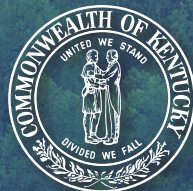


# Kentucky

## Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019

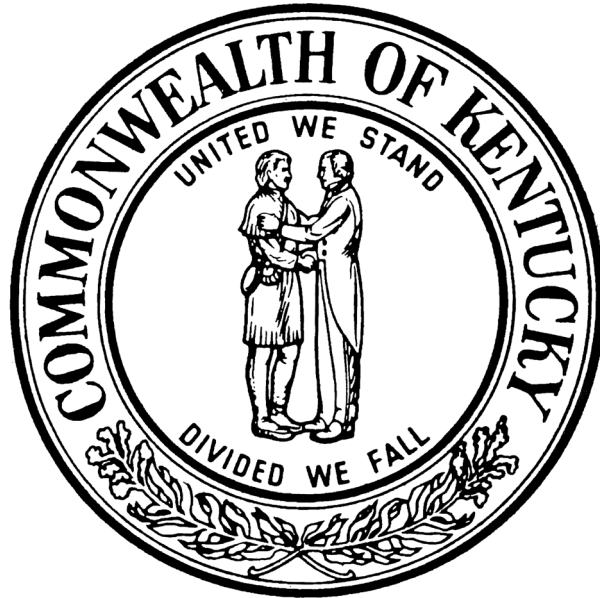


Red River Gorge



Commonwealth of Kentucky Comprehensive Annual Financial  
Report for the Fiscal Year Ended June 30, 2019

Andy Beshear, Governor

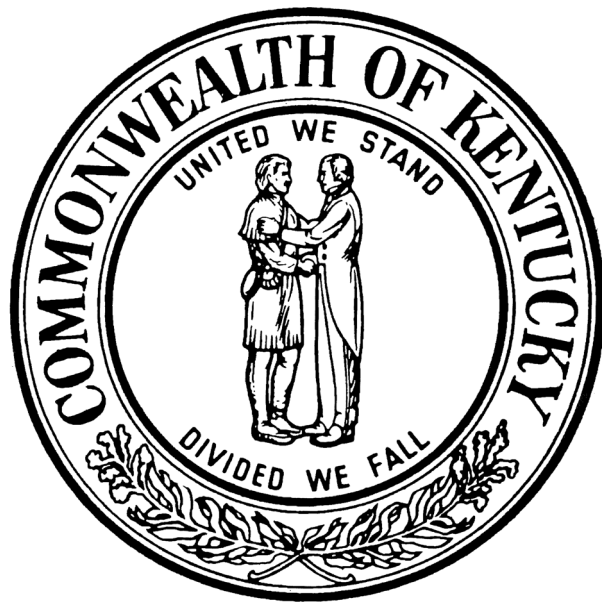


Prepared by:  
Finance and Administration Cabinet  
Holly M. Johnson, Secretary

Office of the Controller  
Edgar C. Ross, Controller



Andy Beshear  
Governor



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# INTRODUCTORY SECTION

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**Andy Beshear**  
Governor

Commonwealth of Kentucky  
Finance and Administration Cabinet  
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**Holly M. Johnson**  
Secretary

December 12, 2019

The Honorable Andy Beshear, 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, 2019. 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, 2019, 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 the 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. 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 ensure 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***

According to key economic indicators, the US economy continues to stand on relatively firm ground as we enter the second quarter of fiscal year 2020. The national outlook over the next three fiscal quarters includes GDP growth converging to 2.1 percent. The forecast expects a slowing of real GDP growth in the second, third, and fourth quarters of fiscal year 2020. The notable slowdown is largely due to the lagged effects of the newly announced tariffs on China's exports to the US.

Effective October 1, an increase from 25 percent to 30 percent tariff rate on the imports from China that are currently subject to Section 301 tariffs. In addition, the US imposed a 15 percent tariff effective September 1 and December 1 on the majority of all remaining imports from China. The new policy includes tariffs on solar panels, metals, and a 30 percent tariff on 44 percent of the goods imported from China. Lastly, the new policy includes a 15 percent tariff on most of the remaining goods imported, of which implementation will occur in a two-phased approach.

