was 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 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. 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 4.2%, 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 (3.2%) or 1-percentage-point higher (5.2%) than the current rate:

Kentucky Teachers' Retirement System			
(Expressed in Thousands)			
	1% Decrease (3.2%)	Current Discount Rate (4.2%)	1% Increase (5.2%)
State as employer	\$ 627,924	\$ 511,846	\$ 416,576
State as a nonemployer special funding situation	35,498,043	28,934,981	23,549,336
Total Net Pension Liability	\$ 36,125,967	\$ 29,446,827	\$ 23,965,912

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

Kentucky Judicial Retirement System

For the Year Ended June 30, 2017, the Commonwealth of Kentucky recognized pension expenses of \$12,169,000 for the Kentucky Judicial Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

Kentucky Judicial Form Retirement System (Expressed in Thousands)		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 752	\$
Changes in assumptions	9,981	5,905
Net difference between projected and actual earnings on investments	7,591	14,187
Contributions subsequent to the measurement date	13,172	
Total	\$ 31,496	\$ 20,092

The \$13,172,000 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, 2017. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

Kentucky Judicial Retirement System (Expressed in Thousands)		
Year ended June 30:		
2018	\$	512
2019		(4,316)
2020		138
2021		1,898

Kentucky Legislators' Retirement System

For the Year Ended June 30, 2017, the Commonwealth of Kentucky recognized pension expense/(income) of (\$395,000) for the Kentucky Legislators' Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

Kentucky Legislators' Retirement System (Expressed in Thousands)		
	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	1,704	2,921
Change in proportionate share		
Contributions subsequent to the measurement date	2,406	
Total	\$ 4,110	\$ 2,921

The \$2,406,000 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, 2017. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

Kentucky Legislators' Retirement System (Expressed in Thousands)		
Year ended June 30:		
2018	\$	(862)
2019		(862)
2020		81
2021		427

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

Kentucky Employees' Non-Hazardous Retirement System

For the Year Ended June 30, 2017, the Commonwealth of Kentucky recognized pension expenses of \$1,026,397,000 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 (Expressed in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,383	\$
Changes in assumptions	602,021	15
Net difference between projected and actual earnings on investments	128,505	
Change in proportionate share	168,753	79,418
Contributions subsequent to the measurement date	439,475	
Total	\$ 1,347,137	\$ 79,433

The \$439,475,000 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, 2017. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as

Kentucky Employees' Retirement System Non- Hazardous (Expressed in Thousands)	
Year ended June 30:	
2018	\$ 463,178
2019	284,659
2020	51,535
2021	28,857

Kentucky Employees' Hazardous Retirement System

For the Year Ended June 30, 2017, the Commonwealth of Kentucky recognized pension expenses of \$53,865,000 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 (Expressed in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,312	\$
Changes in assumptions	19,882	
Net difference between projected and actual earnings on investments	36,660	
Change in proportionate share	4,934	4,506
Contributions subsequent to the measurement date	18,760	
Total	\$ 82,548	\$ 4,506

The \$18,760,000 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, 2017. 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 (Expressed in Thousands)	
Year ended June 30:	
2018	\$ 24,249
2019	11,646
2020	15,058
2021	8,329

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

Kentucky State Police Retirement

For the Year Ended June 30, 2017, the Commonwealth of Kentucky recognized pension expenses of \$74,858,000 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 (Expressed in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,710	\$
Changes in assumptions	53,989	
Net difference between projected and actual earnings on investments	17,953	
Change in proportionate share		
Contributions subsequent to the measurement date	43,511	
Total	<u>\$ 119,163</u>	<u>\$</u>

The \$43,511,000 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, 2017. 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 (Expressed in Thousands)	
Year ended June 30:	
2018	\$ 36,181
2019	26,035
2020	9,150
2021	4,286

Kentucky Teachers' Retirement System

For the Year Ended June 30, 2017, the Commonwealth of Kentucky recognized pension expenses of \$42,238,000 as an employer and \$2,356,470,000 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 (Expressed in Thousands)		Kentucky Teachers' Retirement System (Expressed in Thousands)	
	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	\$	\$ 3,141	\$	\$ 212,647
Changes in assumptions	62,792	2,415	4,168,386	160,315
Net difference between projected and actual earnings on investments	12,369		821,600	
Change in proportionate share	15,213	15,771	23,191	16,632
Contributions subsequent to the measurement date	2,572		1,023,456	
Total	<u>\$ 92,946</u>	<u>\$ 21,327</u>	<u>\$ 6,036,633</u>	<u>\$ 389,594</u>

The \$2,572,000 and \$1,023,456,000 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, 2017. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

	Kentucky Teachers' Retirement System (Expressed in Thousands)		Kentucky Teachers' Retirement System (Expressed in Thousands)	
	Employer		Nonemployer Special Funding Situation	
Year ended June 30:				
2018	\$	14,586	\$	976,706
2019		14,586		976,706
2020		19,344		1,295,310
2021		15,430		1,033,222
2022		5,101		341,639

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

For the Year Ended June 30, 2017, the Commonwealth of Kentucky recognized pension expenses of \$1,209,132,000 as an employer and \$2,356,470,000 as a Governmental Nonemployer Contributing Entity to Kentucky Teachers' Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

	Primary Government <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	\$ 14,818	\$ 3,141	\$	\$ 212,647
Changes in assumptions	730,972	8,320	4,168,386	160,315
Net difference between projected and actual earnings on investments	194,371	17,108	821,600	16,632
Change in proportionate share	182,783	95,953	23,191	
Contributions subsequent to the measurement date	503,162		1,023,456	
Total	<u>\$ 1,626,106</u>	<u>\$ 124,522</u>	<u>\$ 6,036,633</u>	<u>\$ 389,594</u>

For the Year Ended June 30, 2017, The Commonwealth of Kentucky recognized pension expenses of \$49,919,000 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	\$ 339	\$
Changes in assumptions	17,693	15
Net difference between projected and actual earnings on investments	10,411	
Change in proportionate share	6,117	3,742
Contributions subsequent to the measurement date	16,733	
Total	<u>\$ 51,293</u>	<u>\$ 3,757</u>

Major Component Units recognized pension expenses of \$53,456,000 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	\$ 388	\$ 3,615
Changes in assumptions	58,878	1,412
Net difference between projected and actual earnings on investments	18,703	
Change in proportionate share	1,514	41,314
Contributions subsequent to the measurement date	27,163	
Total	<u>\$ 106,646</u>	<u>\$ 46,341</u>

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2017

Primary Government reports \$1,543,351,000 and Major Component Units report \$27,163,000 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, 2017, as reflected below. Other amounts reported as deferred outflows and deferred inflows will be recognized in pension expense as follows:

Primary Government				Major
(Expressed in Thousands)				Component Units
	Governmental Activities	Nonemployer Special Funding Situation	Business-Type Activities	(Expressed in Thousands)
Year ended June 30:				
2018	\$ 521,747	\$ 976,706	\$ 16,097	\$ 9,267
2019	321,819	976,706	9,929	5,695
2020	92,453	1,295,310	2,852	1,031
2021	57,454	1,033,222	1,773	577
2022	4,949	341,637	153	16,571

Schedule of Retiree Health Insurance Benefit and Eligibility

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

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

Legislators' Retirement System

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

Kentucky Teachers' Retirement System

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

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

Schedule of Other Post Employment Benefits (Insurance) Actuarial Information

(Expressed in Thousands)

	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan
Contribution rates:		
State	4.4%	0.0%
Plan members	1.00%	1.00%
Annual required contribution (ARC)	\$1,218	\$0
Contributions made	\$1,218	\$0
Actuarial valuation date	July 1, 2017	July 1, 2017
Actuarial cost method	Entry age normal funding method	Entry age normal funding method
Amortization method	Interest + 1% Unfunded Past Liability open	Interest + 1% Unfunded Past Liability open
Remaining amortization period	24 years	24 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	6.24% for defined benefit plan, 4% cash hybrid plan	6.45%
Inflation Rate	3%	3%
Projected salary increases	1% for next 5 years, and 3.5% thereafter	1% for next 5 years, and 3.5% thereafter
Increases in Health Insurance Cost	8% for year 1 decreasing .25% per year until reaching 5%	8% for year 1 decreasing .25% per year until reaching 5%
Actuarial Required Contribution (ARC)	\$ 1,218	\$
Interest on NOPEBO	68	(25)
Adjustment to ARC	(87)	(31)
Annual pension cost	1,199	(56)
Contributions made	1,218	0
Increase (Decrease) in NOPEBO	(19)	(56)
NOPEBO beginning of year	1,082	(383)
NOPEBO as of 6/30/17	\$ 1,063	\$ (439)
Percentage APC contributed	101.6%	
June 30, 2016		
Annual pension cost	\$ 1,256	\$ (45)
Percentage APC contributed	101.4%	
NOPEBO as of 6/30/16	\$ 1,082	\$ (383)
June 30, 2015		
Annual Pension Cost	\$ 1,256	\$ (43)
Percentage APC Contributed	101.4%	
NOPEBO as of 6/30/15	\$ 1,100	\$ (333)

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

State Police Retirement System	Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System
	Non-Hazardous	Hazardous	
18.87%	8.35%	2.74%	0.03%
1.00%	1.00%	1.00%	0.00%
\$9,222	\$133,024	\$4,688	\$103,919
\$9,222	\$152,356	\$5,620	\$181,426
June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017
Entry age Normal	Entry age Normal	Entry age	Entry age
Level percent of Pay	Level percent of Pay	Level percent closed	Level percent closed
28 years	28 years	27 years	27 years
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	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
6.25%	6.25%	7.50% - 8.00%	7.50% - 8.00%
2.30%	2.30%	3.00%	3.00%
0%	0.00%	3.5%-7.3%	3.5%-7.3%
1.50%	1.50%	5.0%-7.75%	5.0%-7.75%
\$ 9,222	\$ 133,024	\$ 4,688	\$ 103,919
10,422	112,126	5,929	110,847
(13,437)	(144,560)	(5,211)	(80,485)
6,207	100,589	5,406	134,281
9,222	152,356	5,620	180,376
(3,015)	(51,767)	(214)	(46,095)
166,753	1,794,008	94,862	1,385,590
\$ 163,738	\$ 1,742,241	\$ 94,648	\$ 1,339,495
148.6%	151.5%	104.0%	134.3%
\$ 7,608	\$ 111,754	\$ 15,074	\$ 136,375
134.6%	121.5%	111.2%	163.5%
\$ 166,753	\$ 1,794,008	\$ 94,862	\$ 1,385,590
\$ 8,937	\$ 120,222	\$ 15,085	\$ 145,587
116%	113.1%	98.7%	116.2%
\$ 169,382	\$ 1,818,070	\$ 96,554	\$ 1,472,220

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2017

Schedule of Funding Progress - Insurance Funds

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Judicial Retirement Plan						
June 30, 2015	\$ 61,046,752	\$ 61,195,047	\$ 148,295	99.8	\$ 30,009,326	.5
June 30, 2016	67,725,236	64,684,050	(3,041,186)	104.7	30,009,326	(10.1)
June 30, 2017	75,135,480	52,064,012	(23,071,468)	144.3	27,590,586	(83.6)
Legislators' Retirement Plan						
June 30, 2015	\$ 33,194,900	\$ 26,955,434	\$ (6,239,466)	123.1	\$ 4,467,419	(139.7)
June 30, 2016	36,413,147	28,608,061	(7,805,086)	127.3	4,467,419	(174.7)
June 30, 2017	39,967,081	22,048,825	(17,918,256)	181.3	3,505,969	(511.1)
State Police Retirement System						
June 30, 2015*	\$ 167,774,940	\$ 254,838,710	\$ 87,063,770	65.8	\$ 45,764,515	190.2
June 30, 2016	172,703,691	257,197,259	84,493,568	67.1	45,551,469	185.5
June 30, 2017	178,838,000	313,234,000	134,396,000	57.1	48,873,000	275
Kentucky Employees' Retirement System						
Non-Hazardous						
June 30, 2015*	\$ 695,018,262	\$ 2,413,705,252	\$ 1,718,686,990	28.8	\$ 1,544,234,409	111.3
June 30, 2016	743,270,030	2,456,677,964	1,713,407,934	30.3	1,529,248,873	112.0
June 30, 2017	817,370,000	3,353,332,000	2,535,962,000	24.4	1,593,097,000	159.0
Hazardous						
June 30, 2015*	\$ 451,514,191	\$ 374,904,234	\$ (76,609,957)	120.4	\$ 128,680,130	(59.5)
June 30, 2016	473,160,173	377,745,230	(95,414,943)	125.3	147,563,457	(64.7)
June 30, 2017	488,838,000	494,869,000	6,031,000	98.8	171,087,000	3.5
Kentucky Teachers' Retirement System						
June 30, 2015	\$ 735,025,000	\$ 3,624,323,000	\$ 2,889,298,000	20.3	\$ 3,515,113,000	82.2
June 30, 2016	892,324,000	3,740,132,000	2,847,808,000	23.9	3,537,226,000	80.5
June 30, 2017	1,081,424,000	3,800,788,000	2,719,364,000	28.5	3,563,584,000	76.3

* Discount rate changed from 7.75% to 7.50%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2017

Three year trend for contributions - Insurance Funds
(Expressed in thousands):

	Insurance	
	Annual Required Contribution	Percentage Contributed
<u>Judicial Retirement Plan</u>		
2015	\$ 1,274	100.0%
2016	1,274	100.0%
2017	1,218	100.0%
<u>Legislators' Retirement Plan</u>		
2015	\$	
2016	5	100.0%
2017		
<u>State Police Retirement System</u>		
2015	\$ 9,890	105.0%
2016	8,553	119.7%
2017	9,222	100%
<u>Kentucky Employees' Retirement System</u>		
<u>Non-Hazardous</u>		
2015	\$ 130,455	104.2%
2016	121,899	111.4%
2017	133,024	114.5%
<u>Hazardous</u>		
2015	\$ 13,152	113.2%
2016	9,186	182.5%
2017	4,688	119.9%
<u>Kentucky Teachers' Retirement System</u>		
2015	\$ 107,656	157.7%
2016	99,040	163.5%
2017	103,919	175.4%

Note 9

EMPLOYEE BENEFIT PLAN

Kentucky Public Employees' Deferred Compensation Plan

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

Of the \$1,009,949,344 in the 457 Plan at June 30, 2017, \$470,200,978 was applicable to the Commonwealth, while the remaining \$539,748,366 represents assets of the other jurisdictions participating in the Plan. The 401(k) Plan had total plan assets of \$1,725,753,751 at June 30, 2017, of which \$676,295,220 was applicable to the Commonwealth, while the remaining \$1,049,458,531 represents other participating jurisdictions.

Note 10

LEASE OBLIGATIONS

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

A portion of the capital lease liability for the major component units is applicable to leases with the Commonwealth.

Changes in leases payable for the year ended June 30, 2017, are summarized in Note 15, Changes in Long-Term Obligations.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2017

At June 30, 2017, capitalized leases included Buildings and Equipment as follows (Expressed in Thousands):

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units-Major
Buildings	\$ 52,029	\$ 14,611	\$ 481,205
Equipment	60,276	1,162	101,529
Other			94,597
Total	112,305	15,773	677,331
Less: Accumulated depreciation	(68,504)	(8,964)	(316,679)
Total Net of Depreciation	\$ 43,801	\$ 6,809	\$ 360,652

Future minimum rental commitments for capitalizable leases as of June 30, 2017, are as follows (Expressed in Thousands):

	Primary Government				Component Units - Major	
	Governmental		Business-Type		Principal	Interest
	Principal	Interest	Principal	Interest		
2018	\$ 12,432	\$ 1,329	\$ 1,175	\$ 268	\$ 23,585	\$ 9,527
2019	9,498	935	1,155	236	17,146	8,619
2020	5,261	493	1,161	205	16,828	8,044
2021	4,083	553	1,093	173	13,706	7,507
2022	3,027	930	1,106	142	14,164	7,025
2023-2027	11,342	967	4,529	318	85,382	31,318
2028-2032	612	27			44,959	11,649
2033-2037					35,054	3,750
Present value of future minimum lease payments	\$ 46,255	\$ 5,234	\$ 10,219	\$ 1,342	\$ 250,824	\$ 87,439

Note 11

RISK MANAGEMENT

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

Fire and Tornado Insurance:

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

The claims liability of \$6,684,000 reported in the Program at June 30, 2017, 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 2017 and 2016 were:

	Fiscal Year 2017	Fiscal Year 2016
Beginning of fiscal year liability	\$ 7,190,000	\$ 9,572,000
Incurred claims		6,553,241
Changes in estimates		
Claims payments	(506,000)	(8,935,241)
Balance at Fiscal Year End	\$ 6,684,000	\$ 7,190,000

Self-Insured Workers' Compensation:

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

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The actuarially determined aggregate claims liability of \$179,033,385 reported in the Program at June 30, 2017, 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 2017 and 2016 were:

	Fiscal Year 2017	Fiscal Year 2016
Beginning of fiscal year liability	\$ 175,139,265	\$ 176,883,414
Claims and claims adjustments incurred	22,720,035	18,078,060
Changes in estimates		
Claims and claims adjustment payments	(18,825,915)	(19,822,209)
Balance at Fiscal Year End	<u>\$ 179,033,385</u>	<u>\$ 175,139,265</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 \$31,660,732 reported in the Program at June 30, 2017, 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 2017 and 2016 were:

	Fiscal Year 2017	Fiscal Year 2016
Beginning of fiscal year liability	\$ 31,649,485	\$ 29,005,422
Claims and claims adjustments incurred	3,285,889	5,735,411
Changes in estimates		
Claims and claims adjustment payments	(3,274,642)	(3,091,348)
Balance at Fiscal Year End	<u>\$ 31,660,732</u>	<u>\$ 31,649,485</u>

Note 12

RISK POOLS

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

Risk Pools - Enterprise Funds

Workers' Compensation Insurance:

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

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$723,291,858 as reported in the financial statements, is the present value of the aggregate actuarially determined claims liability of \$854,065,000 discounted at 1.6 percent, and net of the estimated realizable value of reimbursements. The claims adjusted liability of \$21,961,096 as reported in the financial statements is the present value of the aggregate actuarially determined liability of \$24,149,000 discounted at 1.6 percent and net of the estimated realizable value of reimbursements.

The actuarially determined liabilities described above arise from projections included in a biennial actuarial report that was performed as of June 30, 2016. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years were:

	Fiscal Year 2017	Fiscal Year 2016
Beginning of fiscal year liability	\$ 925,675,000	\$ 1,008,341,000
Claims and claims adjustments incurred	7,280,000	6,100,000
Changes in estimates	2,219,000	(29,668,000)
Claims and claims adjustment payments	(56,960,000)	(59,098,000)
Balance at Fiscal Year End	<u>\$ 878,214,000</u>	<u>\$ 925,675,000</u>

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Coal Workers' Pneumoconiosis Fund:

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

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

The Coal Workers' Pneumoconiosis Fund establishes claims liability based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$36,207,503 as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$40,121,000 discounted at 2.7 percent. The claims adjustment liability of \$742,000 as reported in the financial statements, is the present value of the aggregate actuarially determined liability of \$822,000 discounted at 2.7 percent. Changes in the aggregate liability for claims and claims adjustments for the past two years were as follows:

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

	Fiscal Year 2017	Fiscal Year 2016
Beginning of fiscal year liability	\$ 56,421,000	\$ 49,695,000
Claims and claims adjustments incurred	2,536,000	7,264,000
Changes in estimates	(8,787,000)	7,168,000
Claims and claims adjustment payments	(9,227,000)	(7,706,000)
Balance at Fiscal Year End	<u>\$ 40,943,000</u>	<u>\$ 56,421,000</u>

Petroleum Storage Tank Environmental Assurance Program:

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

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

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$193,345,123 that was reported in the financial statements is the aggregate actuarially determined claims liability and is not discounted. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years were:

	Fiscal Year 2017	Fiscal Year 2016
Beginning of fiscal year liability	\$ 193,345,123	\$ 193,345,123
Claims and claims adjustments incurred	16,020,926	15,334,362
Changes in estimates		
Claims and claims adjustment payments	(16,020,926)	(15,334,362)
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.

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

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

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

The coal companies participating in the Program are required to post a permit specific bond based on the number of acres permitted and their rating in the Program. The Kentucky Reclamation Guaranty Fund in turn provides coverage for reclamation costs that exceed the permit specific bond. The Fund will pay claims for costs incurred in excess of the required bond amount.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$2,465,433 as reported in the financial statements is the aggregate actuarially determined claims liability.

	Fiscal Year 2017	Fiscal Year 2016
Beginning of fiscal year liability	\$ 116,728,544	\$ 189,552
Claims and claims adjustments incurred		116,538,992
Changes in estimates	(114,263,111)	
Claims and claims adjustment payments		
Balance at Fiscal Year End	<u>\$ 2,465,433</u>	<u>\$ 116,728,544</u>

Mine Subsidence Insurance:

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

GASB 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The Mine Subsidence Program had zero claims liability at June 30, 2017. Changes in the Program's aggregate liabilities for the claims and claims adjustments for the past two years were:

	Fiscal Year 2017	Fiscal Year 2016
Beginning of fiscal year liability	\$	\$
Claims and claims adjustments incurred	626	5,131
Changes in estimates		
Claims and claims adjustment payments	(626)	(5,131)
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-

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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 \$80,037,885 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 2017	Fiscal Year 2016
Beginning of fiscal year liability	\$ 120,385,655	\$ 70,696,529
Claims and claims adjustments incurred	1,499,476,871	1,473,690,710
Changes in estimates	(2,110,318)	5,746,977
Claims and claims adjustment payments	(1,537,714,323)	(1,429,748,561)
Balance at Fiscal Year End	<u>\$ 80,037,885</u>	<u>\$ 120,385,655</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 2017 or 2016; and, there was not a claims liability for FY 2017 or FY 2016.

Note 13

DEFEASANCE OF LONG-TERM DEBT

The School Facilities Construction Commission issues revenue bonds on behalf of local school districts to finance construction of new facilities or the major renovation of existing facilities. The Commission participates in the payment of debt service for qualifying districts. By statute, the Commission's portion of the savings from refunding issues goes to the school district. Therefore, the Commission's participation remains unchanged and the Commission does not experience an economic gain or loss on these transactions. Proceeds from the issues are placed in escrow accounts to pay the future debt service of the issue(s) being refunded. During the fiscal year ended June 30, 2017 the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated November 22, 2016, were issued for the Allen County School District Finance Corporation to refund a 2006 and a 2007 issue. The Commission's portion of the refunding issue was \$810,000 maturing June 1, 2017, through December 1, 2026, and carrying an interest rate of 2.050%.

Revenue refunding bonds dated June 13, 2017, were issued for the Anderson County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$314,151 maturing February 1, 2018, through February 1, 2029, and carrying interest rates from 1.000% to 3.000%.

Revenue refunding bonds dated November 14, 2016, were issued for the Augusta Independent School District Finance Corporation to refund a 2004, a 2006 and a 2008 issue. The Commission's portion of the refunding issue was \$2,329,427 maturing February 1, 2017, through February 1, 2028, and carrying interest rates of 2.000% to 2.200%.

Revenue refunding bonds dated August 23, 2016, were issued for the Bath County School District Finance Corporation to refund two 2008 issues. The Commission's portion of the refunding issue was \$4,859,450 maturing May 1, 2017, through May 1, 2028, and carrying interest rates from 1.050% to 2.000%.

Revenue refunding bonds dated June 29, 2017, were issued for the Berea Independent School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$243,857 maturing August 1, 2017, through August 1, 2028, and carrying an interest rate of 3.000%.

Revenue refunding bonds dated February 23, 2017, were issued for the Boone County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$569,443 maturing February 1, 2018, through February 1, 2029, and carrying an interest rate of 3.000%.

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Revenue refunding bonds dated October 26, 2016, were issued for the Bowling Green Independent School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$565,185 maturing February 1, 2017, through August 1, 2028, and carrying interest rates from 1.050% to 2.000%.

Revenue refunding bonds dated July 12, 2016, were issued for the Calloway County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$1,302,022 maturing October 1, 2016, through October 1, 2028, and carrying interest rates from 2.000% to 2.100%.

Revenue refunding bonds dated November 16, 2016, were issued for the Campbellsville Independent School District Finance Corporation to refund a 2005 and a 2008 issue. The Commission's portion of the refunding issue was \$3,460,000 maturing March 1, 2017, through March 1, 2028, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated October 3, 2016, were issued for the Carlisle County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$594,495 maturing May 1, 2017, through May 1, 2028, and carrying interest rates from 2.000% to 2.250%.

Revenue refunding bonds dated October 11, 2016, were issued for the Cloverport Independent School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$2,954,952 maturing February 1, 2017, through February 1, 2028, and carrying an interest rate of 2.000%.

Revenue refunding bonds dated August 25, 2016, were issued for the Elliott County School District Finance Corporation to refund a 2007 issue. The Commission's portion of the refunding issue was \$2,185,000 maturing November 1, 2016, through November 1, 2027, and carrying interest rates from 1.000% to 2.000%.

Revenue refunding bonds dated September 2, 2016, were issued for the Erlanger-Elsmere Independent School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$632,665 maturing March 1, 2017, through September 1, 2028, and carrying an interest rate of 2.000%.

Revenue refunding bonds dated October 18, 2016, were issued for the Ft. Thomas Independent School District Finance Corporation to refund a 2006, a 2007, a 2008 and a 2010 issue. The Commission's portion of the refunding issue was \$4,101,351 maturing March 1, 2017, through September 1, 2030, and carrying interest rates from 2.000% to 2.375%.

Revenue refunding bonds dated October 19, 2016, were issued for the Fulton County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$1,342,871 maturing February 1, 2017, through February 1, 2028, and carrying interest rates from 2.000% to 2.250%.

Revenue refunding bonds dated June 14, 2017, were issued for the Garrard County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$143,580 maturing February 1, 2018, through February 1, 2029, and carrying an interest rate of 3.000%.

Revenue refunding bonds dated October 17, 2016, were issued for the Green County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$140,414 maturing February 1, 2017, through August 1, 2029, and carrying an interest rate of 2.000%.

Revenue refunding bonds dated October 20, 2016, were issued for the Harlan County School District Finance Corporation to refund a 2007 and a 2010 issue. The Commission's portion of the refunding issue was \$2,235,536 maturing February 1, 2017, through August 1, 2030, and carrying interest rates from 2.000% to 2.500%.

Revenue refunding bonds dated August 24, 2016, were issued for the Harrison County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$722,074 maturing May 1, 2017, through May 1, 2028, and carrying interest rates from 1.000% to 2.000%.

Revenue refunding bonds dated August 17, 2016, were issued for the Hickman County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$148,698 maturing October 1, 2016, through October 1, 2028, and carrying interest rates from 1.000% to 2.000%.

Revenue refunding bonds dated September 7, 2016, were issued for the Jefferson County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$7,120,000 maturing April 1, 2017, through October 1, 2028, and carrying an interest rate of 2.000%.

Revenue refunding bonds dated September 14, 2016, were issued for the Laurel County School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$2,287,464 maturing March 1, 2017, through September 1, 2030, and carrying interest rates from 2.000% to 2.250%.

Revenue refunding bonds dated October 19, 2016, were issued for the Lee County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$202,411 maturing February 1, 2017, through August 1, 2028, and carrying an interest rate of 2.000%.

Revenue refunding bonds dated November 15, 2016, were issued for the Lewis County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$387,735 maturing March 1, 2017, through September 1, 2028, and carrying interest rates from 2.000% to 2.500%.

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Revenue refunding bonds dated September 13, 2016, were issued for the Madison County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$142,637 maturing December 1, 2016, through December 1, 2028, and carrying interest rates from 2.000% to 4.000%.

Revenue refunding bonds dated August 17, 2016, were issued for the Monroe County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$194,539 maturing October 1, 2016, through October 1, 2028, and carrying interest rates from 1.000% to 2.000%.

Revenue refunding bonds dated September 22, 2016, were issued for the Muhlenberg County School District Finance Corporation to refund a 2007 issue and a 2010 issue. The Commission's portion of the refunding issue was \$3,045,224 maturing November 1, 2016, through November 1, 2030, and carrying interest rates from 2.000% to 2.250%.