Real investment is expected to decline 1.2 percent in the final three quarters of fiscal year 2020 compared to the same periods in the prior fiscal year. Real investment has weakened amid the persistent trade disputes due to softening businesses investments. In contrast, the forecast for real consumption calls for growth of 3.0 percent over the next three fiscal quarters. The continued growth in consumer expenditures is a result of household income gains and consumer confidence. The forecast

supports solid consumer spending for the remaining quarters of fiscal year 2020, reinforced by modest increases in personal income and low interest rates.

However, the three-quarter forecast of the national economy contains risks that limit the upside potential of the economy. Waning fiscal stimulus and a reversal of monetary easing beginning in late fiscal year 2020 limit the ability of the US government to apply aggressive countercyclical fiscal and monetary policy if a downturn materializes. As long-term interest rates drift upward, the strength of the consumer sector will likely soften. Also, as the US economy nears full employment, growth in labor income will be limited, thus curtailing consumer spending as a means to provide economic stimulus.

Inflation for items other than food and energy has remained stable, running slightly above two percent on a year-to-year basis. The absence of volatility in part is due to relatively flat oil prices and a continued strong dollar. Trade tension is expected to temporarily boost inflation for the remainder of the fiscal year. Core Personal Consumption Expenditures inflation is projected to rise 0.4 percentage points to 2.7 percent by the fourth quarter of fiscal year 2020.

The unemployment rate has hit a fifty-year low, declining 0.2 percentage point to a cyclical low of 3.5 percent in September. The last time the unemployment rate was reported at a 3.5 percent low dates back to December 1969. As employment gains continue to slow and GDP drops below trend, the forecast calls for an upward drift in unemployment for the later part of fiscal year 2021. Overall, moderate deceleration in the pace of employment gains suggest the labor market could be heading towards it peak.

### *Kentucky Economy*

The Kentucky economic outlook is a mixture of projected weak employment growth coupled with relatively strong growth in personal income and wages. Statistically, our General Fund taxes are linked more closely with the income-side variables (especially wages and salaries) rather than the employment trends. Despite the lackluster employment performance detailed below, personal income is faring slightly better primarily due to the tight labor markets. Stated differently, as the unemployment rate trends toward full employment, the supply of qualified workers becomes more scarce. When that occurs, it puts upward pressure on wages and the income statistics show better growth patterns.

The Commonwealth entered the first quarter of fiscal year 2020 with an employment gain, increasing by an additional 19,800 jobs or a 1.0 percent change compared to the first quarter of fiscal year 2019. In terms of adjacent-quarter growth, the employment gain in the first quarter of fiscal year 2020 marked the ninth consecutive quarter of growth in total nonfarm employment. During this span, Kentucky witnessed an aggregate net increase of 33,200 Kentucky jobs in fiscal year 2018, fiscal year 2019, and first quarter of fiscal year 2020. While positive, total employment has continued to experience lackluster growth since the end of the last recession.

The correct slowdown in employment growth is partly due to a tightened labor market as employment reaches maximum capacity across the US. A downward trend in Kentucky unemployment has been observed since January 2010. Most recently, Kentucky's seasonally adjusted preliminary August 2019 unemployment rate was 4.4 percent, up from 4.3 percent reported for July 2019. The preliminary August 2019 jobless rate was unchanged from the 4.4 percent recorded for the Commonwealth in August 2018.

Looking ahead, state-level employment gains should slightly lag the national average for the remaining quarters of the fiscal year. While a subtle uptick in non-farm employment is expected, lethargic Kentucky employment growth will persist well into the outlook periods. Total non-farm employment is anticipated to gain 14,500 non-seasonally adjusted jobs, a 0.7 percent increase. The 0.7 percent average growth forecasted over the second, third and fourth quarters is a slight slowdown from the 0.9 percent growth averaged over the same periods one year prior.

Growth in the goods producing sector is expected to be weakest of overall non-farm employment, netting a 0.2 percent job loss across the outlook span. More specifically, the construction supersector forecast calls for tepid yet somewhat volatile growth throughout the last three quarters of the fiscal year. The adjacent-quarter growth rate for the first quarter of FY20 was (0.2) percent, with adjacent quarter growth rates of 0.4, (0.1), and 0.2 percent forecasted for the three quarters of the fiscal year, respectively.

The 0.7 percent change reflected in the outlook forecast represents a total gain of 500 construction jobs compared to the second, third and fourth quarters of fiscal year 2019. To further compound an already volatile market, current international trade disputes have the potential to hike construction and material costs, which could negatively influence Kentucky's market demand and economic conditions.

Another challenge presented in the economic outlook is the anticipated reduction to manufacturing employment. Of the 4,500 manufacturing-related facilities located within the state, roughly 254,000 Kentuckians hold employment, representing roughly 13 percent of the total non-farm workforce. The forecast anticipates a loss of approximately 1,200 of these manufacturing jobs over the final three quarters of fiscal year 2020, compared to same periods one year prior. The manufacturing sector plays a key role in Kentucky's economy, making up 18.5 percent of state gross domestic product. Any turbulence experienced within the manufacturing industry has the potential to slow economic growth within the Commonwealth.

Shifting focus to the rosier portion of the sectoral analysis, both the service-providing and government employment sectors are on track to gain 12,200 and 2,800 jobs, respectively. These prospective increases represent a 0.9 percent change for each of the employment sectors. In percentage and absolute terms, business services employment grew the quickest, making it the bright spot of the economic outlook. Drilling down a bit further, of the 12,200 additional jobs in the service-providing sector, approximately eighty percent of the forecasted growth is expected to occur within the business services supersector and the leisure and hospitality service supersector.

In contrast to the overall stagnant employment gain, the momentum in personal income growth is projected to continue through the end of the fourth quarter of fiscal year 2020. Kentuckians' personal income is poised to grow 4.8 percent over the forecast horizon. In fact, personal income growth is expected to outpace the national personal income growth projections by 0.1 percentage points. Holding pace with personal income, the wages and salaries component of personal income is expected to grow 4.4 percent in the second, third and fourth quarters of fiscal year 2020 compared to the same periods in the prior year. The expected increase in wages and salaries ties directly to the tightened labor market. In effort to attract skilled workers, hiring firms must competitively bid wages

### ***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 net bonded debt, the ratio of this amount to governmental fund revenues, and the amount of net bonded debt per capita are useful indicators to citizens, investors, and management regarding the Commonwealth's debt position. The data for fiscal year 2019 are:

Net Bonded Debt (thousands)	Ratio of Net Bonded Debt to Governmental Funds Revenues	Net Bonded Debt Per Capita
\$ 6,130,054	22.63%	\$ 1,371.87

No general obligation bonds were authorized or outstanding at June 30, 2019.

A detailed analysis of the Commonwealth's debt issuance during the fiscal year ended 2019 is presented in Note 16.



### *Major Initiatives*

Fiscal year 2019 was the second fiscal year of the Commonwealth's 2018-20 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 2019 and 2020 budgets were enacted in the 2018 Regular Session of the Kentucky General Assembly. General Fund revenue exceeded the officially revised estimate by 1.7 percent, or \$194.5 million, in fiscal year 2019. With a combination of other lapses and uses, the Commonwealth of Kentucky ended fiscal year 2019 with a General Fund surplus of \$130.1 million with \$70 million designated to the Medical Insurance Fund of the Teacher's Retirement System and the remaining \$60.1 million designated to the Nonhazardous Pension Fund of the Kentucky Employees Retirement System. Road Fund revenues exceeded the official revenue estimate by 4 percent, or \$59.5 million. The combination of excess revenues and other spending lapses resulted in a Road Fund surplus of \$75.2 million, which was appropriated to the State Road Construction Account to support projects in the 2018-2020 Biennial Highway Construction Program. In fiscal year 2019, General Fund spending increased by 2.9% and Road Fund spending increased by 6.9%.