Revenue refunding bonds dated October 12, 2016, were issued for the Nelson County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$733,323 maturing May 1, 2017, through May 1, 2029, and carrying interest rates of 2.000% to 2.375%.

Revenue refunding bonds dated September 8, 2016, were issued for the Oldham County School District Finance Corporation to refund a 2007 issue. The Commission's portion of the refunding issue was \$163,835 maturing September 1, 2017, through September 1, 2027, and carrying interest rates of 0.050% to 4.000%.

Revenue refunding bonds dated February 21, 2017, were issued for the Rowan County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$320,299 maturing May 1, 2017, through November 1, 2028, and carrying interest rates of 2.000% to 3.000%.

Revenue refunding bonds dated October 12, 2016, were issued for the Russellville Independent School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$1,301,111 maturing April 1, 2017, through April 1, 2028, and carrying interest rates of 1.000% to 2.000%.

Revenue refunding bonds dated September 14, 2016, were issued for the Science Hill Independent School District Finance Corporation to refund a 2006 issue and a 2007 issue. The Commission's portion of the refunding issue was \$11,793 maturing March 1, 2017, through March 1, 2027, and carrying an interest rate of 2.000%.

Revenue refunding bonds dated September 15, 2016, were issued for the Scott County School District Finance Corporation to refund a 2008 issue and a 2009 issue. The Commission's portion of the refunding issue was \$1,154,588 maturing February 1, 2017, through February 1, 2029, and carrying interest rates from 1.000% to 3.000%.

Revenue refunding bonds dated October 12, 2016, were issued for the Shelby County School District Finance Corporation to refund a 2009 issue. The Commission's portion of the refunding issue was \$2,116,062 maturing February 1, 2017, through February 1, 2029, and carrying interest rates from 1.000% to 4.000%.

Revenue refunding bonds dated November 29, 2016, were issued for the Somerset Independent School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$264,070 maturing May 1, 2017, through May 1, 2030, and carrying an interest rate of 2.600%.

Revenue refunding bonds dated September 1, 2016, were issued for the Webster County School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$5,496,648 maturing December 1, 2016, through December 1, 2028, and carrying interest rates from 2.000% to 2.250%.

Revenue refunding bonds dated November 3, 2016, were issued for the West Point Independent School District Finance Corporation to refund a 2008 issue. The Commission's portion of the refunding issue was \$1,289,438 maturing February 1, 2017, through February 1, 2028, and carrying an interest rate of 2.000%.

Revenue refunding bonds dated October 4, 2016, were issued for the Williamsburg Independent School District Finance Corporation to refund a 2010 issue. The Commission's portion of the refunding issue was \$802,467 maturing December 1, 2016, through December 1, 2030, and carrying interest rates from 1.000% to 2.300%.

Component Units

Northern Kentucky University issued \$15,225,000 of 2016 Series B General Receipts Refunding Bonds dated August 25, 2016. These bonds mature on September 1, 2017 through September 1, 2028 carrying interest rates of 2.00% to 4.00%. The net proceeds in the amount of \$16,663,074 were deposited in the Bond Fund for Prior Bonds and used for a partial refunding of Series 2008A bonds in the amount of \$15,595,000 maturing September 1, 2019 through September 1, 2028, and carrying interest rates of 4.000% to 4.375%. The refunding will result in net savings (increase in cash flows) of \$1,817,989 in future periods and a present value savings of \$1,599,571 at 1.832%.

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Western Kentucky University issued \$27,395,000 of General Receipts Refunding Bonds, 2016 Series C dated October 25, 2016. These bonds mature March 1, 2017 through September 1, 2028 and carry interest rates of 3.00% to 4.00%. The net proceeds in the amount of \$30,717,027 were deposited in the Bond Fund for Prior Bonds and used for a partial refunding of Series 2009A bonds in the amount of \$28,370,000 maturing September 1, 2019 through September 1, 2028, and carrying interest rates of 4.000% to 4.750%. The refunding will result in net savings (increase in cash flows) of \$2,862,765 in future periods and a present value savings of \$2,502,323 at 2.091%.

The University of Kentucky issued \$36,805,000 of General Receipts Revenue Refunding Bonds as follows:

\$29,265,000 of General Receipts Revenue Refunding Bonds Series 2017 A dated February 21, 2017. These bonds mature April 1, 2017 through October 1, 2022 and carry interest rates of 1.000% to 5.000%. The net proceeds of the issue in the amount of \$31,805,067 was deposited to the 2006A Alco Notes Bond Fund and will completely refund ALCO 2006 Series A- UK General Receipts in the amount of \$31,285,000 maturing October 1, 2017 through October 1, 2022 carrying interest rates of 4.000% to 4.625%. The refunding will result in net savings (increase in cash flows) of \$2,610,817 in future periods and a net savings of \$2,513,388 at 1.480%.

\$7,540,000 of General Receipts Revenue Refunding Bonds Series 2017 B dated February 21, 2017. These bonds mature April 1, 2017 through October 1, 2024 and carry interest rates of 1.000% to 4.000%. The net proceeds of the issue in the amount of \$7,857,063 was deposited to the 2010A General Receipts Bond Fund and will completely refund 2010 Series A- UK General Receipts in the amount of \$7,740,000 maturing October 1, 2017 through October 1, 2024 carrying interest rates of 2.900% to 4.500%. The refunding will result in net savings (increase in cash flows) of \$259,965 in future periods and a net savings of \$246,815 at 1.721%.

The University of Louisville issued \$27,625,000 of General Receipts Refunding Bonds, 2016 Series F dated December 27, 2016. These bonds mature March 1, 2017 through March 1, 2028 and carry interest rates of 2.00% to 5.00%. The net proceeds in the amount of \$31,971,494 were deposited in the Bond Fund for Prior Bonds and used for a complete refunding of Louisville/Jefferson County Government Series 2008B bonds (Cardinal Stadium Project) in the amount of \$29,460,000 maturing March 1, 2018 through March 1, 2028, and carrying interest rates of 4.000% to 4.750%. The refunding will result in net savings (increase in cash flows) of \$1,834,587 in future periods and a present value savings of \$1,580,453 at 2.648%.

Note 14

RELATED ORGANIZATIONS

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

Note 15

LONG-TERM OBLIGATIONS

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, 2017.

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

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Corporation, Kentucky Economic Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation, and Kentucky School Facilities Construction Commission is used as a financing mechanism for activities and facilities not used directly for State purposes. The tax-exempt status of such municipal debt, whether issued by State or local governments, is used to provide financing for entities unable to bear the costs of private financing when the General Assembly deems such entities worthy of public assistance. The other category of revenue debt finances facilities used directly by State Government in activities such as roads, parks, office buildings, and educational facilities. The primary distinction between these categories is that the first type, with the exceptions of the Kentucky School Facilities Construction Commission, which succeeds the Kentucky School Building Authority, and the Kentucky Infrastructure Authority, which succeeds the Kentucky Pollution Abatement and Water Resources Finance Authority, requires no State funds of any type to provide debt service, principal and interest payments on the debt. The School Facilities Construction Commission supplements funds provided by local governments and school boards in varying percentages for debt service. The Kentucky Infrastructure Authority may accept appropriations made by the General Assembly, in addition to State and Federal grants, related to the purposes for which it was created. This distinction is important in analyzing the true level of State debt and the burden of that debt on State resources.

During the fiscal year ended June 30, 2017 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 \$287,950,000 in revenue and agency fund revenue bonds as follows:

\$227,815,000 Project No. 115 Revenue Bonds dated February 8, 2017. These bonds consist of Serial bonds maturing on April 1, 2018 through April 1, 2038 carrying interest rates of 3.000% to 5.000%. The net proceeds of this issue will be used to finance a portion of various public projects and pay certain costs of issuing the bonds.

\$60,135,000 Project No. 116 Agency Fund Revenue Bonds dated April 12, 2017. These bonds consist of Serial bonds maturing on October 1, 2017 through October 1, 2036 carrying interest rates of 2.000% to 5.000%. The proceeds of this issue will be used for partially funding the construction of a long range series of capital constructions (BuildSmart Initiative) to be leased by the Kentucky

Community and Technical College System and pay certain costs of issuing the bonds.

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

The Authority issued \$41,980,000 of Economic Development Revenue Bonds, 2016 Series B dated December 12, 2016. These bonds mature on July 1, 2017 through July 1, 2034 carrying interest rates of 2.000% to 5.000%. The net proceeds will be used to pay the costs of certain Revitalization Projects and pay certain costs of issuance of the 2016 Series B Bonds.

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

The authority issued no bonds during fiscal year 2017.

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 \$219,340,000 in General Receipts Bonds and General Receipts Refunding Bonds.

Eastern Kentucky University issued \$46,140,000 of 2017 Series A General Receipts Bonds dated April 11, 2017. These bonds mature on April 1, 2018 through May 1, 2037 carrying interest rates of 3.125% to 5.000%. The 2017 Series A Bonds maturing on or after April 1, 2027 shall be subject to redemption, in whole or in part, prior to their maturity at the option of the University, on or after October 1, 2026. The proceeds will be used to partially pay for construction of a new student recreation facility with a fitness center and other amenities, the construction of a pedway, renovations of the Powell Student Union building and pay certain costs of issuance of the 2017 Series A Bonds.

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Morehead State University issued \$6,560,000 of 2016 Series B General Receipt Bonds dated December 20, 2016. These bonds consist of Serial Bonds in the amount of \$3,085,000 that mature on November 1, 2017 through November 1, 2027 carrying interest rates of 2.000% to 3.000%, \$1,785,000 of term bonds that mature on April 1, 2032 with an interest rate of 3.625% and \$1,690,000 of term bonds that mature on April 1, 2036 with an interest rate of 3.750%. The 2016 Series B Bonds maturing on or after November 1, 2026 shall be subject to redemption, in whole or in part, prior to their maturity at the option of the University, on or after May 1, 2026. The proceeds will be used to partially finance the acquisition, equipping, and installation of various improvements to the University's campus dining facilities and pay certain costs of issuance of the 2016 Series B Bonds.

Northern Kentucky University issued \$15,225,000 of 2016 Series B General Receipts Refunding Bonds dated August 25, 2016. These bonds mature on September 1, 2017 through September 1, 2028 carrying interest rates of 2.00% to 4.00%. The 2016 Series B maturing on or after September 1, 2027 shall be subject to redemption, in whole or in part, prior to their maturity at the option of the University, on or after September 1, 2026. The proceeds will be used to advance refund certain maturities of the 2008 Series A Bonds and pay certain costs of issuance of the 2016 Series B Bonds.

The University of Kentucky issued \$36,805,000 of General Receipts Refunding Bonds as follows:

\$29,265,000 of General Receipts Refunding Bonds, 2017 Series A dated February 21, 2017. These bonds mature April 1, 2017 through October 1, 2022 and carry interest rates of 1.000% to 5.000%. The 2017 Series A bonds are not subject to redemption prior to their maturity date. The proceeds will currently refund and retire all outstanding ALCO 2006 Series A- UK General Receipts in the amount of \$31,285,000 maturing October 1, 2017 through October 1, 2022 carrying interest rates of 4.000% to 4.625%. and pay certain costs of issuance of the 2017 Series A Bonds.

\$7,540,000 of General Receipts Refunding Bonds, 2017 Series B dated February 21, 2017. These bonds mature April 1, 2017 through October 1, 2024 and carry interest rates of 1.000% to 4.000%. The 2017 Series B Bonds are not subject to redemption prior to their maturity date. The proceeds will currently refund and retire all the outstanding University of Kentucky General Receipts Taxable Build America Bond, 2010 Series A in the amount of \$7,740,000 maturing October 1, 2017 through October 1, 2024 carrying interest rates of 2.900% to 4.500% and pay certain costs of issuance of the 2017 Series B Bonds.

The University of Louisville issued \$78,310,000 of General Receipts Revenue and Revenue Refunding Bonds as follows:

\$45,295,000 of General Receipts Bonds, 2016 Series D dated December 27, 2016. These bonds mature March 1, 2023 through

March 1, 2036 and carry interest rates of 3.000% to 5.000%. The 2016 Series A maturing on or after March 1, 2027 shall be subject to redemption, in whole or in part, prior to their maturity at the option of the University, on or after September 1, 2026. The net proceeds in the amount of \$49,607,250 will be used by the University to partially finance the expansion of the University's Papa John Cardinal Stadium and pay costs of issuing the 2016 Series D Bonds.

\$5,390,000 of General Receipts Bonds, 2016 Series E dated December 27, 2016. These bonds mature March 1, 2019 through March 1, 2023 and carry interest rates of 2.200% to 3.000%. The 2017 Series E Bonds are not subject to redemption prior to their maturity date. The net proceeds in the amount of \$5,392,750 will be used by the University to partially finance the expansion of the University's Papa John Cardinal Stadium and pay costs of issuing the 2016 Series E Bonds.

\$27,625,000 of General Receipts Refunding Bonds, 2016 Series F dated December 27, 2016. These bonds mature March 1, 2017 through March 1, 2028 and carry interest rates of 2.00% to 5.00%. The 2017 Series F Bonds are not subject to redemption prior to their maturity date. The net proceeds in the amount of \$31,971,494 will be used by the University to completely refund the Louisville/Jefferson County Government Series 2008 B bonds (Cardinal Stadium Project) in the amount of \$29,460,000, maturing March 1, 2018 through March 1, 2028, and carrying interest rates of 4.000% to 4.750% and pay certain costs of issuance of the 2016 Series F Bonds.

Western Kentucky University issued \$36,300,000 of General Receipts Revenue and Revenue Refunding Bonds as follows:

\$8,905,000 of 2016 Series B General Receipts Bonds dated October 25, 2016. These bonds mature on September 1, 2017 through September 1, 2036 carrying interest rates of 2.000% to 4.000%. The 2016 Series B Bonds maturing on or after September 1, 2027 shall be subject to redemption, in whole or in part, prior to their maturity at the option of the University, on or after September 1, 2026. The net proceeds of \$9,500,000 will be used to finance the remaining costs of the acquisition, construct, installation and equipping of a capital project identified as Construct Parking Structure III and pay certain costs of issuance of the 2016 Series B Bonds.

\$27,395,000 of General Receipts Refunding Bonds, 2016 Series C dated October 25, 2016. These bonds mature March 1, 2017 through September 1, 2028 and carry interest rates of 3.000% to 4.000%. The 2016 Series C Bonds maturing on or after September 1, 2027 shall be subject to redemption, in whole or in part, prior to their maturity at the option of the University, on or after September 1, 2026. The net proceeds of \$30,404,464 will be used to refund certain maturities of the University's outstanding General Receipts Bonds, 2009 Series A maturing on and after September 1, 2019 and pay certain costs of issuing the bonds.

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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 \$41,110,000 of Housing Revenue Bonds, 2016 Series B dated November 22, 2016. These bonds consist of serial bonds in the amount of \$17,765,000 maturing July 1, 2017 through July 1, 2028 and carrying interest rates of 1.100% to 3.512%; term bonds in the amount of \$9,485,000 maturing on January 1, 2032 with an interest rate of 3.912% and term bonds in the amount of \$13,860,000 maturing on July 1, 2037 with an interest rate of 4.00%. The 2016 Series B serial bonds shall be subject to redemption, in whole or in part, prior to their maturity at the option of the Corporation, on or after January 1, 2026 The proceeds will be used with other funds to refund certain prior issued bonds of the Corporation and pay certain costs of issuing the bonds.

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

The authority issued no bonds during fiscal year 2017.

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 2017.

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 \$40,000,000 of Student Loan Revenue Bonds, 2017 Series A dated May 11, 2017. These bonds consist of serial bonds in the amount of \$16,320,000 maturing June 1, 2019 through June 1, 2027 and carrying interest rates of 3.500%% to 5.000%; term bonds in the amount of \$13,215,000 maturing on June 1, 2029 with an interest rate of 3.000%; term bonds in the amount of \$5,095,000 maturing on June 1, 2031 with an interest rate of 4.000% and term bonds in the amount of \$5,370,000 maturing on June 1, 2034 with an interest rate of 4.000% The 2017 Series A serial bonds shall be subject to redemption, in whole or in part, prior to their maturity at the option of the Corporation, on or after June 1, 2026 The proceeds will be used to finance eligible loans and to make a deposit to the Debt Service Reserve Fund.

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

The authority issued no bonds during fiscal year 2017, however the authority entered into a loan agreement with the U. S. Department of Transportation under the Transportation Infrastructure Finance and Innovation Act to refund the Subordinate Toll revenue Bond Anticipation Notes. On June 30, 2017, the TIFIA loan proceeds of \$452,200,000 were received and deposited with the Trustee in a redemption fund account and pledged to pay the principal balance of \$452,200,000 of the Subordinate Toll Bond Anticipation Notes when due on July 1, 2017. The TIFIA loan bears interest at 3.90% with principal and interest due semi-annually beginning July 1, 2018, through July 1, 2051. This transaction did not have any effect on the long-term obligation of the authority.

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 2017.

The School Facilities Construction Commission was created by act of the 1985 Extraordinary Session of the Kentucky General Assembly as the successor agency to the Kentucky School Building Authority (KSBA) and empowered pursuant to KRS 157.640 with all rights of successorship necessary to assure all legal and contractual functions and liabilities associated with the outstand-

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ing 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, 2017, the Commission sold school building revenue and revenue refunding bond issues having aggregate state participation of \$223,927,686 maturing through June 30, 2037, 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, 2017, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017. 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, 2017.

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

The Authority issued no bonds during the fiscal year ended June 30, 2017.

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 2017 the Company made an additional draw of \$ 16,376,000 increasing the total principal to \$283,870,000 with no debt retirement payments made as of June 30, 2017. The debt service requirements are shown in the following chart.

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The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 2017, are as follows (Expressed in Thousands):

Long-Term Obligations	Principal Outstanding	Interest Rate	Annual Maturity To
Agency:			
State Property and Buildings Commission	\$ 3,755,045	1.00%-8.25%	2038
Kentucky School Facilities Construction Commission	1,152,013	.050%-5.90%	2037
Turnpike Authority of Kentucky	1,368,945	1.00%-5.72%	2036
Total	<u>\$ 6,276,003</u>		

Future revenue bond debt service requirements, to be paid with State Funds, at June 30, 2017, are as follows (Expressed in Thousands):

Year Ending June 30	Principal	Interest	Totals
2018	\$ 481,187	\$ 261,430	\$ 742,617
2019	527,661	238,916	766,577
2020	526,817	215,444	742,261
2021	531,282	192,475	723,757
2022	550,822	168,956	719,778
2023-2027	1,943,720	577,061	2,520,781
2028-2032	1,269,731	213,070	1,482,801
2033-2037	426,225	164,317	590,542
2037-2041	18,558	869	19,427
Total	<u>\$ 6,276,003</u>	<u>\$ 2,032,538</u>	<u>\$ 8,308,541</u>

Future debt service requirements for aggregated Next Generation Kentucky Information Highway Project at June 30, 2017, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2018	\$ 687	\$ 13,842	\$ 13,842
2019	687	13,923	14,610
2020	1,659	13,882	15,541
2021	1,918	13,796	15,714
2022	2,291	13,696	15,987
2023-2027	19,402	66,440	85,842
2028-2032	44,961	60,041	105,002
2033-2037	61,698	48,862	110,560
2038-2042	90,326	30,363	120,689
2043-2047	60,928	4,682	65,610
Total	<u>\$ 283,870</u>	<u>\$ 279,527</u>	<u>\$ 563,397</u>

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Component Unit Revenue Bonds payable as of June 30, 2017 (Expressed in Thousands):

Component Unit Revenue Bonds Payable:	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky Housing Corporation *	\$ 559,895	0.48-5.00%	2042
Kentucky Infrastructure Authority*	228,985	2.00-5.29%	2032
Kentucky Higher Education Student Loan Corporation	888,632	0.70-5.00%	2038
Kentucky Public Transportation Infrastructure Authority	816,725	3.00-6.875%	2054
University of Kentucky*	900,090	1.03-4.50%	2046
University of Louisville*	294,927	1.50-6.46%	2035
Louisville Arena Authority	341,226	4.41-8.25%	2042
Eastern Kentucky University	105,310	2.00-5.00%	2037
Western Kentucky University*	240,506	2.00-5.00%	2042
Murray State University *	72,150	1.00-5.00%	2035
Morehead State University	80,860	1.00-5.00%	2037
Kentucky State University	2,755	3.625-3.875%	2027
Northern Kentucky University*	111,770	2.00-5.00%	2034
Total Component Unit Revenue Bonds Payable	\$ 4,643,831		

*Future revenue bond debt service requirements for bonds issued by
the Commonwealth's Component Units at June 30, 2017, are as
follows (Expressed in Thousands):*

Year Ending June 30	Principal	Interest	Totals
2018	\$ 133,639	\$ 167,173	\$ 300,812
2019	157,956	160,903	318,859
2020	164,196	155,171	319,367
2021	174,089	149,013	323,102
2022	168,706	144,537	313,243
2023-2027	1,139,371	652,725	1,792,096
2028-2032	970,562	447,516	1,418,078
2033-2037	630,157	313,683	943,840
2038-2042	501,428	204,610	706,038
2043-2047	299,500	108,132	407,632
2048-2052	252,432	46,551	298,983
Thereafter	51,795	3,153	54,948
Total	\$ 4,643,831	\$ 2,553,167	\$ 7,196,998

NOTES PAYABLE At June 30, 2017, 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 did not issue any notes during fiscal year 2017.

The Component Units of the Commonwealth reported notes payable of \$176,969,000 in their individual audited financial statements, details concerning their notes payable are presented in the notes to those financial statements. A copy of their individual financial statements may be obtained from the component unit, at the address shown on pages 138 and 139.

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.

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Memorandum of Understanding (MOU) - The Commonwealth of Kentucky has entered into an understanding with The Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC). The Corporation has issued Lease Revenue Bond, Series 2011A (Eastern State Hospital) in the amount of \$138,635,000. These bonds are special and limited obligation of the corporation and do not constitute a debt, liability, or obligation or a pledge of the full faith and credit or taxing power of the Corporation or the Commonwealth of Kentucky. The bonds were

issued in order to construct, furnish and equip a new State Mental Health Hospital with the understanding that the Commonwealth will fund the debt service of the Corporation by making Biennial Appropriations for this purpose. The net proceeds from the bond issue have been deposited in the Commonwealth of Kentucky's account and construction costs are being recorded as Construction in Progress. The debt service requirement for the memorandum of understanding is shown in the chart below.

***Future debt service requirements, under Memorandum of Understanding
to be paid with State Funds, at
June 30, 2017, are as follows (Expressed in Thousands)***

Year Ending June 30	Principal	Interest	Totals
2018	\$ 5,075	\$ 6,186	\$ 11,261
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
2023-2027	35,800	20,502	56,302
2028-2032	46,105	10,189	56,294
2033-2037	10,721	536	11,257
Total	<u>\$ 120,651</u>	<u>\$ 59,491</u>	<u>\$ 180,142</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 \$1,150,000 was made on those Certificates in 2017. The remaining debt service requirement, the trustee fee and management and maintenance fee under the lease agreement are shown in the chart on the following page.

The Cabinet did not issue any Certificates of Participation during fiscal year 2017.

***Future debt service requirements for Certificates of Participation June 30, 2017, are as follows
(Expressed in Thousands)***

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Operations & Maintenance</u>	<u>Totals</u>
2018	\$ 1,160	\$ 2,806	\$ 442	\$ 4,408
2019	1,205	2,748	455	4,408
2020	1,250	2,688	469	4,407
2021	1,290	2,638	482	4,410
2022	1,325	2,586	497	4,408
2023-2027	7,230	12,090	2,717	22,037
2028-2032	8,140	10,756	3,146	22,042
2033-2037	9,490	8,908	3,644	22,042
2038-2042	11,335	6,484	4,221	22,040
2043-2047	13,085	4,056	4,892	22,033
2048-2052	11,915	1,246	4,468	17,629
Total	\$ 67,425	\$ 57,006	\$ 25,433	\$ 149,864

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 131.

Deferred Outflows and Inflows - GASB 65 provides financial reporting guidance relative to deferred outflows of resources, a consumption of assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, an acquisition of assets by the entity that is applicable to a future reporting period. The following table provides information about amounts reported as deferred inflows of resources and deferred outflows of resources on the Government-Wide Statement of Net Position. GASB 68 and GASB 71 establish financial reporting of deferred inflows of resources and deferred outflows of resources related to pensions. Additional information can be found in Note 8.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Major Component Units</u>
Deferred Outflow of Resources:			
Deferred Loss on Refunding	\$ 27,073	\$	\$ 18,219
Interest Rate Swap-Derivative	(10,311)		
Pension Related Outflows	7,662,740	51,293	106,646
Total	\$ 7,679,502	\$ 51,293	\$ 124,865
Deferred Inflow of Resources:			
Deferred Gain on Refunding	\$ 94,963	\$	\$ 16,413
Interest Rate Swap-Derivative	(10,311)		
Service Concession Arrangement			487,177
Pension Related Inflows	514,116	3,757	46,341
Total	\$ 598,768	\$ 3,757	\$ 549,931

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Future debt service requirements for aggregated Notes Payable for the Primary Government at June 30, 2017, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2018	\$ 197,879	\$ 50,297	\$ 248,176
2019	171,061	42,972	214,033
2020	143,310	35,907	179,217
2021	124,900	29,687	154,587
2022	112,005	23,931	135,936
2023-2027	430,485	52,015	482,500
2028-2032	16,490	388	16,878
Total	<u>\$ 1,196,130</u>	<u>\$ 235,197</u>	<u>\$ 1,431,327</u>

Future debt service requirements for aggregated Notes Payable for the Component Units at June 30, 2017, are as follows (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Totals
2018	\$ 80,340	\$ 2,453	\$ 82,793
2019	14,445	1,346	15,791
2020	7,375	1,217	8,592
2021	8,121	1,147	9,268
2022	23,454	867	24,321
2023-2027	14,425	3,395	17,820
2028-2032	12,199	2,105	14,304
2033-2037	10,928	763	11,691
2038-2042	5,682	135	5,817
Total	<u>\$ 176,969</u>	<u>\$ 13,428</u>	<u>\$ 190,397</u>

Changes in long-term liabilities for the fiscal year ended June 30, 2017, are summarized as follows (Expressed in Thousands):

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due In One Year	Due Thereafter
Governmental Activities						
Compensated absences	\$ 234,395	\$ 11,625	\$ (4,320)	\$ 241,700	\$ 154,498	\$ 87,202
Capital leases	58,016	2,903	(14,663)	46,256	12,432	33,824
Claims liability	213,978	26,007	(22,607)	217,378	24,667	192,711
Notes payable	1,399,140		(203,010)	1,196,130	197,879	998,251
Certificate of Participation	68,575		(1,150)	67,425	1,160	66,265
KWIC	267,494	16,376		283,870	687	283,183
Bonds payable	6,227,678	553,857	(505,532)	6,276,003	464,125	5,811,878
Unamortized premiums	534,099	36,079	(56,299)	513,879	42,662	471,217
Unamortized discounts	(10,330)	(1,161)	1,999	(9,492)	(741)	(8,751)
Judgments and contingent liabilities	405,120	26,602	(36,700)	395,022	82,462	312,560
LFUCGPFC MOU obligations	125,480		(4,829)	120,651	5,075	115,576
Pollution remediation liabilities	16,087	6,916	(11,349)	11,654	1,198	10,456
Unfunded employer OPEB contributions	3,442,296		(100,504)	3,341,792		3,341,792
Net pension liability	30,874,488	7,370,785		38,245,273		38,245,273
Total Governmental Activities	<u>43,856,516</u>	<u>8,049,989</u>	<u>(958,964)</u>	<u>50,947,541</u>	<u>986,104</u>	<u>49,961,437</u>
Business-Type Activities						
Compensated absences	7,730	254	(18)	7,966	6,551	1,415
Capital leases	11,353	17	(1,151)	10,219	1,174	9,045
Judgments Payable		5		5	5	
Claims and claims adjustment liability	1,186,588	1,527,534	(1,656,072)	1,058,050	159,540	898,510
Net pension liability	267,909	38,131		306,040		306,040
Other Liabilities	25,532	1,666	(705)	26,493		26,493
Total Business-Type Activities	<u>1,499,112</u>	<u>1,567,607</u>	<u>(1,657,946)</u>	<u>1,408,773</u>	<u>167,270</u>	<u>1,241,503</u>
Total Primary Government	<u>\$ 45,355,628</u>	<u>\$ 9,617,596</u>	<u>\$ (2,616,910)</u>	<u>\$ 52,356,314</u>	<u>\$ 1,153,374</u>	<u>\$ 51,202,940</u>
Major Component Units						
Compensated absences	\$ 22,134	\$ 12,207	\$ (13,463)	\$ 20,878	\$ 4,419	\$ 16,459
Capital leases	181,525	98,268	(28,969)	250,824	23,585	227,239
Prize liability	41,158	2,289		43,447	29,954	13,493
Notes payable	192,004	406,376	(434,332)	164,048	82,999	81,049
Bonds payable	3,678,961	649,515	(927,319)	3,401,157	72,915	3,328,242
Net pension liability	565,362	61,225	(3,760)	622,827		622,827
Total Major Component Units	<u>\$ 4,681,144</u>	<u>\$ 1,229,880</u>	<u>\$ (1,407,843)</u>	<u>\$ 4,503,181</u>	<u>\$ 213,872</u>	<u>\$ 4,289,309</u>

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Interest Rate Swap Agreements - The Commonwealth currently has four outstanding interest rate swaps. Each of these swaps were entered into 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, 2017. 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, 2017 (Expressed in Thousands)

Project Notes	Effective Date	Notional Amounts		Maturity Date	Pay-Fixed		Fair Value 6/30/2016	Fair Value 6/30/2017	Change in Fair Value
		Original	Outstanding		Rate	Variable Rate			
2007 ALCo	5/31/2007	\$ 25,210	\$ 2,750	11/1/2017	3.839%	67% 3M LIBOR +.4%	\$ (127)	\$ (36)	\$ 91
2007 ALCo	5/31/2007	71,310	63,940	11/1/2021	4.042%	67% 3M LIBOR +.52%	(8,527)	(10,161)	(1,634)
2007 ALCo	5/31/2007	70,935	70,935	11/1/2025	4.125%	67% 3M LIBOR +.55%	(6,343)	(5,652)	691
2007 ALCo	5/31/2007	75,625	47,345	11/1/2027	4.066%	67% 3M LIBOR +.53%	(15,023)	(3,861)	11,162
Total		<u>\$ 243,080</u>	<u>\$ 184,970</u>				<u>\$ (30,020)</u>	<u>\$ (19,710)</u>	<u>\$ 10,310</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, 2017
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Net Swap Payments	Totals
2018	\$ 18,005	\$ 2,472	\$ 4,708	\$ 25,185
2019	15,410	2,241	4,265	21,916
2020	16,705	2,016	3,841	22,562
2021	17,355	1,777	3,390	22,522
2022	18,145	1,533	2,916	22,594
2023-2027	94,120	3,135	5,961	103,216
2028-2032	5,230	37	69	5,336
Total	<u>\$ 184,970</u>	<u>\$ 13,211</u>	<u>\$ 25,150</u>	<u>\$ 223,331</u>

Note 16

COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business, similar leases will replace most of these leases. Primary Government expenditures for rent under leases for the years ended June 30, 2017 and 2016 amounted to \$150.6 and \$151.9 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, 2017, the estimated liability for annual and compensatory leave was \$241,700,000 for the governmental activities, and \$7,966,000 in the business-type activities.

Compensated absence liabilities for the major component units totaled \$20,878,000 at June 30, 2017.

Sick Leave - The policy of the Commonwealth is to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death, there was no liability recorded for sick leave at June 30, 2017. The estimated accumulated amount of unused sick leave at that date for the governmental and business-type activities was \$407,052,000 and \$14,418,000, respectively.

Construction Projects - The Transportation Cabinet, at June 30, 2017, had contractual commitments of approximately \$1,244,400,123 for the construction, maintenance and operation of the highway system. It is anticipated that these projects will be funded with approximately 26 percent State funds, 67 percent Federal funds, and the remaining 7 percent 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.

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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 de-

velopment 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, 2017, in the following table:

(expressed in thousands)

Program Name	Sales and Use Tax	Property Tax	Income Tax	Total
Kentucky Rural Economic Development Act	\$	\$	\$ 38,945	\$ 38,945
Kentucky Reinvestment Act			8,709	8,709
Kentucky Business Investment			24,448	24,448
Tax Increment Financing	13,545	852	8,292	22,689
Kentucky Industrial Development Act			10,091	10,091
Kentucky Film Industry Tax Credit			8,526	8,526
Kentucky Industrial Revitalization Act			8,471	8,471
Kentucky Jobs Development Act			6,824	6,824
Other Economic Incentives			28,302	28,302
	<u>\$ 13,545</u>	<u>\$ 852</u>	<u>\$ 142,608</u>	<u>\$ 157,005</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 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: Local Only Development Areas, 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*

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Kentucky Industrial Development Act (KIDA)

Eligible companies include any business that establishes new manufacturing plants or expands manufacturing operations in Kentucky counties that are not economically distressed. The project must involve a minimum investment of \$100,000, and create and maintain at least 15 new full time jobs for persons subject to Kentucky income tax. Eligible manufacturing equipment cost is limited to a \$10,000 tax credit for every full time job created. The approved company chooses either to receive a 100% credit against the Kentucky income tax liability generated by the project or to utilize a 3% wage assessment for up to a 10-year period. Unused credits can be carried forward for the term of the agreement but expire at the maturity of the agreement. *KRS 154.28-090*

Kentucky Film Industry Tax Credit

The purpose of this program is to encourage the film and entertainment industry to choose locations in the Commonwealth for filming and production of motion picture or entertainment productions. Qualifying applicants must invest at least \$250,000 to produce feature films or television shows, commercials are eligible with required expenditures of \$100,000, and documentaries or Broadway productions are eligible with an expenditure minimum of \$20,000. The incentive provides qualifying applicants the ability to take advantage of a refundable income tax credit of 30% of approved expenditures or 35% incentive for approved expenditures in an enhanced incentive county. 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 141.383*

Kentucky Industrial Revitalization Act (KIRA)

This program is eligible to 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 the 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)

The 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 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 154.24-010 through 154.24-150*

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 \$12 million for the year ending June 30, 2017. Among those not reported are Kentucky Economic Opportunity Zone, Kentucky Historic Preservation, Incentives for Energy Independence Act, Kentucky Environmental Stewardship Act, Local Issued Industrial Revenue Bonds, Kentucky Angel Investment Tax Credit, Skills Training Investment Credit, Kentucky Investment Fund Act and Kentucky Tourism Development Act. For more information on the programs, see thinkkentucky.com.

Note 17

SUBSEQUENT EVENTS

The debt-issuing entities of the Commonwealth issued or agreed to administer State participation in debt service payments for revenue bonds sold after June 30, 2017, and prior to December 13, 2017, and reported other subsequent events for the same period, as described below.

The State Property and Buildings Commission issued \$234,925,000 of Revenue and Revenue Refunding Bonds, Project 117 dated August 31, 2017. These bonds consist of : \$15,085,000 Series A revenue serial bonds maturing May 1, 2018 through May 1, 2032 and carrying interest rates of 1.851% to 4.007%; \$91,280,000 Series B revenue serial bonds maturing May 1, 2018 through May 1, 2037 and carrying interest rates of 3.000% to 5.000%; \$49,530,000 of Revenue Refunding Federally Taxable Series C Bonds maturing May 1, 2018 through May 1, 2029 and carrying interest rates of 1.851% to 3.675% and \$79,030,000 of Revenue Refunding Series D Bonds maturing May 1, 2018 through May 1, 2030 and carrying interest rates of 3.000% to 5.000%. The proceeds will be used to refund certain outstanding bonds of the State Property and Buildings Commission, fund various projects for state agencies and component units and pay certain costs of issuing the Project 117 Bonds.

The Turnpike Authority of Kentucky issued \$174,335,000 of Economic Development Revenue Bonds and Revenue Refunding Bonds dated August 23, 2017. These bonds consist of : \$27,415,000 2017 Series A revenue serial bonds maturing July 1, 2018 through July 1, 2037 and carrying interest rates of 2.000% to 5.000% and \$146,920,000 of 2017 Series B Revenue Refunding Bonds maturing July 1, 2018 through July 1, 2028 and carrying interest rates of 2.500% to 5.000%. The proceeds will be used to refund certain outstanding bonds of the Turnpike Authority of Kentucky, pay the costs of certain additions and improvements to the Kentucky Economic Development Road System, Revitalization Projects and pay certain costs of issuance of the 2017 Series A and Series B Bonds.

Kentucky Higher Education Assistance Authority/Kentucky Higher Education Student Loan Corporation executed on September 12, 2017 a new Warehouse Loan and Security Agreement and Amendment to Loan Documents with a commercial bank (the Bank) to provide up to \$45,000,000 for each of two Lines of Credit for a total of \$90,000,000. One line of credit is a revolving Line of Credit with a three year term period. Cash and marketable securities of the Operating Funds of the Authority/Corporation are pledged as collateral against any outstanding balance on the \$45,000,000 Line of Credit. The second \$45,000,000 Line of Credit is a multi-draw term loan ("Credit Facility) with an 18-month period for advances on the Credit Facility followed by a one-year term loan.

The Funding Commission on July 7, 2017 transferred \$20,300,000 from the Kentucky Coal Workers' Pneumoconiosis Fund to the Kentucky Employers' Mutual Insurance (KEMI) Authority pursuant to the provisions in Kentucky House Bill No. 377, An Act Relating to the Workers, Compensation Funding Commission. Accordingly, the House Bill removes the liability for income benefits for coal workers' pneumoconiosis claims filed or reopened on or after July 1, 2017.

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, 2017, and maturing as to principal through 2037 as displayed in the table on the following page.

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KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

School District	Delivery Date	Principal at Issue	State Share	Interest Rates (%)
Anderson County	09/06/17	\$ 3,880,000	\$ 84,802	3.000%
Bracken County	10/05/17	470,000	470,000	2.000%-3.750%
Bullitt County	10/31/17	14,110,000	1,709,595	3.000%-5.000%
Carter County	10/26/17	8,635,000	2,444,275	2.500%-3.000%
Clark County	12/12/17	19,255,000	1,666,197	2.000%-3.125%
Clay County	10/18/17	2,715,000	2,715,000	2.000%-2.500%
Covington Independent	10/02/17	3,245,000	1,802,228	2.000%-3.250%
Franklin County	07/19/17	16,180,000	1,671,006	2.000%-3.250%
Garrard County	08/02/17	2,230,000	1,965,723	2.000%-4.000%
Garrard County	11/21/17	2,650,000	48,840	2.000%-3.500%
Glasgow Independent	10/20/17	9,715,000	1,014,192	1.200%-3.000%
Harlan County	07/11/17	1,025,000	1,025,000	2.000%-2.250%
Hopkins County	09/20/17	4,100,000	1,426,210	2.000%-3.000%
Knox County	09/20/17	3,040,000	2,253,476	2.000%-2.250%
Laurel County	10/02/17	6,825,000	2,121,872	2.000%-3.250%
Lewis County	09/06/17	15,430,000	6,511,480	2.000%-3.250%
McClean County	10/05/17	1,470,000	691,134	2.000%-2.375%
Middlesboro Independent	08/03/17	4,635,000	916,066	2.000%-3.375%
Ohio County	12/07/17	1,650,000	427,103	3.000%
Owensboro Independent	08/10/17	7,430,000	1,354,692	2.000%-3.375%
Pikeville Independent	08/09/17	645,000	645,000	3.000%-3.500%
Pulaski County	08/03/17	23,685,000	775,906	2.000%-3.000%
Raceland-Worthington Independent	11/08/17	15,950,000	14,815,616	2.250%-3.250%
Scott County	09/28/17	62,465,000	7,413,397	2.750%-5.000%
Warren County	10/25/17	21,280,000	3,982,382	2.000%-3.375%
Williamsburg Independent	10/12/17	6,570,000	762,799	2.000%-3.125%
		\$ 259,285,000	\$ 60,713,991	

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2017

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
kctcs.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, 2017

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

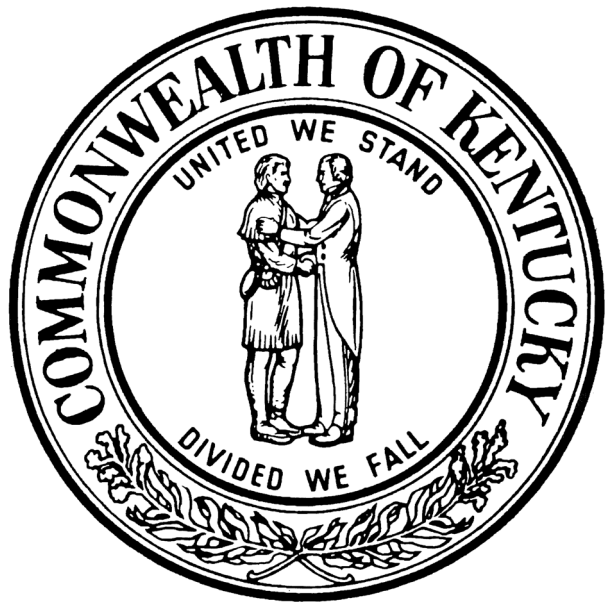
Department of Workplace Standards
Division of Workers' Compensation Funds (Special Fund)
1047 US Highway 127 S, Suite 4
Frankfort, Kentucky 40601
labor.ky.gov/dows/dowcf

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, 2017
(Expressed in Thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Budgeted:				
Taxes	\$ 10,250,680	\$ 10,250,680	\$ 10,109,566	\$ (141,114)
Licenses, fees, and permits	37,746	37,746	29,697	(8,049)
Intergovernmental	21,241	21,241	11,449	(9,792)
Charges for services	4,938	4,938	6,746	1,808
Fines and forfeits	34,838	34,838	31,586	(3,252)
Interest and other investment income	(7,000)	(7,000)	(1,130)	5,870
Lottery proceeds	236,000	236,000	241,627	5,627
Other revenues	37,932	37,932	48,307	10,375
Tobacco Settlement	87,000	87,000	93,416	6,416
Subtotal of Budgeted Revenues	<u>10,703,375</u>	<u>10,703,375</u>	<u>10,571,264</u>	<u>(132,111)</u>
Other Budgeted Financial Resources:				
Transfers in (interfund)	262,637	262,637	340,551	77,914
Total Budgeted Revenues	<u>10,966,012</u>	<u>10,966,012</u>	<u>10,911,815</u>	<u>(54,197)</u>
Expenditures				
General Government:				
Executive Office of the Governor	5,456	5,400	5,397	3
Office of Homeland Security	229	226	227	(1)
Kentucky Infrastructure Authority	1,508	1,495	1,491	4
Department of Veterans Affairs	18,881	18,692	18,692	
Office of State Budget Director	3,135	3,103	3,104	(1)
State Planning Fund	137	137		137
Unified Prosecutorial System:				
Commonwealth Attorneys	48,440	48,440	48,440	
County Attorneys	42,080	42,080	42,080	
Department of Agriculture	17,154	16,984	16,781	203
Office of the Attorney General	10,931	10,991	10,992	(1)
Auditor of Public Accounts	4,900	4,850	4,851	(1)
Registry of Election Finance	1,221	1,221	1,221	
Military Affairs	9,780	20,430	20,431	(1)
Governor's Office for Local Development	16,397	16,283	16,284	(1)
Local Government:				
Economic Assistance Fund	50,031	33,024	33,024	
Economic Development Fund	11,400	11,400	11,400	
Area Development Fund	431	431	431	
Secretary of State	1,757	1,757	1,757	
Department of Treasury	1,937	1,918	1,896	22
Board of Elections	3,980	3,980	3,976	4
School Facilities Construction Commission	121,991	121,991	121,991	
Executive Branch Ethics Commission	446	441	441	
Commission on Human Rights	1,763	1,745	1,745	
Commission on Women	235	233	211	22
Council on Postsecondary Education	44,172	43,760	41,356	2,404
Kentucky Communications Network Authority		11,794	11,794	
Budget Reserve Trust Fund	209,447	150,491		150,491
Personnel:				
State Group Health Insurance	873	873	871	2

	Original	Final	Actual	Variance
Universities:				
Eastern Kentucky University	\$ 64,972	\$ 64,972	\$ 64,972	\$
Kentucky State University	26,730	26,730	26,730	
Morehead State University	41,969	41,969	41,969	
Murray State University	45,864	45,864	45,864	
Northern Kentucky University	46,353	46,353	46,353	
University of Kentucky	267,029	267,029	267,029	
University of Louisville	132,818	132,818	132,818	
Western Kentucky University	72,040	72,040	72,040	
Kentucky Community and Technical College System	181,605	181,605	181,605	
Finance and Administration:				
General Administration and Support	9,405	9,770	9,405	365
Office of the Inspector General		684	684	
Special Accounts - Capital Construction	1,836	1,836	1,836	
Debt Service	423,106	411,312	408,141	3,171
Office of the Controller	5,849	5,849	5,849	
Department for Facilities and Support Services	5,396	5,396	5,394	2
Kentucky Retirement Systems	98,193	98,193	98,193	
Kentucky Permanent Pension Fund		26,354	26,354	
Kentucky Higher Education Assistance Authority	242,335	245,654	220,498	25,156
Special Accounts - Tobacco Settlement	89,151	95,567	93,416	2,151
Finance - County Costs	15,897	21,270	21,270	
Department of Revenue:				
General Operations	90,165	88,016	88,381	(365)
Office of Property Valuation Administrators	46,645	46,645	46,645	
Appropriations Not Otherwise Classified:				
Judgements		292	292	
Board of Claims Awards	407	107	107	
Guardian Ad Litem	2,125	14,492	14,492	
Prior Year Claims	100	1,794	1,794	
Unredeemed Checks Refunded	1,252	2,866	2,866	
Involuntary Commitments	65	60	60	
Blanket Employee Bonds	60	50	50	
Frankfort In Lieu of Taxes	195	195	195	
Frankfort Cemetery	3			
Police and Firemen Life Insurance	304	489	489	
Attorney General Expense	350	464	464	
Medical Malpractice Liability Insurance Reimbursements	165	76	76	
Total General Government	2,541,096	2,530,981	2,347,215	183,766
Legislative and Judicial:				
General Assembly	25,159	25,159	17,450	7,709
Legislative Research Commission	47,352	46,945	40,332	6,613
Judicial Retirement System	13,829	13,829	13,827	2
Court of Justice - Operation and Administration	234,887	234,887	234,886	1
Court of Justice - Local Facility Support	114,532	111,037	108,756	2,281
Total Legislative and Judicial	435,759	431,857	415,251	16,606

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, 2017
(Expressed in Thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Commerce:				
Economic Development:				
Economic Development	\$ 28,720	\$ 27,970	\$ 23,859	\$ 4,111
Commerce Cabinet:				
Office of the Secretary	2,532	2,600	2,600	
Kentucky State Fair Board	4,382	4,338	4,338	
Kentucky Horse Park	2,396	2,372	2,372	
Department of Parks	35,202	35,202	35,202	
Department of Travel	3,011	2,892	2,891	1
Berea Artisans Center	399	395	395	
Total Commerce	<u>76,642</u>	<u>75,769</u>	<u>71,657</u>	<u>4,112</u>
Education:				
General Administration and Program Support	4,893	4,891	4,799	92
Commission on the Deaf and Hard of Hearing	863	846	846	
Kentucky Heritage Council	711	690	690	
Kentucky Arts Council	2,626	2,600	2,599	1
Department of Education:				
Support Education Excellence In KY (SEEK)	3,035,747	3,040,389	3,029,612	10,777
Bureau of Support Services	58,149	37,850	37,241	609
Learning Results Services	1,038,475	943,379	942,464	915
Kentucky Educational Television	13,814	13,764	13,764	
Kentucky Historical Society	5,557	5,557	5,557	
Kentucky Center for the Arts	913	913	909	4
Education Professional Standards Board	6,819	6,689	6,689	
Libraries and Archives:				
Direct Local Aid	2,728	2,728	2,728	
Public Library Facilities Construction Debt Assistance	4,330	4,330	4,330	
General Operations	5,899	5,730	5,730	
Teachers' Retirement System	779,248	779,248	779,248	
Workforce Investment:				
Office of the Blind	1,425	1,425	1,425	
Technical Education		56,559	56,559	
Vocational Rehabilitation	11,849	11,849	11,849	
Total Education and Humanities	<u>4,974,046</u>	<u>4,919,437</u>	<u>4,907,039</u>	<u>12,398</u>
Human Resources:				
Health and Family Services:				
Administrative Services	30,506	25,208	25,208	
Department for Community Based Services	383,005	382,876	382,876	
Department for Family Resource Centers and Volunteer Services	1,402	53,551	53,551	
Office of the Inspector General		5,189	5,189	
Office of Health Policy	437	433	433	
Department for Aging and Independent Living	42,583	42,105	42,105	
Department for Income Support	7,636	7,515	7,515	
Department for Public Health	73,703	72,834	72,834	
Department for Behavioral Health, Developmental and Intellectual Disal	180,368	178,679	178,679	
Medicaid Administration	41,086	40,944	40,853	91
Medicaid Services Benefits	1,745,722	1,707,980	1,707,980	
Commission for Children With Special Health Care Needs	5,711	5,456	5,456	
Total Human Resources	<u>2,512,159</u>	<u>2,522,770</u>	<u>2,522,679</u>	<u>91</u>

	Original	Final	Actual	Variance
Justice:				
Justice Administration	\$ 30,313	\$ 30,313	\$ 30,297	\$ 16
Department of State Police	95,578	95,578	95,578	
Department of Juvenile Justice	85,770	85,270	85,270	
Department for Public Advocacy	49,988	49,988	49,988	
Department of Corrections:				
Management	9,335	10,255	10,255	
Adult Institutions	270,457	292,875	292,875	
Local Jail Allotment	16,735	17,941	17,940	1
Community Services and Local Facilities	202,325	220,064	220,064	
Total Justice	760,501	802,284	802,267	17
Natural Resources and Environmental Protection:				
General Administration and Support	3,029	3,029	3,029	
Department for Energy Development and Independence	1,241	1,241	1,241	
Kentucky River Authority	256	253	253	
Kentucky Nature Preserves Commission	1,050	1,050	1,050	
Department for Environmental Protection	22,877	22,877	22,877	
Department for Natural Resources	32,330	20,358	20,358	
Mine Safety and Licensing		9,226	9,226	
Surface Mining Reclamation and Enforcement		8,435	8,435	
Total Natural Resources and Environmental Protection	60,783	66,469	66,469	
Public Protection and Regulation:				
General Administration and Support	276	271	271	
Board of Claims and Crime Victims Compensation	773	189	189	
Kentucky Claims Commission		1,244	1,244	
Board of Tax Appeals	450	88	88	
Horse Racing Commission	2,623	2,571	2,571	
Public Service Commission	17,038	17,038	9,360	7,678
Mine Safety Review Commission		48	48	
Department of Alcoholic Beverage Control	587	284	284	
Department of Housing, Buildings, and Construction	2,393	2,315	2,315	
Labor:				
Workplace Standards	2,007	1,987	1,783	204
General Administration & Support	3,194	3,162	3,162	
Total Public Protection and Regulation	29,341	29,197	21,315	7,882
Transportation:				
General Administration and Support	500	10,500	7,118	3,382
Public Transportation	5,853	5,791	5,620	171
Total Transportation	6,353	16,291	12,738	3,553
Total Expenditures	11,396,680	11,395,055	11,166,630	228,425
Excess of Revenues Over (Under) Expenditures	(430,668)	(429,043)	(254,815)	174,228
Fund Balance at July 1	(164,960)	(151,398)	573,832	
Non-Budgeted Items			(1,897)	
Fund Balance at June 30	\$ (595,628)	\$ (580,441)	\$ 317,120	\$

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, 2017
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Revenues				
Budgeted:				
Taxes	\$ 1,300,615	\$ 1,300,615	\$ 1,344,984	\$ 44,369
Licenses, fees, and permits	140,268	140,268	147,923	7,655
Intergovernmental				
Charges for services	8,035	8,035	9,252	1,217
Fines and forfeits	33	33	24	(9)
Interest and other investment income	1,400	1,400	1,330	(70)
Other revenues	6,549	6,549	4,057	(2,492)
Subtotal of Budgeted Revenues	1,456,900	1,456,900	1,507,570	50,670
Other Budgeted Financial Resources:				
Transfers in (intrafund)	3,162	3,162	3,553	391
Total Budgeted Revenues	1,460,062	1,460,062	1,511,123	51,061
Non-Budgeted:				
Taxes				
Licenses, fees, and permits				
Intergovernmental				
Charges for services				
Fines and forfeits				
Interest and other investment income				
Other revenues				
Transfers in (interfund)				
Transfers in (intrafund)				
Total Non-Budgeted Revenue				
Total Revenues	1,460,062	1,460,062	1,511,123	51,061
Expenditures				
General Government:				
Executive Office of the Governor				
Office of Homeland Security	269	269	269	
Kentucky Infrastructure Authority				
Kentucky Communications Network Authority				
Office of State Budget Director				
School Facilities Construction Commission				
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	224	26
Board of:				
Accountancy				
Alcohol and Drug Counselors				
Auctioneers				
Barbering				
Chiropractic Examiners				
Home Inspectors				
Licensed Diabetes Educators				
Medical Imaging and Radiation Therapy				
Applied Behavior Analysis Licensing				
Professional Counselors				
Fee-Based Pastoral Counselors				
Interpreters for Deaf & Hard of Hearing				
Prosthetics, Orthotics and Pedorthics				
Dentistry				
Dietitians and Nutritionists				
Elections				
Embalmers and Funeral Home Directors				
Architects				
Landscape Architects				
Examiners of Psychologists				

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, 2017
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Board of: (Continued)				
Examiners of Social Workers	\$	\$	\$	\$
Hairdressers and Cosmetologists				
Hearing Instrument Specialists				
Nursing Home Administrators Licensing				
Medical Licensure				
Nursing				
Ophthalmic Dispensers				
Optometric Examiners				
Art Therapists				
Occupational Therapy				
Respiratory Care Practitioners				
Marriage and Family Therapists				
Proprietary Education				
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	445	445	117	328
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	2,616	2,616	2,610	6
Office of Property Valuation Administrators	462	462	462	
Department for Facilities and Support Services				
Total General Government	4,042	4,042	3,682	360

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$
				358	359	359	
				1,443	1,443	1,250	193
				81	81	47	34
				61	61	53	8
				3,072	3,072	2,862	210
				7,220	7,220	6,675	545
				50	50	45	5
				216	216	207	9
				11	13	12	1
				177	177	139	38
				218	224	224	
				136	136	113	23
						25	
				107	107	84	23
				888	888	696	192
				1,729	1,882	1,881	1
				580	580	570	10
				39	39	28	11
				1,383	1,383	1,271	112
				190	190	147	43
				278	278	231	47
				102	102	62	40
				189	189	170	19
				2,371	981	2,194	(1,213)
				793	312	1,274	(962)
245	388	225	163		25	11	14
18,103	18,103	12,346	5,757	5,041	5,041	4,250	791
				54,866	28,756	29,225	(469)
				9,316	9,316	8,091	1,225
				305,523	305,523	573,329	(267,806)
				37,220	37,220	47,157	(9,937)
				222,805	222,805	162,405	60,400
				148,447	148,447	310,507	(162,060)
				194,265	194,265	332,209	(137,944)
				3,375,360	3,375,360	5,076,609	(1,701,249)
				1,115,891	1,115,891	312,323	803,568
				327,772	327,772	369,096	(41,324)
				726,208	726,208	431,277	294,931
				32,432	4,158	5,779	(1,621)
				11,257	10,044	11,646	(1,602)
					400	362	
1,263	1,263	187	1,076	130,856	1,300	1,059	241
34	34	33	1	32,328	32,328	30,158	2,170
				85	85	84	1
				1,703	1,703	1,193	510
				42,819	42,819	46,206	(3,387)
				12,533	12,533	15,340	(2,807)
				4,690	4,690	3,937	753
				47,578	1,963	2,084	(121)
156,391	198,045	151,946	46,099	7,074,440	6,843,001	7,931,038	(1,088,050)