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

Fiscal year 2019 marked the fifth year since changes were made to pension benefits provided by the Kentucky Employees Retirement System. In fiscal year 2019, the actuarially defined contribution for state employees was fully funded and 98% of the actuarially defined contribution for the Teachers' Retirement System was funded.

In spite of the additional funding provided in FY 2019, the overall status of the pension plans has continued to be a concern. To address this crisis, in fiscal year 2017 the Commonwealth began consideration of additional pension reforms. The Administration and the Legislature will continue to consider various proposals that would improve the status and affordability of the plans.

In an effort to control costs in fiscal year 2019, the Commonwealth continued the managed care arrangements in the Medicaid program. The increases in Medicaid costs, increased funding for criminal justice, and increased pension funding required significant spending restraint in other areas of government.

Other policy initiatives during fiscal year 2019 included reduced spending in many areas of government, continued implementation of workforce development grants for capital projects, increased funding for student education assistance, continuation of the "Cut the Red Tape" regulatory reform initiative, implementation of the legislation adopting the recommendations of the Kentucky Council on Criminal Justice Reform, passing legislation that further clarifies the rules for the Commonwealth to enter into financial arrangements with private businesses (Public Private Partnerships), and continued implementation of performance funding formula for the Commonwealths nine Postsecondary institutions.

The Commonwealth's capital program for the 2018-2020 biennial period included \$1,047.7 million in bond-funded projects. That amount is about 25% below the average for the previous eight biennial budgets. Capital expenditures during fiscal year 2019 were about \$681 million from all fund sources, up from \$938 million in the previous fiscal year. Those figures exclude capital expenditures on roads and bridges that are separate from the capital budget. Approximately 42% of the \$1,047.7 million of new debt authorized in the 2018-2020 biennial period is General Fund supported, and the rest is Agency Fund supported. The Commonwealth's public postsecondary institutions share of newly authorized debt is just over half at 56%, consisting mostly of agency fund supported bonds. State support of local K-12 school construction projects and deferred maintenance and renovation projects for various Executive Branch agencies made up approximately 7-8% of total General Fund supported bond projects respectively.

## 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, 2018. This is the 32nd 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, reading "Holly M. Johnson", followed by a horizontal line.

Holly M. Johnson, Secretary  
Finance and Administration Cabinet



**Andy Beshear**  
Governor

**Commonwealth of Kentucky**  
**FINANCE AND ADMINISTRATION CABINET**  
**OFFICE OF THE CONTROLLER**

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**Holly M. Johnson**  
Secretary

**Edgar C. Ross**  
Controller

December 12, 2019

The Honorable Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
383 New Capitol Annex  
Frankfort, Kentucky 40601

Dear Secretary Johnson:

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, 2019, 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 dark 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, 2018**