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, 2017
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Legislative and Judicial:				
General Assembly	\$	\$	\$	\$
Legislative Research Commission				
Judicial Retirement System				
Court of Justice - Operation and Administration				
Total Legislative and Judicial				
Commerce:				
Economic Development:				
Office of the Secretary				
Financial Incentives				
Business Development				
Commerce:				
Office of the Secretary				
Kentucky State Fair Board				
Kentucky Horse Park				
Department of Parks				
Department of Travel				
Berea Artisans Center	440	440	440	
Department of Fish and Wildlife Resources				
Total Commerce	440	440	440	
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	708	708		708
				1,786	1,786		1,786
6,372	6,372	3,821	2,551	59,685	59,927	27,144	32,783
6,372	6,373	3,821	2,552	62,179	62,421	27,144	35,277
	449	396	53	520	520	470	50
				2,474	2,474	1,930	544
200	599	274	325				
				13,300	13,300	12,368	932
				41,864			
				12,027			
				49,556	7	7	
				41	41	28	13
				1,585	1,585	1,574	11
17,310	17,310	18,009	(699)	38,130	38,130	50,429	(12,299)
17,510	18,358	18,679	(321)	159,497	56,057	66,806	(10,749)
				1,110	1,110	1,102	8
	44	17	27	212	212	159	53
858	858	857	1	276	652	491	161
709	709	694	15	152	152	75	77
2,590	2,590	1,772	818	5,720	5,721	5,744	(23)
559,520	531,663	472,976	58,687	26,752	34,253	21,583	12,670
328,955	416,812	405,940	10,872	7,390	4,890	4,023	867
				1,450	1,451	1,329	122
208	232	231	1	458	623	671	(48)
				287	287	211	76
205	730	446	284	1,353	1,353	509	844
140	140	20	120	592	849	681	168
1,447	2,335	2,249	86	1,984	2,379	1,669	710
				12,934	12,934	19,095	(6,161)
7,628	8,383	7,950	433	1,478	2,205	1,491	714
104,413	104,413	90,593	13,820	18,002	23,615	40,375	(16,760)
45,768	45,768	39,442	6,326	3,307	3,307	2,172	1,135
1,052,441	1,114,677	1,023,187	91,490	83,457	95,993	101,380	(5,387)

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, 2017
(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	87,677	87,677	87,677	
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	87,677	87,677	87,677	
Natural Resources and Environmental Protection:				
General Administration and Support				
Department for Energy Development and Independence				
Kentucky River Authority				
Environmental Quality Commission				
Kentucky Nature Preserves Commission				
Department for Environmental Protection	321	321	321	
Department for Natural Resources				
Mining Safety and Licensing				
Surface Mining Reclamation and Enforcement				
Abandoned Mine Lands Reclamation Projects				
Total Natural Resources and Environmental Protection	321	321	321	
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
\$ 27,543	\$ 27,143	\$ 27,088	\$ 55	\$ 16,962	\$ 14,284	\$ 13,869	\$ 415
22,659	22,659	16,454	6,205	20,370	20,370	12,964	7,406
49,329	49,329	45,645	3,684	126	126	114	12
514,444	514,444	508,853	5,591	125,698	130,698	195,712	(65,014)
211	300	284	16	29,596	24,596	26,861	(2,265)
14,918	15,318	15,193	125		3,477	3,273	204
1,511	1,511	1,238	273	819	819	1,303	(484)
24,829	24,829	20,650	4,179	3,184	3,184	2,410	774
33,898	33,898	30,330	3,568	16,005	16,005	15,428	577
188,418	188,418	175,814	12,604	85,262	85,263	88,704	(3,441)
40,216	42,762	38,543	4,219	209,398	209,398	206,872	2,526
155,521	155,521	101,843	53,678	16,012	16,012	14,721	1,291
8,299,738	8,299,738	7,928,095	371,643	532,960	532,960	523,538	9,422
4,566	4,566	4,555	11	9,588	9,588	12,175	(2,587)
4,658	6,869	5,167	1,702				
9,382,459	9,387,305	8,919,752	467,553	1,065,980	1,066,780	1,117,944	(51,164)
21,172	21,172	12,427	8,745	1,555	2,055	1,460	595
11,764	11,764	11,454	310	28,459	32,959	29,581	3,378
2,005	2,305	1,608	697	2,855	4,899	4,899	
12,227	12,227	10,259	1,968	13,559	13,559	13,035	524
250	250	99	151	72,722	72,722	72,593	129
75	75	66	9	300	300	198	102
522	522	237	285	17,454	11,400	11,395	5
696	696	353	343	6,200	6,416	6,048	368
48,711	49,011	36,503	12,508	143,104	144,310	139,209	5,101
811	901	887	14	1,817	1,817	1,035	782
762	762	793	(31)	1,412	1,412	783	629
				3,508	3,508	3,633	(125)
				204	204	10	194
39	57	48	9	337	640	443	197
24,332	24,332	24,492	(160)	71,968	41,635	37,166	4,469
7,897	5,292	3,332	1,960	3,888	4,136	3,320	816
16,109	10,061	9,848	213	1,705	1,683	1,132	551
24,516	33,169	27,298	5,871	2,116	717	432	285
				7,136	6,911	1,899	5,012
74,466	74,574	66,698	7,876	94,091	62,663	49,853	12,810
				1,469	3,618	4,308	(690)
246	246	51	195	958	958	1,147	(189)
				29,038	29,039	27,109	1,930
				161	161	104	57
444	444	377	67	200	200	50	150
				4,829	4,829	4,052	777
				7,146	7,146	8,861	(1,715)
				3,714	3,714	3,109	605
				12,274	12,274	24,040	(11,766)
				21,000	21,000	20,883	117
1,123	1,123	288	835	18,375	18,179	61,455	(43,276)
3,576	3,806	3,695	111	81,774			
73	73	66	7	142,711	3,106	2,854	252
5,462	5,692	4,477	1,215	323,649	104,224	157,972	(53,748)

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, 2017
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Transportation:				
Administration and Support	\$ 74,340	\$ 74,340	\$ 69,192	\$ 5,148
Revenue Sharing	449,960	457,200	329,966	127,234
Air Transportation	2,671	2,671	2,550	121
Highways				
Public Transportation	923,560	961,524	751,139	210,385
Vehicle Regulation	26,127	26,127	25,200	927
Debt Service	160,382	160,382	153,287	7,095
Transfers to Capital Projects	9,699	9,699	7,770	1,929
BRAC Economic Development Road Bonds				
GARVEE Louisville Bridges Project Bonds				
GARVEE Western KY Bridges Project				
2005 GARVEE Bond Series				
2005 Ed Bond Series				
LSIORB TIFIA Loan				
Total Transportation	<u>1,646,739</u>	<u>1,691,943</u>	<u>1,339,104</u>	<u>352,839</u>
Total Expenditures	<u>1,739,219</u>	<u>1,784,423</u>	<u>1,431,224</u>	<u>353,199</u>
Excess of Revenues over (under)				
Expenditures	<u>(279,157)</u>	<u>(324,361)</u>	<u>79,899</u>	<u>404,260</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	(279,157)	(324,361)	79,899	404,260
Fund Balances at July 1	(455,176)	(471,273)	314,203	785,476
Non-Budgeted Items			(406)	
Fund Balances at June 30	<u>\$ (734,333)</u>	<u>\$ (795,634)</u>	<u>\$ 393,696</u>	<u>\$</u>

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$ 2,127	\$ 80	\$ 23	\$ 57
1,800	1,800	1,014	786	26,419	26,419	15,645	10,774
1,264,116	1,264,116	793,899	470,217	108,532	103,535	70,810	32,725
41,684	41,684	20,806	20,878	693	693	561	132
4,600	4,600	1,943	2,657	15,847	15,847	15,759	88
				29,102	29,102	842	28,260
				10,163	10,961	10,170	791
				145,261	145,261	72,590	72,671
				176,951	176,951	47,181	129,770
				2,541	2,544	2,544	
1,312,200	1,312,200	817,662	494,538	517,636	511,393	236,125	275,268
12,056,012	12,166,235	11,042,725	1,123,510	9,524,033	8,946,842	9,827,471	(880,642)
		(29,792)				157,860	
						46,035	
						46,035	
		(29,792)				203,895	
		186,870				1,730,864	
		(677)				(300,149)	
\$	\$	\$ 156,401	\$	\$	\$	\$ 1,634,610	\$

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, 2017

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, 2017, 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, 2017:				
Budgetary basis	\$ 317,120	\$ 393,696	\$ 156,401	\$ 1,634,610
Adjustments:				
Accrued revenues	362,574	133,575	584,186	33,828
Accrued expenditures	(563,120)	(88,555)	(582,206)	(64,993)
Accrued transfers (net)			(17,900)	17,900
Total Accruals (1)	(200,546)	45,020	(15,920)	(13,265)
Reclassifications and other adjustments:				
Inventory balances (1)	6,219	68,009	98	2,647
To reclassify financial and other resources into financial statement fund types (2)	1,716	(230)	(141,246)	(1,090,608)
To record financial resources available as non-budgeted funds (3)	(118,235)			
Fund Balance				
Fund balance June 30, 2017:				
GAAP Basis	\$ 6,274	\$ 506,495	\$ (667)	\$ 533,384
(1) Basis differences				
(2) Perspective differences				
(3) Entity differences				

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2017

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 63,753 lane miles of roads and approximately 8,928 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Good	61.20%	45.60%	56.40%	53.7%	56.6%
Fair	22.20%	37.10%	26.20%	27.0%	24.7%
Poor	16.60%	17.30%	17.40%	19.3%	18.7%

Bridges

Measurement Scale

KYTC maintains information on its 8,928 bridges in compliance with the National Bridge Inspection guidelines established by the Federal Highway Administration. KYTC inspects all bridges at least once every two years and the condition assessment results are coded on a 0-9 scale with 9 being the most desirable. The condition ratings are based on the following scale:

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

Established Minimum Condition Level

No more than 10% of the bridges shall be rated as “structurally deficient.” In addition, the total deck area of structurally deficient, state maintained bridges will not exceed 12% of the total deck area of all state maintained bridges.

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2017

Assessed Conditions

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

<u>Calendar Year</u>	<u>Structurally Deficient</u>	<u>Deck Area Structurally Deficient</u>
2016	5.9%	4.9%
2015	6.4%	5.6%
2014	6.3%	4.7%
2013	6.9%	4.9%
2012	6.5%	6.4%

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 2018:</u>			
Estimated	\$ 727.0	\$ 76.1	\$ 803.1
<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.

Kentucky Public Transportation Infrastructure Authority

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

In order to utilize the modified approach, the Authority is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate, each year, the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Authority.
- Document that the assets are being preserved approximately at, or above, the established condition level.

The Authority’s assets accounted for, under the modified approach, include approximately 56.1 lane miles of roads and 48 bridge structures. As the developer for the LSIORBP, as designated in House Bill 2 enacted by the Kentucky General Assembly in 2012, the Authority is responsible for maintaining the assets. The Authority’s pavement condition assessments will be relaxed during construction; however, bridge inspections will continue until access to structures is restricted by the construction activities. Once the LSIORB is complete, it is planned the Authority and the Cabinet will enter into a memorandum of agreement through which the Cabinet will resume responsibility for condition inspections, maintenance and preservation activities on behalf of the Authority.

Pavements

Measurement Scale

The Authority uses numerous methods to determine the condition of roadway pavements; including the Pavement Condition Index (PCI) to measure and monitor pavement conditions. In use since the mid-1980s, the PCI for any particular pavement section is the mathematical difference between the current pavement smoothness and the acceptable pavement smoothness threshold based on traffic volumes. The corresponding pavement condition is based on the following PCI ranges:

<u>Condition</u>	<u>PCI</u>
Good	Greater than +0.4
Fair	Between 0.0 and 0.4
Poor	Less than 0.0

Established Minimum Condition Level

No more than 30% of the pavements shall be rated as “poor.”

Assessed Conditions

The Authority received the title to the 56.1 lane miles of roadways during the year ended June 30, 2017. As the roadways were received during the fiscal year, previous condition assessments have been reported by the Cabinet. The condition assessment at the time of conveyance met or exceeded the Cabinet’s established minimum condition level. The pavement condition goal above represents the Cabinet’s goal for the Commonwealth’s state maintained highway system. The actual conditions of the pavements for which the Authority is responsible may or may not meet this stated goal for the reporting period due to delayed preservation activities. The LSIORBP has required a lengthy planning and development period and in anticipation of the reconstruction of the assets much of the preservation work has been postponed; thus, pavement conditions may temporarily be below the statewide condition goal. Routine pavement inspections have continued and required maintenance has been performed prior to construction to insure that payments are safe and reliable. Once construction is complete, the Authority will work with the Cabinet to adopt payment condition goals for the LSIORBP assets.

Bridges

Measurement Scale

The Authority maintains information on its bridges in compliance with the National Bridge Inspection guidelines established by the Federal Highway Administration. The Authority inspects all bridges at least once every two years and the condition assessment results are coded on a 0-9 scale with 9 being the most desirable. The condition ratings are based on the following scale:

<u>Rating</u>	<u>Description</u>
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling or scour.
4	Poor. Advanced section loss, deterioration, spalling or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.

COMMONWEALTH OF KENTUCKY
Notes To Required Supplementary Information
June 30, 2017

- 1 Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
- 0 Failure. Out of service; beyond corrective action.

Established Minimum Condition Level

No more than 10% of the bridges shall be rated as “structurally deficient.” In addition, the total deck area of structurally deficient, state maintained bridges will not exceed 12% of the total deck area of all state maintained bridges.

Assessed Conditions

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

<u>Calendar Year</u>	<u>Structurally Deficient</u>	<u>Deck Area</u> <u>Structurally Deficient</u>
2017	2.1%	10.4%
2016	Not reported due to ongoing construction	
2015	43%	42%

The bridge condition goals above represent the Cabinet’s goal for all structures located on the Commonwealth’s state maintained highway system. The actual conditions of the bridges for which the Authority is responsible do not meet this stated goal in 2015 and was not reported in 2016. 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 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 have continued and required maintenance has been performed to insure all bridges are safe for traffic. Construction activities are well underway and will either fully preserve or replace all existing bridge structures, restoring the asset’s conditions to above goal levels. During construction routine inspections and conditions assessments have continued and required maintenance has been performed to insure all bridges are safe for traffic. Once construction is completed, the Authority will work with the Cabinet to adopt bridge condition goals for the LSIORBP assets. The Authority received the title to the bridges during the year ended June 30, 2015 and as such historical condition assessments are not reported by the Authority.

Estimated and Actual Costs to Maintain

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

(Expressed in Thousands):

	<u>Roadways</u>	<u>Bridges</u>	<u>Total</u>
<u>Fiscal Year 2018:</u>			
Estimated*			
<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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Earned Premiums	\$ 24,293	\$ 21,764	\$ 23,666	\$ 22,094	\$ 22,993	\$ 24,500	\$ 24,497	\$ 23,017	\$ 21,074	\$ 25,871
Administrative Expense	1,070	1,094	936	1,031	1,013	955	1,038	1,007	976	914
Incurred Claims as Originally Estimated	16,765	21,006	19,084	20,372	21,269	23,043	25,619	24,847	22,185	23,536
Claims Paid (Cumulative) as of:										
End of Fiscal Year	4,078	4,907	4,613	5,497	5,245	5,076	7,314	6,221	5,386	6,082
One Year Later	7,585	8,252	8,675	9,233	9,568	7,927	10,235	9,131	8,160	
Two Years Later	9,316	9,328	10,433	11,153	11,806	9,695	12,258	10,994		
Three Years Later	10,364	10,065	11,489	12,309	13,296	10,720	13,170			
Four Years Later	11,115	10,319	12,067	13,390	13,903	11,210				
Five Years Later	11,592	10,514	12,506	14,036	14,405					
Six Years Later	12,052	10,716	12,859	14,457						
Seven Years Later	12,473	10,852	13,215							
Eight Years Later	12,911	10,952								
Nine Years Later	13,268									
Re-estimation of Incurred Claims:										
End of Fiscal Year	16,765	21,006	19,084	20,372	21,269	23,043	25,619	24,847	22,185	23,536
One Year Later	17,770	19,270	20,373	21,613	22,466	20,463	23,517	22,001	20,628	
Two Years Later	17,851	18,313	20,170	21,966	23,455	19,660	23,422	21,866		
Three Years Later	18,483	18,183	21,106	22,550	23,631	19,505	22,971			
Four Years Later	19,849	17,847	21,236	23,060	23,124	18,912				
Five Years Later	20,188	17,579	21,148	22,780	22,891					
Six Years Later	19,975	17,289	20,856	22,872						
Seven Years Later	19,751	17,225	20,449							
Eight Years Later	19,680	16,777								
Nine Years Later	19,532									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	2,914	(3,781)	1,772	2,408	1,855	(3,538)	(2,197)	(2,846)	(1,557)	

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

	2008	2009	2010	2011 as restated	2012	2013	2014	2015	2016	2017
Earned Premiums	\$ 1,191,248	\$ 1,310,553	\$ 1,466,303	\$ 1,571,312	\$ 1,600,787	\$ 1,597,599	\$ 1,606,992	\$ 1,612,540	\$ 1,624,815	\$ 1,627,656
Administrative Expense	68,883	72,836	77,104	81,048	82,088	81,459	87,108	83,049	73,177	75,515
Incurred Claims as Originally Estimated	1,164,712	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
Claims Paid (Cumulative) as of:										
End of Fiscal Year	1,089,989	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
One Year Later	1,173,449	1,290,727	1,399,923	1,477,129	1,533,569	1,539,862	1,477,144	1,349,674	1,339,032	
Two Years Later	1,173,366	1,289,633	1,396,976	1,466,785	1,532,732	1,537,204	1,476,869	1,353,583		
Three Years Later	1,169,819	1,289,628	1,396,631	1,466,629	1,532,538	1,537,204	1,476,869			
Four Years Later	1,169,814	1,289,628	1,396,631	1,466,785	1,532,538	1,537,204				
Five Years Later	1,169,814	1,289,628	1,396,631	1,466,785	1,532,538					
Six Years Later	1,169,814	1,289,628	1,396,631	1,466,785						
Seven Years Later	1,169,814	1,289,628	1,396,621							
Eight Years Later	1,169,814	1,289,628								
Nine Years Later	1,169,814									
Re-estimation of Incurred Claims:										
End of Fiscal Year	1,164,712	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
One Year Later	1,173,890	1,289,389	1,398,877	1,474,723	1,532,352	1,537,907	1,474,433	1,351,082	1,339,032	
Two Years Later	1,173,323	1,289,628	1,396,631	1,466,629	1,532,537	1,536,507	1,476,210	1,358,368		
Three Years Later	1,169,814	1,289,628	1,396,631	1,466,629	1,532,537	1,536,507	1,476,210			
Four Years Later	1,169,814	1,289,628	1,396,631	1,466,629	1,532,537	1,536,507				
Five Years Later	1,169,814	1,289,628	1,396,631	1,466,629	1,532,538					
Six Years Later	1,169,814	1,289,628	1,396,631	1,466,785						
Seven Years Later	1,169,814	1,289,628	1,396,631							
Eight Years Later	1,169,814	1,289,628								
Nine Years Later	1,169,814									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	5,101	(2,431)	5,291	(8,673)	699	6,308	15,281	3,970	(9,397)	

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

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

Notes to Schedule

Valuation date	July 1, 2016	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	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Investment Return	6.50%	6.41%	6.15%	6.15%
Inflation	3.00%	3.00%	3.00%	3.00%
Projected Salary Increase	1% for next 5 years 3.5% thereafter	1% for next 5 years 3.5% thereafter	1% for next 5 years 3.5% thereafter	1% for next 5 years 3.5% thereafter

Mortality Rates FY 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	2008
\$ 15,220	\$ 10,302	\$ 10,302	\$ 4,512	\$ 4,512	\$ 2,375
10,399	4,946	4,534	4,470	4,470	2,375
<u>\$ 4,821</u>	<u>\$ 5,356</u>	<u>\$ 5,768</u>	<u>\$ 42</u>	<u>\$ 42</u>	<u>\$</u>
\$ 32,930	\$ 33,175	\$ 33,175	\$ 29,887	\$ 29,887	\$ 31,224
31.58%	14.91%	13.67%	14.96%	14.96%	7.61%
July 1, 2013	July 1, 2012	July 1, 2011	June 30,2009	June 30,2009	June 30,2008
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%	7.50%
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	4%

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

Kentucky Legislators' Retirement Plan				
	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,384	\$ 3,415	\$ 3,409	\$ 3,215
Contributions in relation to the actuarially determined contribution	2,384	3,415	3,409	1,825
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u> 1,390
Covered-employee payroll	\$ 3,506	\$ 4,919	\$ 4,919	\$ 4,988
Contributions as a percentage of covered-employee payroll	68%	69%	69%	36.59%
Notes to Schedule				
Valuation date	July 1, 2016	July 1, 2015	July 1, 2014	July 1, 2014
Methods and assumptions used to determine contributions:				
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Investment Return	6.45%	6.85%	6.50%	6.50%
Inflation	3.00%	3.00%	3.00%	3.00%
Projected Salary Increase	1% for next 5 years 3.5% thereafter	1% for next 5 years 3.5% thereafter	1% for next 5 years 3.5% thereafter	1% for next 5 years 3.5% thereafter

Mortality Rates FY 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	2008
\$ 3,215	\$ 2,140	\$ 2,140	\$ 320	\$ 320	\$ 429
1,696	1,027	942	320	320	429
<u>\$ 1,519</u>	<u>\$ 1,113</u>	<u>\$ 1,198</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 4,988	\$ 5,193	\$ 5,193	\$ 4,917	\$ 4,917	\$ 4,755
34%	19.78%	18.14%	6.51%	6.51%	9.02%
July 1, 2013	July 1, 2012	July 1, 2011	June 30, 2009	June 30, 2009	June 30, 2008
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 Open	Interest + 1% Unfunded Past Liability Open	Interest + 1% Unfunded Past Liability Open	Interest + 1% Unfunded Past Liability Open	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%	7.50%	7.50%
1% for next year	1% for next year	1% for next year	1% for next year	1% for next year	4.00%
1% the following year	1% the following year	2% the following year	2% the following year	2% the following year	
3.5% thereafter	3.5% thereafter	4% thereafter	4% thereafter	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

	2017	2016	2015	2014
Actuarially determined contribution	\$ 35,937	\$ 25,723	\$ 31,444	\$ 25,808
Contributions in relation to the actuarially determined contribution	63,240	25,822	31,990	20,279
Contribution deficiency (excess)	<u>\$ (27,303)</u>	<u>\$ (99)</u>	<u>\$ (546)</u>	<u>\$ 5,529</u>
Covered-employee payroll	\$ 54,065	\$ 46,685	\$ 45,765	\$ 44,616
Contributions as a percentage of covered-employee payroll	116.97%	55.31%	69.90%	45.45%

Notes to Schedule

Valuation date	June 30, 2015	June 30, 2015	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 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	Five-year smoothed market	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	4.00%	4.00%	4.00%	4.50%

Mortality

The rate of mortality 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). For healthy retired members and beneficiaries, the mortality table is the RP-2000 Combined Mortality Table projected with scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2013	2012	2011	2010	2009	2008
\$ 23,117	\$ 20,498	\$ 18,463	\$ 18,765	\$ 15,952	\$ 13,823
18,501	15,362	12,657	9,489	8,186	7,443
<u>\$ 4,616</u>	<u>\$ 5,136</u>	<u>\$ 5,806</u>	<u>\$ 9,276</u>	<u>\$ 7,766</u>	<u>\$ 6,380</u>
\$ 45,256	\$ 48,373	\$ 48,693	\$ 51,507	\$ 51,660	\$ 53,269
40.88%	31.76%	25.99%	18.42%	15.85%	13.97%
June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed
Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	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%	4.50%	3.50%
4.5%-21%	4.5%-21%	4.5%-21%	5%-21%	4.5%-21%	4%-14.5%

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

Kentucky Employees Retirement Plan			
Non-Hazardous			
	2017	2016	2015
Actuarially determined contribution	\$ 361,024	\$ 362,122	\$ 355,949
Contributions in relation to the			
actuarially determined contribution	361,316	362,639	202,891
Contribution deficiency (excess)	<u>\$ (292)</u>	<u>\$ (517)</u>	<u>\$ 153,058</u>
Covered-employee payroll	1,148,574	\$ 1,073,430	\$ 1,078,236
Contributions as a percentage of			
covered-employee payroll	31.46%	33.78%	18.82%
Notes to Schedule			
Valuation date	June 30, 2015	June 30, 2015	June 30, 2014
Methods and assumptions used to determine contributions :			
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	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	Five-year smoothed market	Five-year smoothed market
Investment Return	6.75%	7.50%	7.75%
Inflation	3.25%	3.25%	3.50%
Projected Salary Increase	4.0%, average, including inflation	4.0%, average, including inflation	4.5% per annum

Mortality

The rate of mortality 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). For healthy retired members and beneficiaries, the mortality table is the RP-2000 Combined Mortality Table projected with scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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	2017	2016	2015
Actuarially determined contribution	\$ 23,690	\$ 27,770	\$ 13,289
Contributions in relation to the actuarially determined contribution	23,759	27,929	11,428
Contribution deficiency (excess)	<u>\$ (69)</u>	<u>\$ (159)</u>	<u>\$ 1,861</u>
Covered-employee payroll	\$ 158,828	\$ 125,942	\$ 126,402
Contributions as a percentage of covered-employee payroll	14.96%	22.18%	9.04%
Notes to Schedule			
Valuation date	June 30, 2016	June 30, 2015	June 30, 2014
Methods and assumptions used to determine contributions :			
Actuarial Cost Method	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
Asset Valuation Method	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%	7.75%
Inflation	3.25%	3.25%	3.50%
Projected Salary Increase	4.0%, average, including inflation	4.0%, average, including inflation	1% per annum

Mortality

The rate of mortality 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). For healthy retired members and beneficiaries, the mortality table is the RP-2000 Combined Mortality Table projected with scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

	2017	2016	2015
Actuarially determined contribution	\$	\$	\$
Employer	16,540	15,776	14,018
Nonemployer special funding	934,995	852,845	768,088
Contributions in relation to the actuarially determined contribution			
Employer	9,359	9,662	9,590
Nonemployer special funding	529,083	522,336	525,455
Contribution deficiency (excess)	<u>\$ 413,093</u>	<u>\$ 336,623</u>	<u>\$ 247,061</u>
Covered-employee payroll	\$ 4,108,000	\$ 3,284,714	\$ 3,150,875
Contributions as a percentage of covered-employee payroll	13.11%	16.20%	16.98%

Notes to Schedule

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

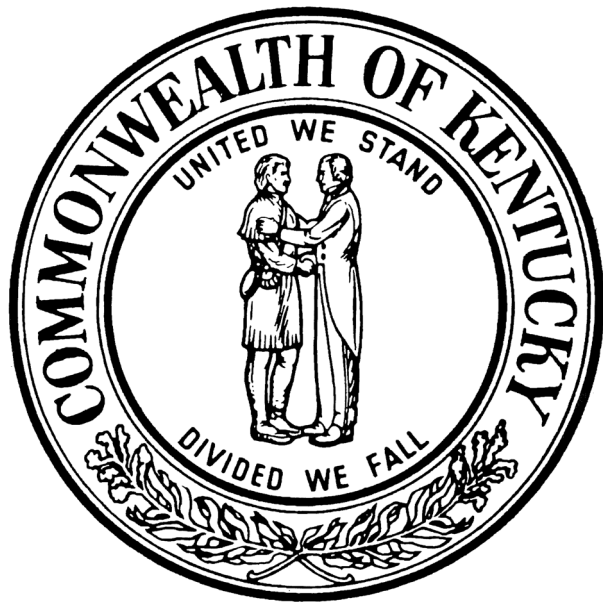
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of payroll, open
Asset Valuation Method	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market
Investment Return	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	3.50%	3.50%	3.50%
Projected Salary Increase	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 THREE FISCAL YEARS
(Expressed in Thousands)

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year 2017⁽¹⁾		
	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
Total Pension Liability			
Service Costs	\$ 967	\$ 4,913	\$ 8,402
Interest	5,161	23,436	52,951
Differences between expected and actual experience			
Changes in assumptions			56,191
Benefit payments/refunds	(3,999)	(22,868)	(56,279)
Other	22	85	
Net change in total pension liability	2,151	5,566	61,265
Total pension liability at July 1	76,213	371,205	734,157
Total pension liability at June 30	<u>\$ 78,364</u>	<u>\$ 376,771</u>	<u>\$ 795,422</u>
Pension Plan Fiduciary Net Position			
Contributions - employer	\$ 3,380	\$ 15,294	\$ 25,822
Contributions - member	335	1,737	5,262
Net investment income	2,067	8,734	(3,841)
Benefit payments/refunds	(3,999)	(22,867)	(56,279)
Administrative expenses			(180)
Other	22	91	
Net change in plan fiduciary net position	1,805	2,989	(29,216)
Pension plan fiduciary net position at July 1	60,089	264,466	247,229
Pension plan fiduciary net position at June 30	<u>\$ 61,894</u>	<u>\$ 267,455</u>	<u>\$ 218,013</u>
Net pension liability at June 30	<u>\$ 16,470</u>	<u>\$ 109,316</u>	<u>\$ 577,409</u>
Pension plan fiduciary net position as a % of the total pension liability	78.98%	71.0%	27.41%
Covered-employee payroll	\$ 4,500	\$ 30,000	\$ 46,685
Net Pension liability as a % of covered employee payroll	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.