*Christopher P. Morill*

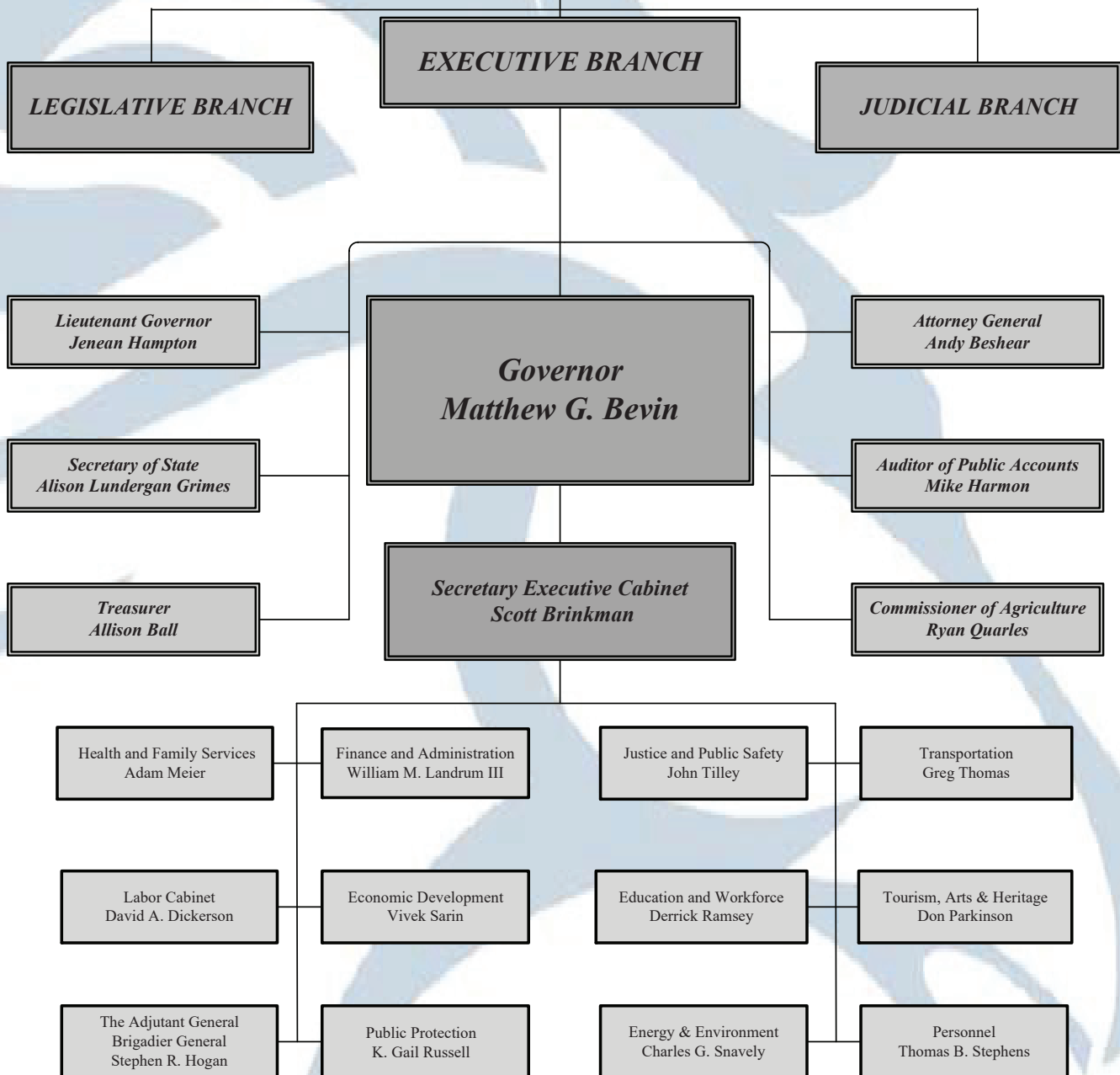
Executive Director/CEO



# COMMONWEALTH OF KENTUCKY

## ELECTORATE OF KENTUCKY

"UNITED WE STAND, DIVIDED WE FALL"



\*Principal Officials at June 30, 2019

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## **FINANCIAL SECTION**

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, 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, 2019, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

**Certain portions of the Governmental Funds including:**

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

**Certain portions of the Proprietary Funds including:**

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

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

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

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AN EQUAL OPPORTUNITY EMPLOYER M/F/D



To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
Page 2

**Certain Fiduciary Funds including:**

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

**Component Units:**

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

**Component Units - Colleges and Universities and related entities:**

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

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

<b>Government-Wide Financial Statements:</b>	<b>Percent of Assets</b>	<b>Percent of Revenues</b>
Primary Government - Governmental Activities	0.93%	0.15%
Primary Government - Business-Type Activities	46.46%	81.65%
Component Units	99.49%	99.83%
<b>Fund Financial Statements:</b>		
Governmental Funds - Non-Major Funds	30.86%	4.38%
Proprietary Funds - Business-Type Activities - Enterprise Funds	46.17%	81.44%
Proprietary Funds - Governmental Activities - Internal Service Funds	.07%	1.23%
Fiduciary Funds - Pension and Insurance Trust Funds	51.21%	55.99%
Fiduciary Funds - Agency Funds	0.92%	0.30%

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.