⁽¹⁾ This column is presented based on the measurement period ended June 30, 2016

⁽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

Fiscal Year 2016 ⁽²⁾			Fiscal Year 2015 ⁽³⁾		
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			
	2017		2016	
	Kentucky Employees' Retirement System		Kentucky Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Commonwealth's proportionate share of the net pension liability (asset)	70.42%	98.04%	69.51%	97.87%
Commonwealth's proportionate share of the collective net pension liability (asset)	\$ 8,027,502	\$ 383,971	\$ 6,973,383	\$ 335,667
Other employers' proportionate share of the collective net pension liability (asset)	3,207,893	7,667	3,058,508	7,298
Total collective net pension liability	<u>\$ 11,235,395</u>	<u>\$ 391,638</u>	<u>\$ 10,031,891</u>	<u>\$ 342,965</u>
Commonwealth's covered-employee payroll	\$ 1,148,568	\$ 155,715	\$ 1,073,428	\$ 125,939
Commonwealth's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	698.91%	246.59%	649.64%	266.53%
Pension plan fiduciary net position as a percentage of the total pension liability	14.80%	57.41%	18.83%	61.70%

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

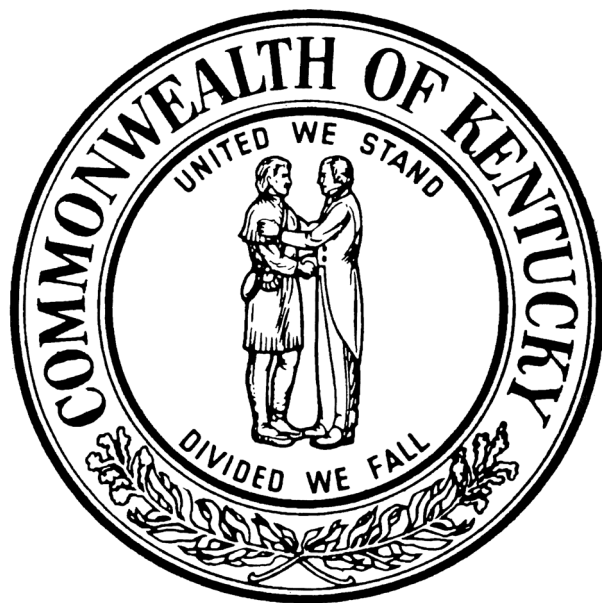
	Fiscal Year	
	2017	2016
	Kentucky Teachers' Retirement System	
Commonwealth's proportionate share of the net pension liability (asset)	95.22%	95.07%
Commonwealth's proportionate share of the collective net pension liability (asset)	\$ 29,446,825	\$ 23,223,555
Other employers' proportionate share of the collective net pension liability (asset)	1,476,601	1,476,601
Total collective net pension liability	<u>\$ 30,923,426</u>	<u>\$ 24,700,156</u>
Commonwealth's covered-employee payroll	\$ 3,252,174	\$ 3,284,714
Commonwealth's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	905.45%	707.02%
Pension plan fiduciary net position as a percentage of the total pension liability	35.20%	42.49%

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	
2015	
Kentucky Employees' Retirement System	
Non-Hazardous	Hazardous
68.35%	97.93%
\$ 6,132,338	\$ 250,075
2,839,482	5,291
<u>\$ 8,971,820</u>	<u>\$ 255,366</u>
\$ 1,078,236	\$ 126,402
568.74%	197.84%
22.32%	68.74%

Fiscal Year	
2015 *	
Kentucky Teachers' Retirement System	
	94.98%
\$	20,508,196
	1,084,009
<u>\$</u>	<u>21,592,205</u>
\$	3,150,875
	650.87%
	45.59%



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, 2017
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Assets			
Cash and cash equivalents	\$ 3,365	\$	\$ 11,735
Investments, net of amortization			114,008
Invested security collateral			44,517
Receivables, net			65,849
Notes receivable			2,021
Interfund receivables	122,806		1,966
Interfund loan receivable			12,030
Total Assets	<u>\$ 126,171</u>	<u>\$</u>	<u>\$ 252,126</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$	\$	\$ 1,808
Interfund payables			27,953
Obligations under securities lending			44,517
Unearned revenue	1,681		277
Total Liabilities	<u>1,681</u>		<u>74,555</u>
Deferred inflows of resources			
Unavailable			44,345
Fund Balances:			
Nonspendable			
Long-term receivables			2,021
Restricted for:			
General government			9,574
Legislative and judicial			
Commerce			1,419
Education and humanities			15,430
Human resources			84,057
Natural resources and environmental protection			7,665
Public protection and regulation			
Transportation			970
Debt service	124,490		
Committed to:			
General government			9,649
Education and humanities			54
Human resources			199
Natural resources and environmental protection			
Assigned to:			
General government			2,188
Total Fund Balances	<u>124,490</u>		<u>133,226</u>
Total Liabilities and Fund Balances	<u>\$ 126,171</u>	<u>\$</u>	<u>\$ 252,126</u>

Special Revenue Funds				
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	KentuckyWired Infrastructure Company, Inc.	Special Benefits	Total Non-Major Governmental Funds
\$ 129,413	\$ 19,872	\$ 38	\$ 174,795	\$ 339,218
72,106	4,814	141,265	73,368	405,561
			87,736	132,253
		5,640	47,673	119,162
	8,579		11,340	2,021
				144,691
				12,030
<u>\$ 201,519</u>	<u>\$ 33,265</u>	<u>\$ 146,943</u>	<u>\$ 394,912</u>	<u>\$ 1,154,936</u>
\$ 122,806	\$ 30	\$ 6,371	\$ 11,019	\$ 19,228
	405		41,574	192,738
			87,736	132,253
				1,958
<u>122,806</u>	<u>435</u>	<u>6,371</u>	<u>140,329</u>	<u>346,177</u>
			43,652	87,997
				2,021
		140,572	59,569	209,715
			2	2
	32,830		3,688	1,419
			5,717	51,948
			96,058	89,774
			2,569	103,723
78,713				2,569
				79,683
				124,490
			15,255	24,904
				54
				199
			28,073	28,073
				2,188
<u>78,713</u>	<u>32,830</u>	<u>140,572</u>	<u>210,931</u>	<u>720,762</u>
<u>\$ 201,519</u>	<u>\$ 33,265</u>	<u>\$ 146,943</u>	<u>\$ 394,912</u>	<u>\$ 1,154,936</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Debt Service Funds		Other Special Revenue
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	
Revenues			
Taxes	\$	\$	\$ 42,409
Licenses, fees, and permits		118	453
Intergovernmental			5
Charges for services			74,668
Fines and forfeits			12,377
Interest and other investment income	8		831
of investments			(71)
Securities lending income			427
Other revenues	3,356		13,953
Total Revenues	<u>3,364</u>	<u>118</u>	<u>145,052</u>
Expenditures			
Current:			
General government		169,867	103,671
Commerce			336
Education and humanities			47,666
Human resources			4,566
Justice			
Natural resources and			
environmental protection			57
Public protection and regulation			
Transportation			
Debt service:			
Principal retirement	88,590	84,548	
Interest and fiscal charges	63,174	28,682	
Other expenditures		6,159	
Securities lending expense			309
Total Expenditures	<u>151,764</u>	<u>289,256</u>	<u>156,605</u>
Excess (Deficiency) of Revenues			
over (under) Expenditures	<u>(148,400)</u>	<u>(289,138)</u>	<u>(11,553)</u>
Other Financing Sources (Uses)			
Transfers in	153,224	113,076	307,900
Transfers out	(1)		(267,218)
Issuance of bonds:			
New issues		167,239	
Refunding issues		56,689	
Premiums		3,789	
Discounts		(1,161)	
Payments to refunded bond escrow agent		(50,494)	
Total Other Financing Sources (Uses)	<u>153,223</u>	<u>289,138</u>	<u>40,682</u>
Net Change in Fund Balances	4,823		29,129
Fund Balances at July 1	119,667		104,118
Increase (Decrease) in Inventory			(21)
Fund Balances at June 30	<u>\$ 124,490</u>	<u>\$</u>	<u>\$ 133,226</u>

Special Revenue Funds				Total Non-Major Governmental Funds
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	KentuckyWired Infrastructure Company, Inc.	Special Benefits	
\$	\$	\$	\$ 11,504	\$ 53,913
			1,967	2,538
			20	25
			171,938	246,606
			1,323	13,700
463	127	366	3,105	4,900
				(71)
			841	1,268
189	13,413	5,203	104,905	141,019
652	13,540	5,569	295,603	463,898
		56,975	72,958	403,471
			540	876
	15,297		13,268	76,231
			19,926	24,492
			1,266	1,266
			3,364	3,421
			1,885	1,885
48,407			108,734	157,141
				173,138
				91,856
				6,159
			609	918
48,407	15,297	56,975	222,550	940,854
(47,755)	(1,757)	(51,406)	73,053	(476,956)
153,187 (153,224)	25,314 (14,068)		35,038 (89,570)	787,739 (524,081)
41,980		16,376		225,595
				56,689
3,319				7,108
				(1,161)
				(50,494)
45,262	11,246	16,376	(54,532)	501,395
(2,493)	9,489	(35,030)	18,521	24,439
81,206	23,341	175,602	192,410	696,344
				(21)
\$ 78,713	\$ 32,830	\$ 140,572	\$ 210,931	\$ 720,762

SCHEDULE OF FUND ACTIVITIES

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed In Thousands)

	June 30, 2017
Revenues by Source	
Taxes:	
Sales and gross receipts	\$ 4,338,610
Income:	
Individual	4,394,185
Corporations	458,650
Property	707,426
Coal severance	123,991
Licenses and privileges	1,448
Inheritance and estate	45,612
Miscellaneous	2,905
Total Taxes	10,072,827
Licenses, fees, and permits	32,340
Intergovernmental	11,444
Charges for services	249,034
Fines and forfeits	31,556
Interest and other investment income	896
Increase (decrease) in fair value of investments	(634)
Securities lending income	1,038
Other revenues	56,179
Total Revenues by Source	\$ 10,454,680

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed In Thousands)

	June 30, 2017
General Government:	
Personal services	\$ 285,105
Utilities, rentals, and other services	54,155
Commodities and supplies	28,870
Grants and subsidies	1,265,803
Capital outlay	456
Claims	5
Travel	1,724
Other	2,849
Total General Government	1,638,967
Legislative and Judicial:	
Personal services	248,850
Utilities, rentals, and other services	123,491
Commodities and supplies	21,460
Grants and subsidies	16,596
Capital outlay	236
Claims	9
Travel	4,303
Judgments and contingent liabilities	225
Total Legislative and Judicial	415,170
Commerce:	
Personal services	15,567
Utilities, rentals, and other services	1,493
Commodities and supplies	1,057
Grants and subsidies	20,456
Capital Outlay	107
Travel	128
Total Commerce	38,808
Education and Humanities:	
Personal services	104,041
Utilities, rentals, and other services	29,065
Commodities and supplies	4,368
Grants and subsidies	4,780,424
Capital outlay	40
Travel	4,933
Total Education and Humanities	4,922,871
Human Resources:	
Personal services	243,799
Utilities, rentals, and other services	55,506
Commodities and supplies	3,695
Grants and subsidies	2,217,707
Capital Outlay	65
Claims	2
Travel	6,200
Judgments and contingent liabilities	7,120
Total Human Resources	2,534,094
Justice:	
Personal services	453,130
Utilities, rentals, and other services	53,852
Commodities and supplies	31,034
Grants and subsidies	261,770
Capital outlay	539
Claims	16
Travel	4,335
Judgments and contingent liabilities	8,420
Total Justice	813,096

	June 30, 2017
Natural Resources and Environmental Protection:	
Personal services	\$ 57,100
Utilities, rentals, and other services	6,517
Commodities and supplies	2,267
Grants and subsidies	1,212
Capital outlay	716
Claims	1
Travel	517
Total Natural Resources and Environmental Protection	68,330
Public Protection and Regulation:	
Personal services	16,174
Utilities, rentals, and other services	1,490
Commodities and supplies	124
Grants and subsidies	275
Capital outlay	50
Travel	74
Judgments and contingent liabilities	506
Total Public Protection and Regulation	18,693
Transportation:	
Personal services	335
Commodities and supplies	56
Grants and subsidies	13,276
Travel	3
Total Transportation	13,670
Securities lending	752
Total Expenditures	\$ 10,464,451

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES BY TYPE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed In Thousands)

	June 30, 2017
Revenues:	
Taxes	\$ 1,339,277
Licenses, fees and permits	148,052
Charges for services	9,252
Fines and forfeits	24
Interest and other investment income	2,590
Securities lending income	1,353
Other revenues	2,704
Total Revenues	<u>1,503,252</u>
Expenditures:	
Transportation:	
General administration and support	26,191
Justice - state police	87,050
Highways	1,140,832
Aviation	668
Securities lending	980
Other	930
Total Expenditures	<u>\$ 1,256,651</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, 2017
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,992	\$ 8,092	\$ 1,636
Receivables, net	2	166	405
Interfund receivables	72	4,962	352
Inventories	18	529	1,825
Total Current Assets	12,084	13,749	4,218
Noncurrent assets:			
Investments, net		2,199	
Receivables, net			
Land			657
Improvements other than buildings			
Buildings		9,508	5,816
Machinery and equipment	79,164	47,819	6,158
Easements and other intangibles		1,675	
Less: Accumulated depreciation	(63,243)	(45,227)	(6,728)
Construction in progress			
Total Capital Assets	15,921	13,775	5,903
Total Noncurrent Assets, Net	15,921	15,974	5,903
Total Assets	28,005	29,723	10,121
Deferred outflows of resources	942	25,106	279
Liabilities			
Current liabilities:			
Accounts payable	117	3,136	434
Interfund payables	7	529	73
Claims liability			
Claims adjustment liability			
Capital lease obligations	3,406	1,227	213
Compensated absences	61	2,821	205
Unearned revenue		4	
Total Current Liabilities	3,591	7,717	925
Noncurrent liabilities:			
Claims liability			
Claims adjustment liability			
Capital lease obligations	1,906	1,003	596
Compensated absences	37	1,341	362
Net pension liability	6,374	174,298	1,508
Total Noncurrent Liabilities	8,317	176,642	2,466
Total Liabilities	11,908	184,359	3,391
Deferred inflows of resources	351	7,016	
Net Position			
Net investment in capital assets	10,608	11,544	5,094
Unrestricted	6,080	(148,090)	1,915
Total Net Position	\$ 16,688	\$ (136,546)	\$ 7,009

Central Printing	Property Management	Risk Management	Totals June 30, 2017
\$ 1	\$ 9,700	\$ 14,217	\$ 45,638
	28	465	1,066
35	172		5,558
36	9,900	14,682	2,407
			54,669
1	10,851		13,051
		138	138
	17,095		17,752
	3,133		3,133
	323,111		338,435
1,637	2,364		137,142
			1,675
(994)	(183,646)		(299,838)
	78,365		78,365
643	240,422		276,664
644	251,273	138	289,853
680	261,173	14,820	344,522
657	8,557	1,111	36,652
69	3,073	2,251	9,080
884	1,627	3,826	6,946
		23,879	23,879
		788	788
129	806		5,781
75	875	140	4,177
	139		143
1,157	6,520	30,884	50,794
		188,097	188,097
		4,614	4,614
473	6,265		10,243
28	46	47	1,861
4,330	53,752	3,494	243,756
4,831	60,063	196,252	448,571
5,988	66,583	227,136	499,365
43		2	7,412
42	233,351		260,639
(4,736)	(30,204)	(211,207)	(386,242)
\$ (4,694)	\$ 203,147	\$ (211,207)	\$ (125,603)

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Operating Revenues:			
Charges for services	\$ 27,889	\$ 119,868	\$ 11,436
Other revenues	135		9
Total Operating Revenues	28,024	119,868	11,445
Operating Expenses:			
Personal services	2,121	69,559	3,946
Utilities, rentals, and other services	3,125	15,961	1,217
Commodities and supplies	10,733	20,875	5,281
Grants and subsidies			758
Depreciation and amortization	7,152	3,592	719
Travel		58	31
Reinsurance expense			
Claims expense		3	
Claims adjustment expense			
Total Operating Expenses	23,131	110,048	11,952
Operating Income (Loss)	4,893	9,820	(507)
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	56	(490)	(119)
Interest and other investment income		1	
Interest expense	(122)	(231)	(17)
Other revenues (expenses)		2	
Total Nonoperating Revenues and Expenses	(66)	(718)	(136)
Income (Loss) before Transfers	4,827	9,102	(643)
Capital contributions	51		
Transfers in			3
Transfers out	(6,000)	(8,386)	
Change in Net Position	(1,122)	716	(640)
Net Position at July 1	17,810	(137,262)	7,649
Net Position at June 30	\$ 16,688	\$ (136,546)	\$ 7,009

Central Printing	Property Management	Risk Management	Totals June 30, 2017
\$ 1,420	\$ 39,463	\$ 36,563	\$ 236,639
	1	18,399	18,544
1,420	39,464	54,962	255,183
1,213	22,862	3,619	103,320
211	18,654	14,531	53,699
230	8,467	85	45,671
			758
77	6,900		18,440
	22	14	125
		1,032	1,032
	1	36,021	36,025
		46	46
1,731	56,906	55,348	259,116
(311)	(17,442)	(386)	(3,933)
	(15)		(568)
		(15)	(14)
(7)	(278)		(655)
		75	77
(7)	(293)	60	(1,160)
(318)	(17,735)	(326)	(5,093)
			51
	2,663		2,666
	(1,071)	(2,075)	(17,532)
(318)	(16,143)	(2,401)	(19,908)
(4,376)	219,290	(208,806)	(105,695)
\$ (4,694)	\$ 203,147	\$ (211,207)	\$ (125,603)

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Cash Flows from Operating Activities			
Cash received from customers - public	\$ 69	\$ 896	\$
Cash received from customers - state	27,748	115,810	11,583
Cash payments to suppliers for goods and services	(14,049)	(39,013)	(6,415)
Cash payments for employee salaries and benefits	(1,610)	(61,962)	(3,879)
Cash payments for claims expense		(4)	
Cash payments from other sources	135	3	9
Cash payments to other sources			(758)
Net Cash Provided (Used) by Operating Activities	12,293	15,730	540
Cash Flows from Noncapital Financing Activities			
Transfers from other funds			3
Transfers to other funds	(6,000)	(8,386)	
Net Cash Provided (Used) by Noncapital Financing Activities	(6,000)	(8,386)	3
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(2,899)	(10,399)	(29)
Principal paid on revenue bond maturities and equipment contracts	(5,227)	(1,583)	(197)
Interest paid on revenue bonds and equipment contracts	(122)	(231)	(17)
Proceeds from the sale of capital assets	57		75
Net Cash Provided (Used) for Capital and Related Financing Activities	(8,191)	(12,213)	(168)
Cash Flows from Investing Activities			
Proceeds from the sale of investment securities		1,542	
Interest and dividends on investments		1	
Net Cash Provided (Used) in Investing Activities		1,543	
Net Increase (Decrease) in Cash and Cash Equivalents	(1,898)	(3,326)	375
Cash and Cash Equivalents at July 1	13,890	11,418	1,261
Cash and Cash Equivalents at June 30	\$ 11,992	\$ 8,092	\$ 1,636
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 4,893	\$ 9,820	\$ (507)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	7,152	3,592	719
Miscellaneous nonoperating income (expense)			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	(2)	(63)	215
Interfund receivables	(71)	(3,084)	(68)
Inventories	1	(91)	49
(Increase) decrease in deferred outflows	(347)	(8,476)	(122)
Increase (decrease) in liabilities:			
Accounts payable	(190)	(2,262)	(1)
Interfund payables	(1)	177	34
Claims liability			
Claims adjustment liability			
Compensated absences	(4)	(793)	34
Unearned revenue		(18)	
Pension liability	655	12,667	187
Increase (decrease) in deferred inflows	207	4,261	
Net Cash Provided by Operating Activities	\$ 12,293	\$ 15,730	\$ 540
Noncash Investing, Capital, and Financing Activities			
Contributions of capital assets	\$ 51	\$	\$
Capital assets acquired through leases			(356)
Total Noncash Investing, Capital, and Financing Activities	\$ 51	\$	\$ (356)

Central Printing	Property Management	Risk Management	Totals June 30, 2017
\$	\$	\$	\$
1,420	233	35,030	36,228
(950)	39,201	20,008	215,770
(387)	(31,545)	(14,206)	(106,178)
	(18,248)	(3,327)	(89,413)
	(2)	(32,632)	(32,638)
	2	73	222
		(1,344)	(2,102)
83	(10,359)	3,602	21,889
	2,663		2,666
	(1,071)	(2,075)	(17,532)
	1,592	(2,075)	(14,866)
	(281)		(13,608)
(75)	(767)		(7,849)
(8)	(278)		(656)
	16		148
(83)	(1,310)		(21,965)
	4,891		6,433
		(15)	(14)
	4,891	(15)	6,419
	(5,186)	1,512	(8,523)
1	14,886	12,705	54,161
\$ 1	\$ 9,700	\$ 14,217	\$ 45,638
\$	\$	\$	\$
(311)	(17,442)	(386)	(3,933)
77	6,900		18,440
		2,075	2,075
	26	51	227
6	(55)	(54)	(3,332)
(187)	(3,108)	(415)	(35)
			(12,655)
(26)	(4,213)	(3,592)	(10,284)
76	(213)	1,789	1,862
		3,354	3,354
		46	46
(59)	(765)	20	(1,567)
			(18)
464	8,511	714	23,198
43			4,511
\$ 83	\$ (10,359)	\$ 3,602	\$ 21,889
\$	\$	\$	\$
(665)			51
\$ (665)	\$	\$	(1,021)
			\$ (970)

CAPITAL ASSETS

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY SOURCE
JUNE 30, 2017
(Expressed In Thousands)

	June 30, 2017
Governmental Funds Capital Assets	
Land	\$ 224,169
Improvements other than buildings	27,342
Buildings	1,186,304
Machinery and equipment	552,187
Software/other intangibles	94,496
Easements	98,037
Construction in progress	2,756,900
Infrastructure	20,328,629
Total Governmental Funds Capital Assets	\$ 25,268,064
 Investments in Governmental Funds Capital Assets by Source	
General Fund	\$ 113,292
Special Revenue Funds	673,111
Donations	153,368
Other	2,639,968
Capital Projects Fund:	
State appropriations	51,465
Revenue bonds	542,105
Federal grants	365,734
Other	217,534
Infrastructure (A)	20,328,630
Capital assets acquired prior to July 1, 1984 (A)	142,746
Capital assets acquired after July 1, 1984 (A)	40,111
Total Governmental Funds Capital Assets by Source	\$ 25,268,064

(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, 2017
(Expressed in Thousands)

	<u>Land</u>	<u>Improvements Other Than Buildings</u>	<u>Buildings</u>
General Government	\$ 34,033	\$ 12,402	\$ 320,542
Legislative & Judicial	2,032		10,453
Commerce	124,024	6,585	20,868
Education & Humanities	1,266	664	45,503
Human Resources	1,758	2,112	85,825
Justice	4,535	5,478	493,661
Natural Resources and Environmental Protection	38,616	101	1,685
Public Protection and Regulation			
Transportation	17,905		207,767
Total Governmental Funds Capital Assets by Function	<u>\$ 224,169</u>	<u>\$ 27,342</u>	<u>\$ 1,186,304</u>

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

Machinery and Equipment	Software / Other Intangibles	Easements	Construction in Progress	Infrastructure	Totals June 30, 2017
\$ 30,802	\$ 36,605	\$ 61,459	\$ 66,866	\$	\$ 562,709
13,424			2,347		28,256
30,557			125		182,159
31,665		12,474	421		91,993
20,386	52,664		182,924		345,669
88,375	5,227		31,115		628,391
38,537		18,981	53		97,973
5,194					5,194
293,247		5,123	2,473,049	20,328,629	23,325,720
<u>\$ 552,187</u>	<u>\$ 94,496</u>	<u>\$ 98,037</u>	<u>\$ 2,756,900</u>	<u>\$ 20,328,629</u>	<u>\$ 25,268,064</u>

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
General Government	\$ 555,071	\$ 8,789	\$ (1,151)	\$ 562,709
Legislative & Judicial	29,638	678	(2,060)	28,256
Commerce	177,352	6,271	(1,464)	182,159
Education & Humanities	89,840	4,769	(2,616)	91,993
Human Resources	336,638	14,366	(5,335)	345,669
Justice	633,105	6,250	(10,964)	628,391
Natural Resources and Environmental Protection	97,287	5,081	(4,395)	97,973
Public Protection and Regulation	5,060	892	(758)	5,194
Transportation	22,801,011	674,814	(150,105)	23,325,720
Total Governmental Funds Capital Assets by Function	<u>\$ 24,725,002</u>	<u>\$ 721,910</u>	<u>\$ (178,848)</u>	<u>\$ 25,268,064</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, 2017
(Expressed in Thousands)

	Pension Funds	Insurance Funds	Totals June 30, 2017
Assets			
Cash and Short-Term Investments:			
Cash	\$ 143,502	\$ 273,152	\$ 416,654
Short-term investments	1,019,374	50,159	1,069,533
Total Cash and Short-Term Investments	<u>1,162,876</u>	<u>323,311</u>	<u>1,486,187</u>
Receivables:			
Investments - accounts receivable	288,246	79,217	367,463
Interest receivable	801	272	1,073
Accounts receivable	235,979	70,427	306,406
Total Receivables	<u>525,026</u>	<u>149,916</u>	<u>674,942</u>
Investments at Fair Value:			
Corporate and government bonds	10,742,887	3,164,190	13,907,077
Common stocks	16,370,623	1,537,378	17,908,001
Mortgages	145,612	1,124	146,736
Alternatives	1,062,856	254,135	1,316,991
Derivatives	23,453	9,575	33,028
Real estate	1,556,287	42,702	1,598,989
Other	2,411,536	555,537	2,967,073
Total Investments at Fair Value	<u>32,313,254</u>	<u>5,564,641</u>	<u>37,877,895</u>
Invested security collateral	396,813	178,547	575,360
Capital assets, net	24,361		24,361
Prepaid expenses	100		100
Total Assets	<u>34,422,430</u>	<u>6,216,415</u>	<u>40,638,845</u>
Liabilities			
Investments - accounts payable	283,088	80,559	363,647
Accounts payable	15,357	6,027	21,384
Obligations under securities lending	396,812	178,547	575,359
Total Liabilities	<u>695,257</u>	<u>265,133</u>	<u>960,390</u>
Net Position Restricted for Pensions and Other Post Employment Benefits	<u>\$ 33,727,173</u>	<u>\$ 5,951,282</u>	<u>\$ 39,678,455</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, 2017
(Expressed in Thousands)

	Pension Funds	Insurance Funds	Totals June 30, 2017
Additions			
Contributions:			
Employer	\$ 2,241,676	\$ 497,641	\$ 2,739,317
Member	789,308	129,002	918,310
Non-Employer		200	200
Total Contributions	<u>3,030,984</u>	<u>626,843</u>	<u>3,657,827</u>
Other Contributions:			
Recovery Income		25,008	25,008
Participant fees	5,950		5,950
Other receipts	174,089		174,089
Total Other Contributions	<u>180,039</u>	<u>25,008</u>	<u>205,047</u>
Investment Income:			
Net increase (decrease) in fair value of investments	3,684,056	578,891	4,262,947
Interest	503,254	136,938	640,192
Dividends	186,129	5,689	191,818
Real estate operating income, net	30,478		30,478
Securities lending income, net	6,727	1,075	7,802
Total Investment Income	<u>4,410,644</u>	<u>722,593</u>	<u>5,133,237</u>
Less: Investment expense	147,764	37,469	185,233
Less: Securities lending expense	2,182	321	2,503
Net Investment Income	<u>4,260,698</u>	<u>684,803</u>	<u>4,945,501</u>
Total Additions	<u>7,471,721</u>	<u>1,336,654</u>	<u>8,808,375</u>
Deductions			
Benefit payments	4,211,620	5,151	4,216,771
Refunds	57,006	2	57,008
Administrative expenses	51,980	3,910	55,890
Capital project expense	123		123
Self funding insurance cost		5,784	5,784
Healthcare premium subsidies		356,248	356,248
Other deductions, net		178,510	178,510
Total Deductions	<u>4,320,729</u>	<u>549,605</u>	<u>4,870,334</u>
Change in Net Position	3,150,992	787,049	3,938,041
Net Position - Restricted for Pension and Other Post Employment Benefits			
Net Position at July 1	30,576,181	5,164,233	35,740,414
Net Position at June 30	<u>\$ 33,727,173</u>	<u>\$ 5,951,282</u>	<u>\$ 39,678,455</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
JUNE 30, 2017
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 1,297	\$ 202	\$ 1,377	\$ 397
Short-term investments	114,475	24,157	241,690	94,636
Total Cash and Short-Term Investments	115,772	24,359	243,067	95,033
Receivables:				
Investments - accounts receivable	37,131	10,038	111,339	34,893
Interest receivable				
Contributions/Accounts receivable	72,976	7,291	45,291	11,621
Total Receivables	110,107	17,329	156,630	46,514
Investments at Fair Value:				
Corporate and government bonds	1,115,422	374,575	4,236,334	1,392,475
Common stocks	538,691	120,673	1,345,131	442,769
Mortgages				
Alternatives				
Derivatives	3,224	1,237	13,947	4,604
Real estate	80,535	27,692	295,613	94,523
Other	164,692	52,187	557,469	188,079
Total Investments at Fair Value	1,902,564	576,364	6,448,494	2,122,450
Invested security collateral	62,354	19,995	230,954	75,707
Capital assets, net	2,139	187	3,666	298
Prepaid expenses				
Total Assets	2,192,936	638,234	7,082,811	2,340,002
Liabilities				
Investments - accounts payable	34,664	9,915	107,534	34,813
Accounts payable	3,137	2,404	5,181	1,803
Obligations under securities lending	62,354	19,994	230,954	75,707
Total Liabilities	100,155	32,313	343,669	112,323
Net Position Restricted for Pensions and Other Post Employment Benefits	\$ 2,092,781	\$ 605,921	\$ 6,739,142	\$ 2,227,679

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2017
\$ 94	\$ 137,299	\$ 46	\$ 17	\$ 2,773	\$ 143,502
11,972	521,747			10,697	1,019,374
12,066	659,046	46	17	13,470	1,162,876
3,999	90,600	200	46		288,246
		642	159		801
13,040	44,426	145	9	41,180	235,979
17,039	135,026	987	214	41,180	525,026
151,631	2,726,050	64,946	15,912	665,542	10,742,887
48,556	11,589,937	226,738	52,227	2,005,901	16,370,623
	145,612				145,612
	1,062,856				1,062,856
441					23,453
11,164	1,046,760				1,556,287
19,891	1,419,607			9,611	2,411,536
231,683	17,990,822	291,684	68,139	2,681,054	32,313,254
7,803					396,813
24	18,047				24,361
	100				100
268,615	18,803,041	292,717	68,370	2,735,704	34,422,430
3,986	92,176				283,088
443	2,204			185	15,357
7,803					396,812
12,232	94,380			185	695,257
\$ 256,383	\$ 18,708,661	\$ 292,717	\$ 68,370	\$ 2,735,519	\$ 33,727,173

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, 2017
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 644,804	\$ 37,630	\$ 331,494	\$ 114,317
Member	100,543	17,523	150,715	60,101
Total Contributions	745,347	55,153	482,209	174,418
Other Contributions:				
Participant fees				
Other receipts	117,473	16,155	11,219	3,340
Total Other Contributions	117,473	16,155	11,219	3,340
Investment Income:				
Net increase (decrease) in fair value of investments	170,057	58,939	688,184	225,648
Interest	66,216	16,221	184,728	60,211
Dividends				
Real estate operating income, net				
Securities lending income, net	477	155	1,791	587
Total Investment Income	236,750	75,315	874,703	286,446
Less: Investment expense	15,600	4,267	48,166	15,765
Less: Securities lending expense	165	55	636	208
Net Investment Income	220,985	70,993	825,901	270,473
Total Additions	1,083,805	142,301	1,319,329	448,231
Deductions				
Benefit payments	948,489	61,231	687,460	226,985
Refunds	11,819	2,106	14,430	2,315
Administrative expenses	10,974	919	19,614	1,421
Capital project expense	34	4	77	7
Total Deductions	971,316	64,260	721,581	230,728
Change in Net Position	112,489	78,041	597,748	217,503
Net Position - Restricted for Pension and Other Post Employment Benefits				
Net Position at July 1	1,980,292	527,880	6,141,394	2,010,176
Net Position at June 30	\$ 2,092,781	\$ 605,921	\$ 6,739,142	\$ 2,227,679

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2017
\$ 38,029	\$ 1,060,940	\$ 11,992	\$ 2,470	\$	\$ 2,241,676
5,348	313,625	1,606	312	139,535	789,308
43,377	1,374,565	13,598	2,782	139,535	3,030,984
				5,950	5,950
25,341		432	129		174,089
25,341		432	129	5,950	180,039
21,255	2,167,053	28,242	6,355	318,323	3,684,056
7,223	153,218	1,478	587	13,372	503,254
	180,303	4,912	914		186,129
	30,478				30,478
60	3,657				6,727
28,538	2,534,709	34,632	7,856	331,695	4,410,644
1,722	57,836	216	2	4,190	147,764
21	1,097				2,182
26,795	2,475,776	34,416	7,854	327,505	4,260,698
95,513	3,850,341	48,446	10,765	472,990	7,471,721
56,935	1,918,837	23,007	4,254	284,422	4,211,620
26	26,305	3	2		57,006
181	10,315	228	127	8,201	51,980
1					123
57,143	1,955,457	23,238	4,383	292,623	4,320,729
38,370	1,894,884	25,208	6,382	180,367	3,150,992
218,013	16,813,777	267,509	61,988	2,555,152	30,576,181
\$ 256,383	\$ 18,708,661	\$ 292,717	\$ 68,370	\$ 2,735,519	\$ 33,727,173

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
JUNE 30, 2017
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 45,630	\$ 16,284	\$ 76,097	\$ 40,413
Short-term investments				
Total Cash and Short-Term Investments	45,630	16,284	76,097	40,413
Receivables:				
Investments - accounts receivable	12,099	7,780	34,092	18,693
Interest receivable				
Contributions/Accounts receivable	12,762	565	11,576	2,579
Total Receivables	24,861	8,345	45,668	21,272
Investments at Fair Value:				
Corporate and government bonds	502,028	308,984	1,332,013	732,283
Common stocks	123,251	96,493	456,336	255,214
Mortgages				
Alternatives	29,809	22,479	97,495	53,457
Derivatives	1,578	976	4,301	2,363
Real estate				
Other	66,711	38,825	183,912	93,457
Total Investments at Fair Value	723,377	467,757	2,074,057	1,136,774
Invested security collateral	29,676	18,450	80,042	43,848
Total Assets	823,544	510,836	2,275,864	1,242,307
Liabilities				
Investments - accounts payable	12,221	7,922	34,645	19,032
Accounts payable	241	22	624	114
Obligations under securities lending	29,676	18,450	80,042	43,848
Total Liabilities	42,138	26,394	115,311	62,994
Net Position Restricted for Pensions and Other Post Employment Benefits	\$ 781,406	\$ 484,442	\$ 2,160,553	\$ 1,179,313

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2017
\$ 6,677	\$ 88,029	\$ 12	\$ 10	\$ 273,152
	50,159			50,159
6,677	138,188	12	10	323,311
2,834	3,637	54	28	79,217
		174	98	272
767	42,133	39	6	70,427
3,601	45,770	267	132	149,916
110,046	151,453	17,530	9,853	3,164,190
39,404	473,274	61,301	32,105	1,537,378
	1,124			1,124
8,555	42,340			254,135
357				9,575
	42,702			42,702
12,462	160,170			555,537
170,824	871,063	78,831	41,958	5,564,641
6,531				178,547
187,633	1,055,021	79,110	42,100	6,216,415
2,899	3,840			80,559
12	5,014			6,027
6,531				178,547
9,442	8,854			265,133
\$ 178,191	\$ 1,046,167	\$ 79,110	\$ 42,100	\$ 5,951,282

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, 2017
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 133,024	\$ 4,688	\$ 117,310	\$ 50,743
Member				
Non-Employer	1		1	
Total Contributions	133,025	4,688	117,311	50,743
Other Contributions:				
Recovery Income	19,580	881	4,109	493
Total Other Contributions	19,580	881	4,109	493
Investment Income:				
Net increase (decrease) in fair value of investments	75,308	49,400	217,622	119,919
Interest	19,709	13,113	57,871	31,817
Dividends				
Securities lending income, net	178	111	480	263
Total Investment Income	95,195	62,624	275,973	151,999
Less: Investment expense	4,227	3,402	16,245	8,992
Less: Securities lending expense	53	34	142	79
Net Investment Income	90,915	59,188	259,586	142,928
Total Additions	243,520	64,757	381,006	194,164
Deductions				
Benefit payments				
Refunds				
Administrative expenses	861	105	789	381
Self funding insurance cost	1,920	45	3,635	160
Healthcare Premiums Subsidies	127,648	17,562	124,573	70,407
Other deductions, net	3		6	
Total Deductions	130,432	17,712	129,003	70,948
Change in Net Position	113,088	47,045	252,003	123,216
Net Position - Restricted for Pension and Other Post Employment Benefits				
Net Position at July 1	668,318	437,397	1,908,550	1,056,097
Net Position at June 30	\$ 781,406	\$ 484,442	\$ 2,160,553	\$ 1,179,313

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2017
\$ 9,222	\$ 181,426	\$ 1,222	\$ 6	\$ 497,641
	128,819	176	7	129,002
		116	82	200
9,222	310,245	1,514	95	626,843
(55)				25,008
(55)				25,008
18,036	86,970	7,624	4,012	578,891
4,869	8,789	399	371	136,938
	3,787	1,325	577	5,689
39	4			1,075
22,944	99,550	9,348	4,960	722,593
1,362	3,181	58	2	37,469
12	1			321
21,570	96,368	9,290	4,958	684,803
30,737	406,613	10,804	5,053	1,336,654
	5,151			5,151
		1	1	2
66	1,566	61	81	3,910
24				5,784
13,405		1,943	710	356,248
	178,501			178,510
13,495	185,218	2,005	792	549,605
17,242	221,395	8,799	4,261	787,049
160,949	824,772	70,311	37,839	5,164,233
\$ 178,191	\$ 1,046,167	\$ 79,110	\$ 42,100	\$ 5,951,282

AGENCY FUNDS

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

Commonwealth Choice Program - accounts for flexible benefits spending accounts.

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

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

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2017
(Expressed in Thousands)

	Commonwealth Choice Program	County Fees Trust Fund	Special Deposit Trust Fund	Totals June 30, 2017
Assets				
Cash and cash equivalents	\$	\$ 415	\$ 138,248	\$ 138,663
Investments, net of amortization			103,793	103,793
Invested security collateral			657,259	657,259
Receivables, net	3,854	51,750	40,920	96,524
Total Assets	<u>\$ 3,854</u>	<u>\$ 52,165</u>	<u>\$ 940,220</u>	<u>\$ 996,239</u>
Liabilities				
Accounts payable	\$ 3,854	\$	\$ 151,675	\$ 155,529
Amounts held in custody for others		52,165	131,016	183,181
Obligations under securities lending			657,529	657,529
Total Liabilities	<u>\$ 3,854</u>	<u>\$ 52,165</u>	<u>\$ 940,220</u>	<u>\$ 996,239</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Balances June 30, 2016	Additions	Deductions	Balances June 30, 2017
<u>COMMONWEALTH CHOICE PROGRAM</u>				
<u>Assets</u>				
Cash & cash equivalents-restricted	\$ 236	\$	\$ 236	\$
Accounts receivable	3,454	400		3,854
Total Assets	<u>\$ 3,690</u>	<u>\$ 400</u>	<u>\$ 236</u>	<u>\$ 3,854</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,690	\$ 164	\$	\$ 3,854
Total Liabilities	<u>\$ 3,690</u>	<u>\$ 164</u>	<u>\$</u>	<u>\$ 3,854</u>
<u>COUNTY FEES TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 415	\$	\$	\$ 415
Accounts receivable	27,797	166,642	142,689	51,750
Total Assets	<u>\$ 28,212</u>	<u>\$ 166,642</u>	<u>\$ 142,689</u>	<u>\$ 52,165</u>
<u>Liabilities</u>				
Amounts held in custody for others	\$ 28,212	\$ 23,953	\$	\$ 52,165
Total Liabilities	<u>\$ 28,212</u>	<u>\$ 23,953</u>	<u>\$</u>	<u>\$ 52,165</u>
<u>SPECIAL DEPOSIT TRUST FUND</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 284,569	\$ 1,013,329	\$ 1,159,650	\$ 138,248
Investments	26,516	77,277		103,793
Invested security collateral	520,076	137,183		657,259
Accounts receivable	13,457	28,380	917	40,920
Total Assets	<u>\$ 844,618</u>	<u>\$ 1,256,169</u>	<u>\$ 1,160,567</u>	<u>\$ 940,220</u>
<u>Liabilities</u>				
Accounts payable	\$ 153,503	\$	\$ 1,828	\$ 151,675
Amounts held in custody for others	171,039		40,023	131,016
Obligations under securities lending	520,076	137,453		657,529
Total Liabilities	<u>\$ 844,618</u>	<u>\$ 137,453</u>	<u>\$ 41,851</u>	<u>\$ 940,220</u>
<u>ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash & cash equivalents	\$ 285,220	\$ 1,013,329	\$ 1,159,886	\$ 138,663
Investments	26,516	77,277		103,793
Invested security collateral	520,076	137,183		657,259
Interfund loan receivable				
Accounts receivable	44,708	195,422	143,606	96,524
Total Assets	<u>\$ 876,520</u>	<u>\$ 1,423,211</u>	<u>\$ 1,303,492</u>	<u>\$ 996,239</u>
<u>Liabilities</u>				
Accounts payable	\$ 157,193	\$ 164	\$ 1,828	\$ 155,529
Amounts held in custody for others	199,251	23,953	40,023	183,181
Obligations under securities lending	520,076	137,453		657,529
Total Liabilities	<u>\$ 876,520</u>	<u>\$ 161,570</u>	<u>\$ 41,851</u>	<u>\$ 996,239</u>

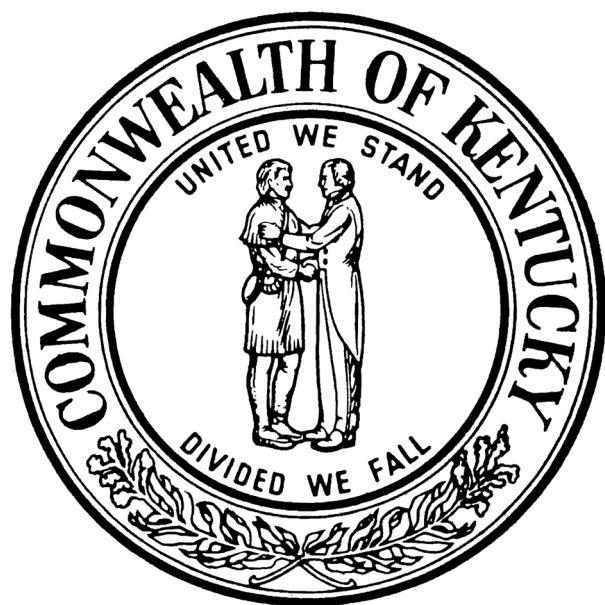
NON-MAJOR COMPONENT UNITS - COMBINING

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2017
Assets			
Current assets:			
Cash and cash equivalents	\$ 84,018	\$ 365,124	\$ 449,142
Restricted cash	4,313	20,866	25,179
Restricted investments	5,373		5,373
Investments, net of amortization	322,166		322,166
Accounts receivable, net	135,029	93,572	228,601
Interest receivable	1,830	65	1,895
Inventories	425	6,571	6,996
Prepaid expenses	1,815	11,007	12,822
Other current assets	10,201	3,825	14,026
Total Current Assets	565,170	501,030	1,066,200
Noncurrent assets:			
Restricted cash	134,698	149,027	283,725
Long-term investments	31,359	191,330	222,689
Restricted long-term investments	98,687	335,696	434,383
Long-term receivables, net	1,022,391	22,887	1,045,278
Land	121,359	79,263	200,622
Improvements other than buildings	102,432	189,998	292,430
Buildings	701,908	2,413,415	3,115,323
Machinery and equipment	151,160	352,574	503,734
Historical treasures	1,424		1,424
Other capital assets	10,314	111,275	121,589
Less: Accumulated depreciation and amortization	(392,965)	(1,465,223)	(1,858,188)
Construction in progress	51,290	332,654	383,944
Total Capital Assets	746,922	2,013,956	2,760,878
Other assets	5,039	17,996	23,035
Total Noncurrent Assets	2,039,096	2,730,892	4,769,988
Total Assets	2,604,266	3,231,922	5,836,188
Deferred outflows of resources	28,794	417,801	446,595
Liabilities			
Current liabilities:			
Accounts payable and accruals	28,849	69,365	98,214
Current portion of long-term debt:			
Notes payable	1,026	3,345	4,371
Bonds payable	30,038	38,616	68,654
Capital lease obligations	4,764	5,690	10,454
Compensated absences	1,676	21,388	23,064
Claims liability		2,273	2,273
Unearned revenues	8,161	36,837	44,998
Payable from restricted assets		9,649	9,649
Other current liabilities	112	10,041	10,153
Total Current Liabilities	74,626	197,204	271,830
Noncurrent liabilities:			
Notes payable	6,761	12,009	18,770
Bonds payable	608,844	599,724	1,208,568
Capital lease obligations	37,081	63,605	100,686
Compensated absences	717	281	998
Net pension liability	147,387	2,076,776	2,224,163
Other long-term liabilities	435	69,506	69,941
Total Noncurrent Liabilities	801,225	2,821,901	3,623,126
Total Liabilities	875,851	3,019,105	3,894,956
Deferred inflows of resources	7,578	143,687	151,265
Net Position			
Net investment in capital assets	324,169	1,189,103	1,513,272
Restricted for:			
Debt service		442	442
Capital projects	157,996	78,389	236,385
Other purposes	1,236,902	528,415	1,765,317
Unrestricted	30,564	(1,309,418)	(1,278,854)
Total Net Position	\$ 1,749,631	\$ 486,931	\$ 2,236,562

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2017
Expenses:			
Operating and other expenses	\$ 470,606	\$ 1,479,400	\$ 1,950,006
Total expenses	470,606	1,479,400	1,950,006
Program Revenues:			
Charges for services	135,700	682,954	818,654
Operating grants and contributions	276,423	147,413	423,836
Capital grants and contributions		38,298	38,298
Total Program Revenues	412,123	868,665	1,280,788
Net Program (Expense) Revenue	(58,483)	(610,735)	(669,218)
General Revenues:			
Unrestricted grants and contributions	79,579	510,473	590,052
Unrestricted investment earnings	8,421	31,233	39,654
Gain on sale of capital assets	300	(533)	(233)
Miscellaneous general	175,595	106,642	282,237
Total General Revenues	263,895	647,815	911,710
Change in Net Position	205,412	37,080	242,492
Net Position at July 1, As Restated	1,544,219	449,851	1,994,070
Net Position at June 30	\$ 1,749,631	\$ 486,931	\$ 2,236,562



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, 2017

(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	\$ 577	\$ 26,600	\$	\$ 5,636
Restricted cash	3,668			
Restricted investments		5,373		
Investments, net of amortization	1,332			
Accounts receivable, net	1,100	15,976		2,913
Interest receivable		300		
Inventories				
Prepaid expenses				934
Other current assets		449	733	
Total Current Assets	6,677	48,698	733	9,483
Noncurrent assets:				
Restricted cash				120,541
Long-term investments	44			
Restricted long-term investments		67,079		
Long-term receivables, net		14,060		
Land	546			27,835
Improvements other than buildings	70,936			13,932
Buildings	370	12,075		367,820
Machinery and equipment	352	14,380		40,204
Historical treasures				
Other capital assets				3,822
Less: Accumulated depreciation and amortization	(14,037)	(19,410)		(196,199)
Construction in progress	1,665			49,208
Total Capital Assets	59,832	7,045		306,622
Other assets				
Total Noncurrent Assets, Net	59,876	88,184		427,163
Total Assets	66,553	136,882	733	436,646
Deferred outflows of resources	387	1,525	72	9,061
Liabilities				
Current liabilities:				
Accounts payable and accruals	136	1,307	727	8,947
Current portion of long-term debt:				
Notes payable				
Bonds payable				3,375
Capital lease obligations	1,247	640		2,833
Compensated absences	74	517	6	
Unearned revenues				3,729
Other current liabilities		(284)		
Total Current Liabilities	1,457	2,180	733	18,884
Noncurrent liabilities:				
Notes payable				
Bonds payable				20,316
Capital lease obligations	23,182	1,380		12,501
Compensated absences	37		21	
Net pension liability	2,630	10,663	685	61,268
Other long-term liabilities				
Total Noncurrent Liabilities	25,849	12,043	706	94,085
Total Liabilities	27,306	14,223	1,439	112,969
Deferred inflows of resources	165	390		3,568
Net Position				
Net investment in capital assets	35,392	5,025		264,521
Restricted for:				
Capital projects	4,844			120,541
Other purposes		118,769		
Unrestricted	(767)		(634)	(55,892)
Total Net Position	\$ 39,469	\$ 123,794	\$ (634)	\$ 329,170

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			
1,865	19,851	29,329	676	372,559	64,566
	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				
17,459	7,593		6,888	15	
5,004	35				
40,529	16,644	16,920	6,888	998,408	4,753
42,394	36,495	46,249	7,564	1,370,967	69,319
	8,553	980	602	7,573	41
1,230	1,406	139	92	7,525	
321	125				
				23,610	
44					
210	694	110	65		
627	1,427				
35		20			
2,467	3,652	269	157	31,135	
1,845	1,041				
18				240,066	
	571	77	11		
	52,916	9,341	4,091	5,512	281
				435	
1,863	54,528	9,418	4,102	246,013	281
4,330	58,180	9,687	4,259	277,148	281
	2,715		5	384	351
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
\$ 38,064	\$ (15,847)	\$ 37,542	\$ 3,902	\$ 1,101,008	\$ 68,728

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - AUTHORITIES
JUNE 30, 2017
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Louisville Arena Authority, Inc	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2017
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,680	\$ 2,565	\$ 1,293	\$ 84,018
Restricted cash		630	15	4,313
Restricted investments				5,373
Investments, net of amortization				322,166
Accounts receivable, net		2,332	35	135,029
Interest receivable		61		1,830
Inventories				425
Prepaid expenses		106	16	1,815
Other current assets				10,201
Total Current Assets	3,680	5,694	1,359	565,170
Noncurrent assets:				
Restricted cash		13,445		134,698
Long-term investments	1,155		740	31,359
Restricted long-term investments		17,320	5,603	98,687
Long-term receivables, net				1,022,391
Land		91,606		121,359
Improvements other than buildings		17,564		102,432
Buildings		266,470	16	701,908
Machinery and equipment		21,571		151,160
Historical treasures			1,424	1,424
Other capital assets		6,286		10,314
Less: Accumulated depreciation and amortization		(62,207)	(1,262)	(392,965)
Construction in progress				51,290
Total Capital Assets		341,290	178	746,922
Other assets				5,039
Total Noncurrent Assets, Net	1,155	372,055	6,521	2,039,096
Total Assets	4,835	377,749	7,880	2,604,266
Deferred outflows of resources				28,794
Liabilities				
Current liabilities:				
Accounts payable and accruals		7,340		28,849
Current portion of long-term debt:				
Notes payable		500	80	1,026
Bonds payable		3,053		30,038
Capital lease obligations				4,764
Compensated absences				1,676
Unearned revenues		2,322	56	8,161
Other current liabilities		341		112
Total Current Liabilities		13,556	136	74,626
Noncurrent liabilities:				
Notes payable		3,875		6,761
Bonds payable		348,462		608,844
Capital lease obligations				37,081
Compensated absences				717
Net pension liability				147,387
Other long-term liabilities				435
Total Noncurrent Liabilities		352,337		801,225
Total Liabilities		365,893	136	875,851
Deferred inflows of resources				7,578
Net Position				
Net investment in capital assets		(10,224)	1,134	324,169
Restricted for:				
Capital projects		30,765	1,148	157,996
Other purposes				1,236,902
Unrestricted	4,835	(8,685)	5,462	30,564
Total Net Position	\$ 4,835	\$ 11,856	\$ 7,744	\$ 1,749,631



COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
Expenses:				
Operating and other expenses	\$ 2,891	\$ 251,969	\$ 8,298	\$ 62,524
Total expenses	2,891	251,969	8,298	62,524
Program Revenues:				
Charges for services	4,452	24,618		41,975
Operating grants and contributions	255	246,726		
Total Program Revenues	4,707	271,344		41,975
Net Program (Expense) Revenue	1,816	19,375	(8,298)	(20,549)
General Revenues:				
Unrestricted grants and contributions			8,214	
Unrestricted investment earnings	41			20
Gain on sale of capital assets				
Miscellaneous general	(905)			164,354
Total General Revenues	(864)		8,214	164,374
Change in Net Position	952	19,375	(84)	143,825
Net Position at July 1, As Restated	38,517	104,419	(550)	185,345
Net Position at June 30	\$ 39,469	\$ 123,794	\$ (634)	\$ 329,170

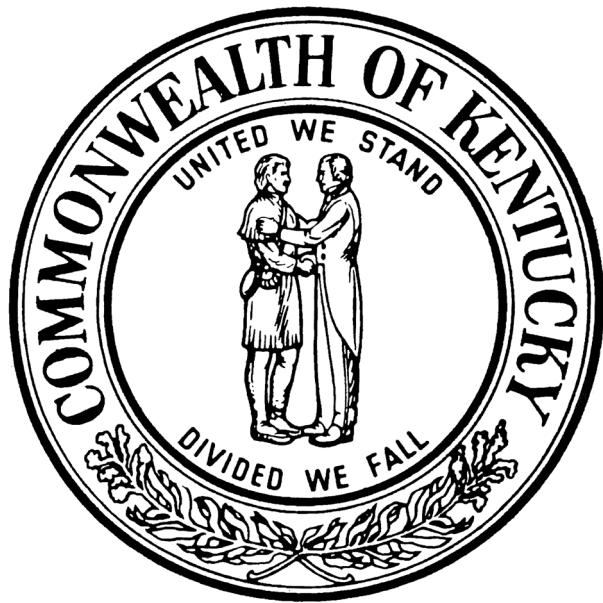
Kentucky Center for the Arts Corporation	Kentucky Authority for Educational Television	Kentucky Economic Development Finance Authority	Kentucky Artisan Center	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation
\$ 16,296	\$ 30,236	\$ 18,528	\$ 2,808	\$ 36,466	\$ (79)
16,296	30,236	18,528	2,808	36,466	(79)
7,330	2,299	990	1,738	21,873	
3,432	10,898		835		13,534
10,762	13,197	990	2,573	21,873	13,534
(5,534)	(17,039)	(17,538)	(235)	(14,593)	13,613
6,652	14,064	16,591		34,058	
2,392	2,264			1,951	
9	(30)	31		11,977	168
9,053	16,298	16,622		47,986	168
3,519	(741)	(916)	(235)	33,393	13,781
34,545	(15,106)	38,458	4,137	1,067,615	54,947
\$ 38,064	\$ (15,847)	\$ 37,542	\$ 3,902	\$ 1,101,008	\$ 68,728