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

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

### ***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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### ***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 154 through 169, and information about infrastructure assets reported using the modified approach on pages 170 through 173, claims development information for entity risk pools on pages 174 and 175, Schedule of Contributions—Pensions on page 176 through 184, Schedule of Changes in Net Pension Liability and Related Ratios on page 186 and 187, the Schedule of Commonwealth's Proportionate Share of the Net Pension Liability on page 188 and 189, the Schedule of Contributions—OPEB on page 190 through 195, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 196 and 197, and the Schedule of Commonwealth's Proportionate Share of the Net OPEB Liability on page 198 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 202 through 255 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 Andy Beshear, Governor  
Holly M. Johnson, 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 258 through 279 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 black ink, appearing to read "Mike Harmon", with a stylized flourish at the end.

Mike Harmon  
Auditor of Public Accounts

December 12, 2019

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## 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, 2019. 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, 2019, by \$15.13 billion, an increase in net position of \$2.6 billion related to current year activity. Assets of the Commonwealth's business-type activities exceeded liabilities by \$907.4 million, an increase in net position of \$63.6 million related to current year activity. Total net position increased by \$2.6 billion to (\$14.2) billion.

The assets of component units exceeded liabilities at fiscal year ending June 30, 2019, by \$9.8 billion, an increase of \$625 million related to current year activity.

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

#### **Fund Highlights:**

As of the close of fiscal year 2019, the Commonwealth's governmental funds reported combined ending fund balances of \$2.4 billion, a net increase of \$10 million in comparison with the prior year. Approximately 79.4 percent or \$1.9 billion of the ending fund balance is restricted. There is unrestricted (committed, assigned, or unassigned) fund balance of \$427.4 million available for spending either at the government's discretion or upon legislative approval.

Enterprise funds reported net position of \$907.4 million, of which \$1 billion was restricted or invested in capital assets and the balance of (\$131) million was unrestricted.

#### **Long-Term Debt:**

The Commonwealth's total long-term debt obligations (bonds and notes payable) decreased by \$654 million to \$7.1 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.

<b>Table 1. Major Features of the Commonwealth of Kentucky's Government-Wide and Fund Financial Statements</b>				
	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental</b>	<b>Proprietary</b>	<b>Fiduciary</b>
<b>Scope</b>	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
<b>Required Financial Statements</b>	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
<b>Accounting Basis and Measurement Focus</b>	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
<b>Type of Asset/Liability Information</b>	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
<b>Type of Inflow – Outflow Information</b>	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 (\$14.2) billion at the end of fiscal year 2019, as compared to (\$16.8) billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$23.6 billion, is net investment in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending.

The second largest portion of the Commonwealth's net position, totaling \$2.2 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position. The unrestricted net position, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is (\$40.1) billion; therefore, funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net position when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities-shown in Note 16 to the financial statements) on the statement of net position.