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Louisville Arena Authority, Inc.	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2017
Expenses:				
Operating and other expenses	\$ 1	\$ 38,888	\$ 1,780	\$ 470,606
Total expenses	1	38,888	1,780	470,606
Program Revenues:				
Charges for services		29,573	852	135,700
Operating grants and contributions			743	276,423
Total Program Revenues		29,573	1,595	412,123
Net Program (Expense) Revenue	(1)	(9,315)	(185)	(58,483)
General Revenues:				
Unrestricted grants and contributions				79,579
Unrestricted investment earnings	32	759	962	8,421
Gain on sale of capital assets		291		300
Miscellaneous general				175,595
Total General Revenues	32	1,050	962	263,895
Change in Net Position	31	(8,265)	777	205,412
Net Position at July 1, As Restated	4,804	20,121	6,967	1,544,219
Net Position at June 30	\$ 4,835	\$ 11,856	\$ 7,744	\$ 1,749,631

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS-AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Totals June 30, 2017
Cash Flows from Operating Activities			
Cash payments to suppliers for goods and services	\$ 89	\$ (1)	\$ 88
Cash payments for employee salaries and benefits	(8)		(8)
Cash payments to other sources	(5,013)		(5,013)
Cash payments from other sources	13,701		13,701
Net Cash Provided (Used) by Operating Activities	8,769	(1)	8,768
Cash Flows from Investing Activities			
Purchase of investment securities	(512)		(512)
Proceeds from the sale of investment securities		659	659
Interest and dividends on investments		32	32
Net Cash Provided (Used) in Investing Activities	(512)	691	179
Net Increase (Decrease) in Cash and Cash Equivalents	8,257	690	8,947
Cash and Cash Equivalents at July 1	6,876	\$ 2,990	\$ 9,866
Cash and Cash Equivalents at June 30	\$ 15,133	\$ 3,680	\$ 18,813
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 13,613	\$ (1)	\$ 13,612
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous nonoperating income (expense)	167		167
Change in assets and liabilities:			
(Increase) Decrease in assets:	(5,013)		(5,013)
(Increase) Decrease in deferred outflow	5		5
Increase (decrease) in liabilities:			
Compensated absences	(3)		(3)
Pension liabilities	(349)		(349)
Increase (decrease) in deferred inflow	349		349
Net Cash Provided (Used) by Operating Activities	\$ 8,769	\$ (1)	\$ 8,768



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, 2017
(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Assets			
Current assets:			
Cash and cash equivalents	\$ 46,915	\$ 107,984	\$ 20,630
Restricted cash			12,639
Accounts receivable, net	26,170	19,009	9,250
Interest receivable		55	
Inventories	268	874	1,565
Prepaid expenses	1,003	5,153	16
Other current assets	247	373	1,728
Total Current Assets	<u>74,603</u>	<u>133,448</u>	<u>45,828</u>
Noncurrent assets:			
Restricted cash	58,615	3,775	
Long-term investments	86,605	41,829	48,474
Restricted long-term investments		106,528	
Long-term receivables, net	6,962	7,019	3,934
Land	8,436	17,835	23,721
Improvements other than buildings	61,681	69,338	
Buildings	441,828	698,027	322,524
Machinery and equipment	27,929	154,223	25,067
Other capital assets	46,387		34,613
Less: Accumulated depreciation and amortization	(264,873)	(406,881)	(184,393)
Construction in progress	150,669	53,215	32,296
Total Capital Assets	<u>472,057</u>	<u>585,757</u>	<u>253,828</u>
Other assets		5,574	7,565
Total Noncurrent Assets, Net	<u>624,239</u>	<u>750,482</u>	<u>313,801</u>
Total Assets	<u>698,842</u>	<u>883,930</u>	<u>359,629</u>
Deferred outflows of resources	<u>126,817</u>	<u>109,116</u>	<u>56,508</u>
Liabilities			
Current liabilities:			
Accounts payable and accruals	15,903	18,347	6,303
Current portion of long-term debt:			
Notes payable		2,550	
Bonds payable	8,007	14,994	4,115
Capital lease obligations	1,845	543	2,717
Compensated absences	3,560	3,006	3,050
Claims liability		1,528	
Unearned revenues	8,578	12,216	5,812
Payable from restricted assets			141
Other current liabilities	482	3,987	1,231
Total Current Liabilities	<u>38,375</u>	<u>57,171</u>	<u>23,369</u>
Noncurrent liabilities:			
Notes payable		4,569	
Bonds payable	101,693	233,402	79,370
Capital lease obligations	29,910	15,697	16,243
Compensated absences			
Net pension liability	557,365	542,851	264,430
Other long-term liabilities	19,758	24,803	4,591
Total Noncurrent Liabilities	<u>708,726</u>	<u>821,322</u>	<u>364,634</u>
Total Liabilities	<u>747,101</u>	<u>878,493</u>	<u>388,003</u>
Deferred inflows of resources	<u>87,242</u>	<u>12,348</u>	<u>13,676</u>
Net Position			
Net investment in capital assets	254,001	287,688	149,064
Restricted for:			
Debt service			
Capital projects	56,518	9,801	
Other purposes	73,395	146,527	67,165
Unrestricted	(392,598)	(341,811)	(201,771)
Total Net Position	<u>\$ (8,684)</u>	<u>\$ 102,205</u>	<u>\$ 14,458</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2017
\$ 76,759	\$ 91,874	\$ 20,561	\$ 401	\$ 365,124
	4,343		3,884	20,866
8,402	23,641	5,125	1,975	93,572
	10			65
3,373	348	143		6,571
1,944	2,134		757	11,007
1,477				3,825
91,955	122,350	25,829	7,017	501,030
65,769	20,868			149,027
	2,449	8,446	3,527	191,330
111,874	99,881	16,560	853	335,696
2,826	1,081	1,065		22,887
12,830	14,153	2,288		79,263
16,820	38,172	3,987		189,998
344,062	452,166	154,808		2,413,415
33,508	86,548	24,735	564	352,574
14,015		16,260		111,275
(202,790)	(274,993)	(130,862)	(431)	(1,465,223)
36,058	53,764	6,652		332,654
254,503	369,810	77,868	133	2,013,956
4,646	179	32		17,996
439,618	494,268	103,971	4,513	2,730,892
531,573	616,618	129,800	11,530	3,231,922
56,508	44,078	19,860	4,914	417,801
9,906	13,431	3,817	1,658	69,365
722	23	50		3,345
3,916	7,401	183		38,616
59		526		5,690
6,722	3,140	1,351	559	21,388
575		170		2,273
3,228	5,857	1,146		36,837
	9,192	316		9,649
3,493	151		697	10,041
28,621	39,195	7,559	2,914	197,204
7,390		50		12,009
70,246	112,491	2,522		599,724
36		1,719		63,605
			281	281
312,777	275,585	98,073	25,695	2,076,776
5,548	14,806			69,506
395,997	402,882	102,364	25,976	2,821,901
424,618	442,077	109,923	28,890	3,019,105
7,035	6,045	16,778	563	143,687
173,042	253,404	71,771	133	1,189,103
236	206			442
2,667	9,403			78,389
105,893	106,746	24,272	4,417	528,415
(125,410)	(157,185)	(73,084)	(17,559)	(1,309,418)
\$ 156,428	\$ 212,574	\$ 22,959	\$ (13,009)	\$ 486,931

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Expenses:			
Operating and other expenses	\$ 339,451	\$ 394,974	\$ 168,041
Total Expenses	339,451	394,974	168,041
Program Revenues:			
Charges for services	145,106	207,086	63,984
Operating grants and contributions	50,022	14,817	25,614
Capital grants and contributions			
Total Program Revenues	195,128	221,903	89,598
Net Program (Expense) Revenue	(144,323)	(173,071)	(78,443)
General Revenues:			
Unrestricted grants and contributions	107,525	150,928	24,666
Unrestricted investment earnings	2,908	11,356	70
Gain on sale of capital assets		(14)	(45)
Miscellaneous general	19,508	8,699	58,058
Total General Revenues	129,941	170,969	82,749
Change in Net Position	(14,382)	(2,102)	4,306
Net Position at July 1	5,698	104,307	10,152
Net Position at June 30	\$ (8,684)	\$ 102,205	\$ 14,458

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2017
\$ 205,087	\$ 243,772	\$ 70,789	\$ 57,286	\$ 1,479,400
205,087	243,772	70,789	57,286	1,479,400
116,930	131,842	14,068	3,938	682,954
6,787	11,174	24,818	14,181	147,413
	37,613		685	38,298
123,717	180,629	38,886	18,804	868,665
(81,370)	(63,143)	(31,903)	(38,482)	(610,735)
88,728	74,515	26,721	37,390	510,473
14,297	1,019	1,583		31,233
(127)	(340)		(7)	(533)
679	12,960	6,738		106,642
103,577	88,154	35,042	37,383	647,815
22,207	25,011	3,139	(1,099)	37,080
134,221	187,563	19,820	(11,910)	449,851
\$ 156,428	\$ 212,574	\$ 22,959	\$ (13,009)	\$ 486,931



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)

	2017	2016	2015	2014
General Fund				
Nonspendable:				
Inventories	\$ 6,219	\$ 5,465	\$ 6,230	\$ 6,505
Assigned	55	30,765	27,069	
Unassigned		318,790	71,060	(137,295)
Total General Fund	<u>6,274</u>	<u>355,020</u>	<u>104,359</u>	<u>(130,790)</u>
All Other Governmental Funds				
Nonspendable:				
Inventories	75,234	75,254	74,105	54,006
Cash with Fiscal Agents	15,576	16,136	18,954	13,503
Restricted	1,901,478	1,822,185	1,706,764	2,068,293
Committed	74,876	133,075	160,804	188,706
Assigned	17,039	18,014	15,033	13,054
Unassigned	(765)	(98,045)	(56,950)	(2,582)
Total All Other Governmental Funds	<u>2,083,438</u>	<u>1,966,619</u>	<u>1,918,710</u>	<u>2,334,980</u>
 Total Fund Balances - Governmental Funds	 <u>\$ 2,089,712</u>	 <u>\$ 2,321,639</u>	 <u>\$ 2,023,069</u>	 <u>\$ 2,204,190</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.

2013	2012	2011	2010
\$ 7,299	\$ 5,515	\$ 6,099	\$ 5,079
34,700	35,563	57,456	71,975
159,198	54,035	249,482	9,150
201,197	95,113	313,037	86,204
81,264	86,240	49,078	54,290
17,918	29,045	67,469	80,576
2,373,349	2,452,952	2,165,308	1,833,356
175,676	183,414	148,636	161,548
7,019	13,157	27,034	15,641
(596,756)	(420,183)	(120,235)	(65,628)
2,058,470	2,344,625	2,337,290	2,079,783
\$ 2,259,667	\$ 2,439,738	\$ 2,650,327	\$ 2,165,987

2009	2008
\$ 80,135	\$ 290,108
(49,698)	(1,937)
\$ 30,437	\$ 288,171
\$ 882,654	\$ 919,085
309,234	369,603
719,767	786,125
45,585	72,094
\$ 1,957,240	\$ 2,146,907

**COMMONWEALTH OF KENTUCKY
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)

	2017	2016	2015	2014
Revenues				
Taxes	\$ 11,888,139	\$ 11,730,500	\$ 11,492,919	\$ 10,954,839
Licenses, fees, and permits	382,398	380,075	386,757	350,454
Intergovernmental	10,792,470	10,824,674	10,135,711	9,008,083
Charges for services	1,272,133	1,302,541	1,173,174	1,276,821
Fines and forfeits	52,338	61,660	64,755	69,531
Interest and other investment income	21,463	31,501	30,590	26,785
Increase (decrease) in fair value of investments	(6,037)	(6,140)	(13,544)	(9,410)
Securities lending income	6,616	3,470	2,664	2,696
Other revenues	634,834	584,782	520,001	627,647
Total Revenues	<u>25,044,354</u>	<u>24,913,063</u>	<u>23,793,027</u>	<u>22,307,446</u>
Expenditures				
Current:				
General government	2,341,583	2,263,041	2,107,483	2,067,170
Legislative and judicial	442,646	444,087	437,109	419,461
Commerce	111,080	110,490	98,826	97,811
Education and humanities	6,016,531	5,558,814	5,347,187	5,317,501
Human resources	12,227,415	12,095,613	11,437,873	10,399,966
Justice	967,790	874,867	839,455	804,747
Natural resources and environmental protection	181,889	182,296	186,641	185,547
Public protection and regulation	106,215	101,590	103,448	92,600
Transportation	2,339,776	2,566,675	2,661,224	2,566,382
Debt Service:				
Principal retirement	611,066	616,543	571,281	547,610
Interest and fiscal charges	330,631	336,567	352,558	355,438
Other expenditures	6,672	14,683	20,431	9,858
Securities lending expense	4,792	2,421	1,190	1,058
Capital outlay:				
Buildings	353,165	477,916	231,483	203,514
Total Expenditures	<u>26,041,251</u>	<u>25,645,603</u>	<u>24,396,189</u>	<u>23,068,663</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(996,897)</u>	<u>(732,540)</u>	<u>(603,162)</u>	<u>(761,217)</u>
Other Financing Sources (Uses)				
Transfers in	2,120,376	1,922,969	2,058,253	2,021,428
Transfers out	(1,912,607)	(1,907,707)	(2,009,118)	(2,013,769)
Capitalized leases	1,861	2,634	17,070	27
Issuance of bonds:				
New issues	513,545	826,325	222,922	256,887
Refunding issues	56,689	988,677	373,712	141,631
Premiums	36,078	231,610	76,777	80,769
Discounts	(1,161)	(2,420)	(972)	(689)
Certificates of participation			68,575	
Premiums			1,621	
Issuance of notes:				
New issues		106,850		383,000
Refunding issues				39,765
Payments to refunded bond escrow agent	(50,494)	(1,116,316)	(409,405)	(189,883)
Total Other Financing Sources (Uses)	<u>764,287</u>	<u>1,052,622</u>	<u>399,435</u>	<u>719,166</u>
Net Change in Fund Balances	<u>\$ (232,610)</u>	<u>\$ 320,082</u>	<u>\$ (203,727)</u>	<u>\$ (42,051)</u>
Debt service as a percentage of noncapital expenditures	<u>3.71%</u>	<u>3.71%</u>	<u>3.78%</u>	<u>3.91%</u>

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

2013	2012	2011	2010	2009	2008
\$ 10,813,909	\$ 10,403,782	\$ 10,113,502	\$ 9,366,175	\$ 9,560,283	\$ 9,871,590
337,431	339,642	330,263	330,387	323,012	309,413
7,143,403	7,098,675	8,016,458	8,381,546	7,055,624	6,169,116
1,175,388	1,117,177	911,202	803,961	774,553	758,805
80,227	80,132	82,856	86,980	90,812	97,898
13,403	30,822	29,092	45,214	67,076	149,833
(7,661)	(18,705)	795	(150)	(4)	6,529
4,198	3,121	1,966	1,711	11,060	31,576
678,358	562,394	822,936	492,508	461,824	474,555
20,238,656	19,617,040	20,309,070	19,508,332	18,344,240	17,869,315
2,282,198	2,390,204	2,302,228	2,592,283	2,472,452	2,702,730
406,800	409,685	392,791	378,475	359,666	338,839
92,312	112,139	86,506	92,437	94,989	100,535
5,384,681	5,322,439	6,125,603	5,104,048	4,860,442	4,800,460
7,963,372	7,984,895	8,088,667	8,124,836	7,919,632	7,301,114
825,194	802,108	789,602	782,443	737,997	767,270
201,048	213,283	200,899	193,111	188,039	192,957
158,617	157,846	163,438	115,857	120,406	97,482
2,263,175	2,109,125	1,959,030	2,014,490	1,977,924	2,090,584
534,078	306,504	308,484	386,212	299,940	341,733
354,688	367,966	351,539	306,139	252,466	210,331
12,763	55,983	8,002	27,335	25,036	21,025
2,362	1,593	1,163	933	6,080	26,774
330,795	253,894	466,335	609,309	442,315	582,550
20,812,083	20,487,664	21,244,287	20,727,908	19,757,384	19,574,384
(573,427)	(870,624)	(935,217)	(1,219,576)	(1,413,144)	(1,705,069)
1,810,448	1,539,696	1,852,945	1,955,274	2,157,662	2,357,766
(1,833,096)	(1,530,423)	(1,675,200)	(1,776,171)	(1,880,360)	(2,258,283)
10,007	9,546	6,864	10,182	4,456	3,280
221,310	419,700	472,123	873,326	655,350	372,135
127,644	527,118	240,590	347,835	508,520	100,000
27,295	74,049	34,035	37,442	35,905	46,322
(408)	(927)	(2,022)	(2,619)	(4,193)	
163,290	82,717	737,370	89,710		750,085
(127,035)	(455,473)	(233,642)	(186,602)	(508,320)	(100,000)
399,455	666,003	1,433,063	1,358,253	969,020	1,271,305
\$ (173,972)	\$ (204,621)	\$ 497,846	\$ 138,677	\$ (444,124)	\$ (433,764)
4.29%	3.31%	3.11%	3.34%	2.89%	2.94%

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

	2017	2016	2015	2014
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 22,688,638	\$ 21,955,878	\$ 21,288,572	\$ 20,986,040
Restricted	954,449	847,543	984,229	1,099,649
Unrestricted	(40,157,358)	(37,867,160)	(36,414,312)	(11,812,580)
Total Governmental Activities Net Position	(16,514,271)	(15,063,739)	(14,141,511)	10,273,109
Business-type Activities:				
Invested in Capital Assets, net of related debt	287,610	293,958	303,571	315,131
Restricted	562,392	369,431	212,629	63,847
Unrestricted	(100,405)	(190,882)	(403,957)	(594,125)
Total Business-Type Activities Net Position	749,597	472,507	112,243	(215,147)
Primary Government:				
Invested in capital assets, net of related debt	22,976,248	22,249,836	21,592,143	21,301,171
Restricted	1,516,841	1,216,974	1,196,858	1,163,496
Unrestricted	(40,257,763)	(38,058,042)	(36,818,269)	(12,406,705)
Total Primary Government Net Position	\$ (15,764,674)	\$ (14,591,232)	\$ (14,029,268)	\$ 10,057,962

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

2013	2012	2011	2010	2009	2008
\$ 20,195,976 1,167,435 <u>(10,315,863)</u>	\$ 19,616,044 1,480,299 <u>(9,731,379)</u>	\$ 19,153,511 1,286,431 <u>(8,071,118)</u>	\$ 18,418,874 1,206,293 <u>(6,803,987)</u>	\$ 19,547,435 1,094,433 <u>(5,861,735)</u>	\$ 19,911,942 1,139,727 <u>(4,816,142)</u>
11,047,548	11,364,964	12,368,824	12,821,180	14,780,133	16,235,527
328,382 913 <u>(876,277)</u>	334,611 729 <u>(1,014,186)</u>	350,505 326 <u>(1,199,294)</u>	341,172 9,646 <u>(1,151,091)</u>	330,078 5,615 <u>(859,772)</u>	290,365 310,216 <u>(553,995)</u>
(546,982)	(678,846)	(848,463)	(800,273)	(524,079)	46,586
20,524,358 1,168,348 <u>(11,192,140)</u>	19,950,655 1,481,028 <u>(10,745,565)</u>	19,504,016 1,286,757 <u>(9,270,412)</u>	18,760,046 1,215,939 <u>(7,955,078)</u>	19,877,513 1,100,048 <u>(6,721,507)</u>	20,202,307 1,449,943 <u>(5,370,137)</u>
\$ 10,500,566	\$ 10,686,118	\$ 11,520,361	\$ 12,020,907	\$ 14,256,054	\$ 16,282,113

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

	2017	2016	2015	2014
Function/Program Revenues				
Primary Government:				
Governmental Activities:				
Charges for Services:				
General government	\$ 805,329	\$ 818,313	\$ 626,337	\$ 699,518
Legislative and judicial	28,079	27,802	25,866	25,584
Commerce	52,894	51,991	58,617	44,538
Education and humanities	58,831	59,712	64,776	43,192
Human Resources	166,820	208,967	164,793	230,057
Justice	26,185	30,880	22,755	23,434
Natural resources and environmental protection	38,673	41,941	17,014	45,334
Public protection and regulation	92,734	92,908	87,134	83,516
Transportation	283,545	288,126	299,446	269,701
Operating Grants and Contributions	9,956,021	9,956,639	9,270,753	8,211,316
Capital Grants and Contributions	837,491	872,127	865,320	801,353
Total Governmental Activities	<u>12,346,602</u>	<u>12,449,406</u>	<u>11,502,811</u>	<u>10,477,543</u>
Business-Type Activities:				
Charges for Services:				
State Parks	52,526	51,424	47,931	49,016
Kentucky Lottery Corporation				
Kentucky Horse Park	1,759,562	12,930	12,407	10,679
Insurance Administration	545,335	130,825	124,106	113,248
Kentucky Public Employees' Health Plan	125,299	1,739,913	1,712,136	1,692,801
Unemployment Compensation	2,495,138	598,144	743,369	561,692
Operating Grants and Contributions	9,961,599	954		174,235
Capital Grants and Contributions	837,491		149	378
Total Business-Type Activities	<u>15,776,950</u>	<u>2,534,190</u>	<u>2,640,098</u>	<u>2,602,049</u>
Total Primary Government	<u>\$ 28,123,552</u>	<u>\$ 14,983,596</u>	<u>\$ 14,142,909</u>	<u>\$ 13,079,592</u>
Expenses				
Primary Government:				
Governmental Activities:				
General government	\$ 2,771,326	\$ 4,544,453	\$ 2,557,827	\$ 2,840,370
Legislative and judicial	489,343	446,233	433,354	420,929
Commerce	299,840	122,430	110,041	112,067
Education and humanities	7,328,124	4,970,560	5,822,980	5,539,119
Human Resources	11,988,867	12,088,721	11,098,078	10,000,356
Justice	1,216,143	1,006,195	952,071	933,126
Natural resources and environmental protection	191,666	190,919	190,532	192,059
Public protection and regulation	150,344	97,921	107,258	92,798
Transportation	1,674,300	1,602,621	1,819,570	2,127,851
Interest expense	210,456	372,787	341,922	355,842
Total Governmental Activities	<u>26,320,409</u>	<u>25,442,840</u>	<u>23,433,633</u>	<u>22,614,517</u>
Business-Type Activities:				
State Parks	124,685	113,679	110,220	96,587
Kentucky Lottery Corporation				
Kentucky Horse Park	1,510,884	21,049	19,278	19,511
Insurance Administration	345,909	189,476	116,723	86,063
Kentucky Public Employees' Health Plan	39,370	1,498,925	1,420,292	1,642,048
Unemployment Compensation	2,041,991	343,857	340,223	1,092,231
Total Business-Type Activities	<u>4,062,839</u>	<u>2,166,986</u>	<u>2,006,736</u>	<u>2,936,440</u>
Total Primary Government	<u>\$ 30,383,248</u>	<u>\$ 27,609,826</u>	<u>\$ 25,440,369</u>	<u>\$ 25,550,957</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (13,973,807)	\$ (12,993,434)	\$ (11,930,822)	\$ (12,136,974)
Business-Type Activities	11,714,111	367,204	633,362	(334,391)
Total Primary Government Net Expense	<u>\$ (2,259,696)</u>	<u>\$ (12,626,230)</u>	<u>\$ (11,297,460)</u>	<u>\$ (12,471,365)</u>

2013	2012	2011	2010	2009	2008
\$ 681,819	\$ 668,709	\$ 438,993	\$ 384,050	\$ 366,634	\$ 494,587
25,676	21,750	21,177	20,226	28,561	15,225
41,337	53,375	36,774	40,657	47,770	41,821
67,290	66,246	78,996	55,926	50,988	68,609
	16,593	484,958	103,025	121,752	200,913
27,369	21,500	22,121	21,641	20,611	24,096
308,890	12,451	43,338	41,123	35,959	42,511
93,172	92,806	83,816	73,066	71,078	66,495
238,296	249,231	218,846	230,918	238,110	16,849
6,294,292	6,381,991	7,071,327	7,621,275	6,575,144	5,554,089
806,675	836,370	697,927	773,661	550,416	750,184
8,584,816	8,421,022	9,198,273	9,365,568	8,107,023	7,275,379
48,774	50,064	49,437	50,802	52,439	57,605
		772,349	772,497	810,544	778,211
9,981	9,161	7,798	6,880	6,423	6,763
112,177	122,962	110,829	121,445	93,438	129,870
1,680,011	1,681,642	1,752,908	1,548,458	1,392,971	1,270,899
532,298	521,893	471,876	1,556,290	412,430	381,410
408,125	705,465	953,112	3,849	363,028	53,838
155	1,032	2,326		4,633	1,735
2,791,521	3,092,219	4,120,635	4,060,221	3,135,906	2,680,331
\$ 11,376,337	\$ 11,513,241	\$ 13,318,908	\$ 13,425,789	\$ 11,242,929	\$ 9,955,710
\$ 3,333,535	\$ 3,002,882	\$ 3,212,093	\$ 4,377,373	\$ 3,837,639	\$ 4,370,883
406,949	411,579	400,786	376,743	360,872	335,635
112,296	132,078	113,156	124,263	112,825	107,774
5,214,551	5,818,383	6,036,864	5,148,482	4,887,919	4,852,742
7,618,717	7,623,348	7,652,130	7,725,161	7,611,725	6,904,568
936,118	923,628	887,611	876,065	822,301	845,153
229,245	221,822	198,067	192,518	197,086	197,265
160,071	156,755	164,052	113,558	121,952	97,360
1,720,513	1,496,753	1,340,012	1,175,210	1,331,764	1,170,102
369,773	403,534	377,725	332,639	265,984	254,488
20,101,768	20,190,762	20,382,496	20,442,012	19,550,067	19,135,970
92,724	93,925	92,777	101,861	98,795	104,672
		566,117	568,183	619,902	599,490
15,856	13,970	14,804	13,521	11,411	12,799
93,876	38,081	232,100	107,286	(18,953)	117,817
1,677,143	1,687,322	1,624,444	1,497,656	1,434,951	1,288,981
1,287,408	1,193,572	1,521,994	1,958,414	1,317,067	493,397
3,167,007	3,026,870	4,052,236	4,246,921	3,463,173	2,617,156
\$ 23,268,775	\$ 23,217,632	\$ 24,434,732	\$ 24,688,933	\$ 23,013,240	\$ 21,753,126
\$ (11,516,952)	\$ (11,769,740)	\$ (11,184,223)	\$ (11,076,444)	\$ (11,443,044)	\$ (11,860,591)
(375,486)	65,349	68,399	(186,700)	(327,267)	63,175
\$ (11,892,438)	\$ (11,704,391)	\$ (11,115,824)	\$ (11,263,144)	\$ (11,770,311)	\$ (11,797,416)

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

(Expressed in Thousands)

	2017	2016	2015	2014
General Revenues and				
Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Sales and gross receipt	\$ 5,905,042	\$ 5,787,853	\$ 5,714,300	\$ 5,575,312
Individual income	4,405,457	4,311,015	4,064,705	3,752,868
Corporate income	458,227	490,033	540,132	456,601
Property	596,752	584,823	570,998	553,339
License and privilege	29,310	39,563	13,742	21,170
Severance	145,487	156,245	235,068	251,231
Inheritance and estate	45,827	48,789	52,616	51,513
Miscellaneous taxes	202,836	196,941	190,700	184,605
Unrestricted grants and contributions	11,449	10,403	10,348	12,663
Unrestricted investment earnings		1,650	4,264	(37)
Gain on sale of capital assets	8,318	7,689	7,259	10,969
Miscellaneous general	522,299	403,065	413,140	496,504
Transfers	192,425	41,497	108,470	(4,214)
Total General Revenues and Transfers	<u>12,523,429</u>	<u>12,079,566</u>	<u>11,925,742</u>	<u>11,362,524</u>
Change in Net Position	(1,450,378)	(913,868)	(5,080)	(774,450)
Net Position at July 1, as Restated	(15,063,893)	(14,149,871)	(14,136,431)	11,047,559
Net Position at June 30	<u>\$ (16,514,271)</u>	<u>\$ (15,063,739)</u>	<u>\$ (14,141,511)</u>	<u>\$ 10,273,109</u>
Business-Type Activities:				
Unrestricted grants and contributions	\$ 5,534	\$ 29,381	\$ 14,971	\$ 13,546
Unrestricted investment earnings	(1,329)			32
Gain on sale of capital assets				
Miscellaneous general	6,075	5,176	5,693	648,434
Transfers	(192,425)	(41,497)	(108,470)	4,214
Total General Revenues and Transfers	<u>(182,145)</u>	<u>(6,940)</u>	<u>(87,806)</u>	<u>666,226</u>
Change in Net Position	276,580	360,264	545,556	331,835
Net Position at July 1, as Restated	473,017	112,243	(433,313)	(546,982)
Net Position at June 30	<u>\$ 749,597</u>	<u>\$ 472,507</u>	<u>\$ 112,243</u>	<u>\$ (215,147)</u>
Change in Net Position				
Governmental Activities	\$ (1,450,378)	\$ (913,868)	\$ (5,080)	\$ (774,450)
Business-Type Activities	276,580	360,264	545,556	331,835
Total Primary Government Changes in Net Position	<u>\$ (1,173,798)</u>	<u>\$ (553,604)</u>	<u>\$ 540,476</u>	<u>\$ (442,615)</u>

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

2013	2012	2011	2010	2009	2008
\$ 5,292,465	\$ 5,505,336	\$ 5,152,345	\$ 4,880,831	\$ 4,777,321	\$ 4,828,223
3,748,008	3,474,027	3,451,268	3,125,824	3,359,471	3,512,908
423,093	370,485	317,578	235,654	278,103	397,842
556,986	534,189	509,961	504,189	534,441	497,326
21,091	26,792	29,690	29,198	37,442	33,049
461,866	170,980	366,633	325,077	362,965	310,294
20,503	68,119	45,144	38,058	43,237	51,423
203,467	148,305	168,847	152,016	146,977	163,842
16,332	14,640	14,071	9,365	10,263	11,923
2,179	(21,439)	7,146	9,531	(9,977)	31,335
8,885	10,363	9,727	22,682	12,730	10,123
544,186	493,133	444,309	388,144	319,408	596,079
(22,093)	(12,293)	206,078	172,007	264,032	126,716
11,276,968	10,782,637	10,722,797	9,892,576	10,136,413	10,571,083
(239,984)	(987,103)	(461,426)	(1,183,868)	(1,306,631)	(1,289,508)
11,287,532	12,352,067	12,830,250	14,005,048	16,086,764	17,525,035
\$ 11,047,548	\$ 11,364,964	\$ 12,368,824	\$ 12,821,180	\$ 14,780,133	\$ 16,235,527
\$	\$	\$	\$	\$	\$
(16,154)		208			
	55,123	56,203	47,657	(28,261)	16,531
501,411		597	1,844	38	59
22,093		21,902	35,792	48,894	18,746
507,350	55,123	(206,078)	(172,007)	(264,032)	(126,716)
131,864	192,756	(127,168)	(86,714)	(243,361)	(91,380)
(678,846)	(871,602)	(58,769)	(273,414)	(570,628)	(28,205)
(546,982)	(678,846)	(789,694)	(526,859)	46,549	74,791
\$ (546,982)	\$ (678,846)	\$ (848,463)	\$ (800,273)	\$ (524,079)	\$ 46,586
\$ (239,984)	\$ (987,103)	\$ (461,426)	\$ (1,183,868)	\$ (1,306,631)	\$ (1,289,508)
131,864	192,756	(58,769)	(273,414)	(570,628)	(28,205)
\$ (108,120)	\$ (794,347)	\$ (520,195)	\$ (1,457,282)	\$ (1,877,259)	\$ (1,317,713)

COMMONWEALTH OF KENTUCKY
PERSONAL INCOME TAX INFORMATION
CALENDAR YEARS 2006 and 2015

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

Ky Federal AGI (from Ky form 740) Income Level	Calendar Year 2015			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Resident Taxpayer				
Less than \$25,001	703,052	39.79%	\$ 128,697,480	3.43%
\$25,001-\$50,000	431,778	24.44%	556,902,522	14.87%
\$50,001-\$100,000	401,747	22.74%	1,042,848,784	27.85%
\$100,001-\$200,000	182,458	10.33%	969,746,737	25.90%
\$200,001-\$500,000	39,193	2.22%	532,893,359	14.23%
Greater than \$500,000	8,364	0.47%	513,593,384	13.72%
Total Resident	1,766,592	100.00%	3,744,682,266	100.00%
Non-Resident Taxpayer				
Less than \$25,001	56,615	32.58%	5,889,157	2.79%
\$25,001-\$50,000	32,273	18.57%	16,206,713	7.67%
\$50,001-\$100,000	34,301	19.74%	31,325,495	14.82%
\$100,001-\$200,000	22,892	13.17%	36,254,059	17.15%
\$200,001-\$500,000	13,744	7.91%	33,841,108	16.01%
Greater than \$500,000	13,956	8.03%	87,889,650	41.57%
Total Non-Resident	173,781	100.00%	211,406,182	100.00%
Totals	1,940,373		\$ 3,956,088,448	

Personal Income Tax Rates

Tax Years 2006 - 2015

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

	2015		2006
Personal Income Tax Revenue	\$ 3,956,088,448	(A)	\$ 2,913,125,078
Personal Income	115,513,000,000	(B)	94,581,000,000
Average Effective Rate	2.9%		3.2%

Source of Tax Information:

(A) Kentucky Department of Revenue

(B) See Schedule of Personal Income

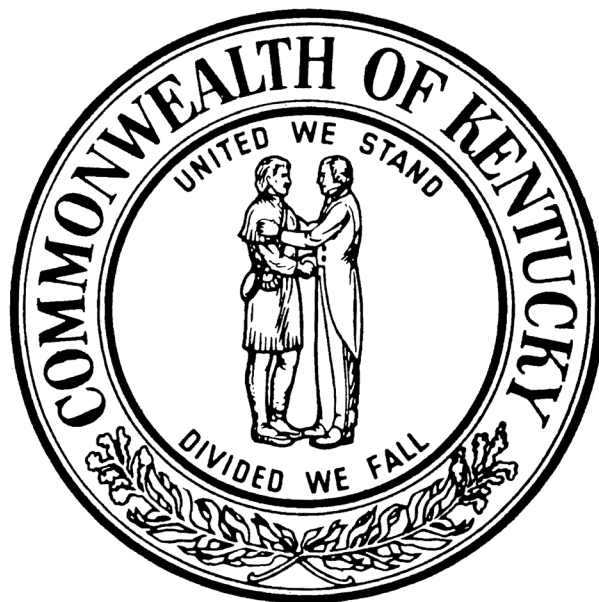
(C) This information is presented on a cash basis.

Calendar Year 2006

Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
767,424	45.40%	\$ 229,987,659	8.16%
415,963	24.61%	529,147,666	18.77%
368,080	21.77%	949,847,298	33.69%
109,444	6.47%	557,688,917	19.78%
23,454	1.39%	274,647,561	9.74%
6,118	0.36%	278,275,135	9.87%
1,690,483	100.00%	2,819,594,236	100.00%

Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
45,787	36.39%	4,902,653	5.24%
22,096	17.56%	11,540,427	12.34%
22,334	17.75%	20,290,113	21.69%
13,230	10.52%	19,021,143	20.34%
9,282	7.38%	14,037,620	15.01%
13,081	10.40%	23,738,886	25.38%
125,810	100.00%	93,530,842	100.00%
1,816,293		\$ 2,913,125,078	

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 2007-2016
(Expressed in Thousands, Except Ratio Data)

For the Year Ended December 31	Real Property		Personal Property		Totals		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2007	\$ 209,408,191	\$ 222,774,671	\$ 155,998,799	\$ 155,998,799	\$ 365,406,990	\$ 378,773,470	96.5%
2008	219,881,174	233,916,143	160,465,814	160,465,814	380,346,988	394,381,957	96.4%
2009	226,213,765	240,652,941	160,898,648	160,898,648	387,112,413	401,551,589	96.4%
2010	226,833,829	241,312,584	169,307,231	169,307,231	396,141,060	410,619,815	96.5%
2011	229,344,568	243,983,583	169,933,206	169,933,206	399,277,774	413,916,789	96.5%
2012	232,286,735	247,113,548	176,724,331	176,724,331	409,011,066	423,837,879	96.5%
2013	233,534,113	248,440,546	173,138,368	173,138,368	406,672,481	421,578,914	96.5%
2014	237,120,455	252,255,803	174,481,430	174,481,430	411,601,885	426,737,233	96.5%
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%

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 2007-2016
(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 **
2007	\$ 513,301	\$ 483,127	94.1%	\$ 17,520	\$ 500,647	97.5%	66.45
2008	527,149	490,176	93.0%	22,946	513,122	97.3%	65.26
2009	530,822	491,218	92.5%	24,952	516,170	97.2%	64.26
2010	536,828	486,675	90.7%	28,141	514,816	95.9%	65.35
2011	545,501	512,879	94.0%	16,688	529,567	97.1%	66.27
2012	561,041	531,406	94.7%	26,972	558,378	99.5%	66.01
2013	566,500	541,152	95.5%	21,277	562,429	99.3%	64.98
2014	575,958	547,198	95.0%	16,237	563,435	97.8%	64.37
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

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)

	2017	2016	2015	2014
Governmental Activities Debt				
Revenue Bonds (2)	\$ 6,276,003	\$ 6,227,678	\$ 6,154,942	\$ 6,291,646
Notes (2)	1,197,375	1,399,140	1,467,573	1,868,377
Capital Leases (2)	46,256	58,064	71,493	55,444
Total Government Activities Debt	<u>7,519,634</u>	<u>7,684,882</u>	<u>7,694,008</u>	<u>8,215,467</u>
Business-Type Activities Debt				
Notes (2)				
Capital Leases (2)	7,966	7,730	12,262	13,065
Total Business-Type Activities Debt	<u>7,966</u>	<u>7,730</u>	<u>12,262</u>	<u>13,065</u>
Total Primary Government Debt	<u>\$ 7,527,600</u>	<u>\$ 7,692,612</u>	<u>\$ 7,706,270</u>	<u>\$ 8,228,532</u>
Total Debt Ratios				
Ratio of Total Debt to Personal Income	<u>6.29%</u>	<u>6.43%</u>	<u>6.67%</u>	<u>7.35%</u>
Total Debt Per Capita (1)	<u>\$ 24,379.00</u>	<u>\$ 24,913.41</u>	<u>\$ 1,753.30</u>	<u>\$ 1,872.12</u>
Net Bonded Debt				
Gross Bonded Debt	\$ 6,276,003	\$ 6,227,678	\$ 6,154,942	\$ 6,291,646
Less: Debt Service Funds	140,670	136,673	138,192	125,732
Net Bonded Debt	<u>\$ 6,135,333</u>	<u>\$ 6,091,005</u>	<u>\$ 6,016,750</u>	<u>\$ 6,165,914</u>
Net Bonded Debt Ratios				
Ratio of Net Bonded Debt to Governmental Funds Revenues	<u>27.50%</u>	<u>27.30%</u>	<u>26.97%</u>	<u>27.64%</u>
Net Bonded Debt Per Capita (1)	<u>\$ 19,869.98</u>	<u>\$ 19,726.42</u>	<u>\$ 1,373.56</u>	<u>\$ 1,407.61</u>

(1) Per Capita calculations are based on the population figures for the prior year. (See Demographics Schedule on page 254)

(2) See Note 15 for Debt Amounts

2013	2012	2011	2010	2009	2008
\$ 6,427,591	\$ 6,555,730	\$ 6,241,628	\$ 5,959,846	\$ 4,429,520	\$ 3,617,080
1,648,642	1,669,372	1,715,915	1,089,740	1,059,520	1,516,350
211,963	46,069	30,877	32,341	26,638	30,968
8,288,196	8,271,171	7,988,420	7,081,927	5,515,678	5,164,398
	1,172				
1,153,410	14,119	3,542	127	211	212
1,153,410	15,291	3,542	127	211	212
\$ 9,441,606	\$ 8,286,462	\$ 7,991,962	\$ 7,082,054	\$ 5,515,889	\$ 5,164,610
8.74%	7.97%	7.81%	7.09%	5.45%	5.21%
\$ 2,160.87	\$ 1,896.50	\$ 1,838.81	\$ 1,641.60	\$ 1,292.01	\$ 1,217.65
\$ 6,427,591	\$ 6,555,730	\$ 6,241,628	\$ 5,959,846	\$ 4,429,520	\$ 3,617,080
124,951	120,304	137,921	197,802	353,391	405,028
\$ 6,302,640	\$ 6,435,426	\$ 6,103,707	\$ 5,762,044	\$ 4,076,129	\$ 3,212,052
31.14%	32.81%	31.11%	29.54%	22.22%	17.97%
\$ 1,438.82	\$ 1,472.85	\$ 1,404.36	\$ 1,335.63	\$ 954.77	\$ 757.30

**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
2008	\$ 235,398 *	\$ 47,782	4.93
2009	231,058 *	55,549	4.16
2010	308,774 *	61,448	5.02
2011	418,370 *	56,920	7.35
2012	3,930,749 **	1,531,031	2.57
2013	4,031,429 **	1,485,309	2.71
2014	4,235,184 **	1,777,303	2.38
2015	4,598,823 **	1,958,552	2.35
2016	4,793,559 **	2,020,476	2.37
2017	4,913,519 **	2,003,912	2.45

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	2016			2007		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
United Parcel Service, Inc.	12,974	1	0.69%	11,860	1	0.62%
Ford Motor Co.	12,810	2	0.68%	8,200	4	0.43%
Toyota Motor Corp	11,248	3	0.60%	8,372	3	0.44%
Humana Inc.	10,290	4	0.55%	8,509	2	0.44%
Amazon.com	7,232	5	0.39%			
Haier US Appliances Solutions, Inc.	6,288	6	0.34%			
FMR LLC	4,500	7	0.24%			
Xerox Coporation	3,855	8	0.21%			
Citigroup	3,002	9	0.16%	3,900	9	0.20%
General Dynamics Information Technology	2,965	10	0.16%			
General Electric Co				7,032	5	0.37%
Dana Corp.				4,673	6	0.24%
Delta Air Lines, Inc				4,274	7	0.22%
Johnson Controls, Inc.				4,272	8	0.22%
Toyota Tsusho Corp.				3,258	10	0.17%
	<u>75,164</u>		<u>4.01%</u>	<u>64,350</u>		<u>3.36%</u>

SOURCE: <http://www.thinkkentucky.com>

**DEMOGRAPHIC STATISTICS
FOR CALENDAR YEARS 2007-2016**

For the Year Ended December 31	Estimated Population	Per Capita Income	Unemployment Rate
2007	4,241,474	\$ 31,111	5.4%
2008	4,269,245	31,826	6.4%
2009	4,314,113	32,306	10.3%
2010	4,346,266	32,376	10.2%
2011	4,369,356	33,667	9.4%
2012	4,380,415	35,041	8.2%
2013	4,395,295	36,214	8.0%
2014	4,413,457	37,654	6.5%
2015	4,425,592	39,181	5.4%
2016	4,436,974	38,926	5.0%

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

COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR CALENDAR YEARS 2007-2016
(Expressed in Thousands, Except Percent Data)

Source	2007**		2008**		2009**		2010**		2011**	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,040,750	1.0%	\$ 932,500	0.9%	\$ 1,364,000	1.4%	\$ 1,208,000	1.2%	\$ 811,000	0.8%
Agriculture services, forestry, fisheries and others	407,250	0.4%	421,500	0.4%	319,250	0.3%	316,000	0.3%	280,000	0.3%
Mining	2,227,000	2.2%	2,475,000	2.4%	2,121,000	2.1%	2,353,000	2.3%	2,256,000	2.2%
Manufacturing	17,069,000	17.2%	16,305,750	16.1%	13,446,500	13.5%	14,293,000	14.0%	12,563,000	12.1%
Construction	5,292,750	5.3%	5,356,750	5.3%	5,045,000	5.1%	4,726,000	4.6%	5,101,000	4.9%
Wholesale and retail trade	11,726,500	11.8%	11,870,500	11.8%	11,548,500	11.6%	11,456,000	11.2%	12,021,000	11.6%
Finance, insurance and real estate	6,345,250	6.4%	6,390,750	6.3%	5,979,500	6.0%	5,956,000	5.8%	6,507,000	6.3%
Transportation and public utilities	6,237,000	6.3%	6,008,000	5.9%	6,062,250	6.1%	6,130,000	6.0%	6,199,000	6.0%
Services	29,033,250	29.4%	30,718,250	30.4%	31,714,500	31.6%	32,939,000	32.1%	34,521,000	33.2%
Government and government enterprises	19,826,000	20.0%	20,809,250	20.5%	22,249,500	22.3%	23,014,000	22.5%	23,727,000	22.8%
Earnings by Place of Work	<u>\$ 99,204,750</u>	<u>100.0%</u>	<u>\$ 101,288,250</u>	<u>100.0%</u>	<u>\$ 99,850,000</u>	<u>100.0%</u>	<u>\$ 102,391,000</u>	<u>100.0%</u>	<u>\$ 103,986,000</u>	<u>100.0%</u>

Source	2012**		2013**		2014**		2015***		2016***	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,062,000	1.0%	\$ 1,954,000	1.7%	\$ 1,790,000	1.5%	\$ 1,490,000	1.2%	\$ 106,000	0.1%
Agriculture services, forestry, fisheries and others	330,000	0.3%	346,000	0.3%	399,000	0.3%	397,000	0.3%	525,000	0.4%
Mining	2,224,000	2.1%	1,853,000	1.7%	1,809,000	1.6%	1,570,000	1.3%	698,000	0.6%
Manufacturing	15,736,000	14.6%	15,937,000	14.2%	16,682,000	14.4%	17,371,000	14.5%	18,019,000	15.1%
Construction	5,568,000	5.2%	5,938,000	5.3%	6,662,000	5.8%	6,864,000	5.7%	7,062,000	5.9%
Wholesale and retail trade	12,306,000	11.4%	12,328,000	11.0%	12,727,000	11.0%	13,181,000	11.0%	13,271,000	11.1%
Finance, insurance and real estate	6,931,000	6.4%	7,269,000	6.5%	7,567,000	6.6%	10,020,000	8.4%	10,009,000	8.4%
Transportation and public utilities	6,529,000	6.0%	6,402,000	5.7%	6,745,000	5.8%	7,220,000	6.0%	7,847,000	6.6%
Services	34,471,000	31.9%	36,784,000	32.8%	38,138,000	33.0%	38,121,000	31.9%	39,312,000	32.8%
Government and government enterprises	22,879,000	21.1%	23,180,000	20.7%	22,994,000	19.9%	23,432,000	19.6%	22,856,000	19.1%
Earnings by Place of Work	<u>\$ 108,036,000</u>	<u>100.0%</u>	<u>\$ 111,991,000</u>	<u>100.0%</u>	<u>\$ 115,513,000</u>	<u>100.0%</u>	<u>\$ 119,666,000</u>	<u>100.0%</u>	<u>\$ 119,705,000</u>	<u>100.0%</u>

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

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

** 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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Personnel										
Number of Full Time Employees- Executive Branch	31,104	31,977	32,547	31,819	31,961	32,270	32,365	32,309	31,334	33,851
Health Insurance Expenditures - Percentage Increase/(decrease)	1.1%	2.0%	2.5%	2.0%	7.4%	(3.5%)	4.5%	18.7%	(1.3%)	6.1%
Education										
K-12 Enrollment	655,475	679,686	680,519	678,884	677,394	647,827	644,963	636,188	671,147	671,542
K-12 Attendance Rate	94.50%	94.50%	94.50%	94.60%	94.52%	94.05%	94.05%	94.18%	94.17%	94.18%
K-12 Graduation Rate	89.50%	88.60%	87.90%	87.40%	86.10%	76.68%	80.5%***	83.91%	84.52%	83.72%
Statewide Academic Index	*	*	*	*	*	*	*	*	*	82.20%
Average ACT Score	21.1	20	20	19.9	19.6	19.8	19.6	19.4	19.4**	20.9
GED Graduates	3,299	3,091	1,663	7,083	8,890	9,469	10,294	9,357	9,382	10,307
College Going Rate for 9th Graders	NA	NA	NA	47%	39%	42%	42%	42%	44%	38%
Postsecondary Education Enrollment	207,671	208,251	215,509	220,963	225,415	235,833	232,318	223,893	211,179	212,994
Bachelor's and Higher Degrees Awarded	34,326	34,110	32,706	32,374	32,237	30,034	29,911	28,798	27,983	27,246
Justice and Public Safety										
Incarcerated Population-Daily Average	23,893	22,676	21,576	20,814	21,785	21,471	20,785	20,798	21,470	22,219
Probation and Parole Population - Daily Average	46,046	45,956	46,008	45,755	43,196	41,790	41,534	39,364	38,933	39,206
Health and Family Services										
Medicaid Enrollment-Average	1,404,625	1,375,071	1,243,432	997,556	829,826	825,648	815,460	788,236	748,296	722,559
Food Stamp Recipients-Monthly Average	685,771	686,773	788,485	843,164	869,035	843,939	814,176	761,654	680,087	623,997
Temporary Assistance for Needy Families (TANF)-Monthly Average	45,874	38,823	42,995	47,996	49,148	48,817	50,583	48,894	48,368	48,743
Children with substantiated incidences	22,526	20,031	19,858	15,193	17,884	15,699	15,721	15,092	14,475	15,196
Environmental and Public Protection										
Air Pollution Source Inspections	3,724	3,652	3,448	3,939	3,919	3,355	3,390	5,910	3,085	4,310
Waste Management Inspections	6,394	6,761	6,866	6,484	6,239	6,062	6,155	7,060	6,731	6,443
Acres of Land Reforested	6,081	2,626	5,472	3,573	8,309	10,396	4,827	4,520	5,580	5,105
Mine Permits Issued	170	381	446	515	606	719	691	608	688	848
Mine Reclamation and Enforcement Inspections	16,682	18,551	20,011	21,450	23,003	26,942	25,392	25,686	24,890	26,062
Mine Safety-Completed Inspections	924	1,529	2,651	3,023	3,546	3,203	3,102	4,611	2,888	2,718
Transportation										
Percentage of Total Road System Needing Improvement	17%	17%	17%	19%	19%	19%	15%	18%	14%	15%
Statewide Road Maintainance Rating (Target Score = 80)	82.6	84	83.7	82.5	80.5	80.1	81.5	79.7	80.9	81.7
Daily Miles Traveled-Percentage Changed (as compared to 2005 Data)	3.82%	1.52%	(0.31%)	(2.09%)	(1.98%)	0.17%	0.20%	(0.1%)	0.0%	(0.5%)
State-Maintained Lane Miles- Annual Percent Change	0.25%	0.08%	0.13%	0.33%	0.03%	0.10%	0.30%	0.10%	1.6%	0.6%
Kentucky Road Construction Cost Index-Percent Increase (1987 Base Year)	47.9%	49.5%	45.4%	43.6%	34.9%	10.7%	35.2%	13.9%	22.7%	28.0%

* The Statewide Academic Index is no longer generated.

** First graduating class in which all students were required to take the ACT. A reduction was expected.

***First year using Average Freshman Graduation Rate

NA Information is not available

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>General Government</u>										
Number of Buildings	367	324	312	312	313	310	292	326	309	558
Number of Vehicles	321	341	299	303	305	377	394	365	356	411
Land (Acres)	15,307	15,307	15,264	15,263	15,251	15,041	14,968	14,614	14,293	13,352
<u>Commerce</u>										
Number of Resort Parks	17	17	17	17	17	17	17	17	17	17
Number of Recreation Parks	23	23	23	21	21	21	23	23	24	24
Number of Historic Sites	11	11	11	11	11	9	10	10	11	11
Area of State Parks (Acres)	45,426	45,409	45,409	45,180	45,180	45,180	42,397	42,035	42,597	42,428
<u>Education and Humanities</u>										
Number of Buildings	77	64	65	65	65	65	66	73	72	70
Number of Vehicles	58	65	64	68	83	89	105	101	113	123
Land (Acres)	385	385	385	387	387	387	388	388	388	372
<u>Human Resources</u>										
Number of Buildings	163	167	160	182	182	182	182	200	196	196
Number of Vehicles	17	17	19	18	24	23	45	46	40	150
Land (Acres)	1,192	1,206	1,206	1,206	1,206	1,206	1,206	1,206	1,206	1,007
<u>Justice</u>										
Number of Buildings	517	455	447	449	452	459	465	508	479	482
Number of Vehicles	1,760	1,803	1,720	1,715	1,753	2,043	2,102	1,863	1,861	1,696
Land (Acres)	8,735	8,735	8,735	8,735	8,735	8,685	8,865	8,867	8,903	6,166
<u>Natural Resources and Environmental Protection</u>										
Number of Buildings	30	30	22	20	20	20	21	26	26	26
Number of Vehicles	825	832	807	797	793	847	827	916	815	847
Land (Acres)	66,401	66,187	66,187	65,609	64,585	62,661	60,003	59,149	58,325	51,175
<u>Public Protection and Regulation</u>										
Number of Vehicles	179	157	146	140	149	132	118	121	90	76
<u>Transportation</u>										
Number of Lane Miles -State Maintained Highways	63,753	63,586	64,187	63,407	63,196	63,175	63,135	62,913	62,823	62,419
Number of State maintained Bridges	8,928	9,016	9,011	9,000	8,976	8,972	8,957	8,933	8,870	8,842
Land (Acres)	1,656	1,656	1,656	1,700	1,653	1,653	1,653	1,981	1,981	1,977

**COMMONWEALTH OF KENTUCKY
OPERATING INFORMATION
STATE GOVERNMENT EMPLOYEES BY FUNCTION
FOR THE LAST TEN FISCAL YEARS**

	2017	2016	2015	2014
<u>FULL-TIME EMPLOYEES</u>				
FUNCTION				
General government	4,565	4,570	4,671	4,775
Legislative and judicial	3,772	3,553	3,578	3,540
Commerce	1,685	1,696	1,633	1,699
Education and humanities	2,392	2,363	2,613	2,671
Human resources	7,197	7,176	7,466	7,523
Justice	7,784	7,735	7,832	7,896
Natural resources and environmental protection	1,396	1,383	1,387	1,445
Public protection and regulation	1,019	1,005	1,124	1,120
Transportation	4,571	4,551	4,629	4,650
Total full-time employees	34,381	34,032	34,933	35,319
<u>PART-TIME and TEMPORARY EMPLOYEES</u>				
FUNCTION				
General government	666	665	650	662
Legislative and judicial	422	404	421	445
Commerce	518	538	479	494
Education and humanities	153	156	200	212
Human resources	158	197	123	137
Justice	12	13	16	19
Natural resources and environmental protection	15	14	13	13
Public protection and regulation	15	16	17	14
Transportation	124	138	77	68
Total part-time and temporary employees	2,083	2,141	1,996	2,064
Total Employees	36,464	36,173	36,929	37,383

2013	2012	2011	2010	2009	2008
5,089	4,669	4,738	4,841	4,706	4,855
4,159	3,503	3,502	3,597	3,759	3,730
1,520	1,914	1,972	2,023	2,038	2,141
2,671	2,701	2,696	2,712	2,760	2,967
7,470	7,481	7,517	7,482	7,182	7,387
8,054	8,070	8,016	7,938	7,955	8,090
1,608	1,614	1,648	1,675	1,649	1,601
1,034	1,097	1,113	1,127	1,102	1,208
4,690	4,682	4,670	4,713	4,467	4,549
36,295	35,731	35,872	36,108	35,618	36,528
649	663	657	662	659	649
426	484	476	483	539	574
488	498	384	1,376	1,496	1,506
211	227	198	306	219	228
126	119	108	124	91	71
21	24	26	39	27	58
18	26	31	56	31	27
18	20	30	31	14	15
88	40	138	133	129	156
2,045	2,101	2,048	3,210	3,205	3,284
38,340	37,832	37,920	39,318	38,823	39,812

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