Table 2 below presents the Commonwealth's condensed statement of net position as of June 30, 2019 and June 30, 2018, 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	
	2019	2018	2019	2018	2019	2018
Current Assets	\$ 5,374,027	\$ 5,119,826	\$ 1,945,316	\$ 2,048,210	\$ 7,319,343	\$ 7,168,036
Capital Assets	25,434,520	24,993,076	282,877	298,404	25,717,397	25,291,480
Other Assets	-	-	-	-	-	-
Total Assets	30,808,547	30,112,902	2,228,193	2,346,614	33,036,740	32,459,516
Deferred outflows of resources	6,314,476	7,884,961	64,988	90,016	6,379,464	7,974,977
Non Current Liabilities	35,382,892	49,927,264	1,060,763	1,165,461	36,443,655	51,092,725
Other Liabilities	3,353,900	2,997,427	309,665	411,872	3,663,565	3,409,299
Total Liabilities	38,736,792	52,924,691	1,370,428	1,577,333	40,107,220	54,502,024
Deferred inflows of resources	13,516,015	2,767,760	15,304	13,490	13,531,319	2,781,250
Net investment in capital assets	23,433,119	23,354,312	261,109	274,521	23,694,228	23,628,833
Restricted	1,487,313	1,208,350	779,736	688,144	2,267,049	1,896,494
Unrestricted	(40,050,216)	(42,257,250)	(133,396)	(116,858)	(40,183,612)	(42,374,108)
Total Net Position	<u>\$ (15,129,784)</u>	<u>\$ (17,694,588)</u>	<u>\$ 907,449</u>	<u>\$ 845,807</u>	<u>\$ (14,222,335)</u>	<u>\$ (16,848,781)</u>

## Changes in Net Position

The revenues and expenses information, as shown in Table 3, was derived from the government-wide Statement of Activities and reflects how the Commonwealth's net position changed during fiscal year 2019. The Commonwealth received program revenues of \$15.7 billion and general revenues (including transfers) of \$13.4 billion for total revenues of \$29.1 billion during fiscal year 2019. Expenses for the Commonwealth during fiscal year 2019 were \$26.5 billion, which resulted in a total increase of the Commonwealth's net position in the amount of \$2.6 billion, net of contributions, transfers and special items.

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

	2019 Governmental Activities	2018 Governmental Activities	2019 Business-Type Activities	2018 Business-Type Activities	2019 Total	2018 Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,638,299	\$ 1,640,937	\$ 2,363,556	\$ 2,370,383	\$ 4,001,855	\$ 4,011,320
Operating Grants and Contributions	10,704,976	10,211,396	13,106	9,946	10,718,082	10,221,342
Capital Grants and Contributions	914,965	825,730			914,965	825,730
General Revenues:						
Income Taxes	5,141,688	5,105,025			5,141,688	5,105,025
Sales Taxes	6,543,315	6,062,029			6,543,315	6,062,029
Property Taxes	648,739	628,810			648,739	628,810
Other Taxes	441,271	438,533			441,271	438,533
Investment Earnings			54,938	20,086	54,938	20,086
Other	582,795	531,603	1,751	6,943	584,546	538,546
Total Revenues	26,616,048	25,444,063	2,433,351	2,407,358	29,049,399	27,851,421
Expenses:						
Governmental Activities:						
General Government	363,782	3,112,212			363,782	3,112,212
Legislative and Judicial	468,775	489,661			468,775	489,661
Commerce	152,031	151,184			152,031	151,184
Education and Humanities	6,213,059	7,138,207			6,213,059	7,138,207
Human Resources	12,938,155	12,488,174			12,938,155	12,488,174
Justice	1,426,465	1,360,214			1,426,465	1,360,214
Natural Resources and Environmental Protection	229,066	232,219			229,066	232,219
Public Protection and Regulation	155,311	148,967			155,311	148,967
Transportation	1,932,570	1,864,030			1,932,570	1,864,030
Interest Expense	287,577	306,124			287,577	306,124
Business-type Activities:						
State Parks			140,307	153,913	140,307	153,913
Kentucky Horse Park			19,538	20,310	19,538	20,310
Kentucky Public Employees Health Plan			1,812,826	1,614,792	1,812,826	1,614,792
Insurance Administration			(6,593)	(85,034)	(6,593)	(85,034)
Unemployment Compensation			288,755	282,583	288,755	282,583
Total Expenses	24,166,791	27,290,992	2,254,833	1,986,564	26,421,624	29,277,556
Increase (Decrease) in Net Position Before Transfers	2,449,257	(1,846,929)	178,518	420,794	2,627,775	(1,426,135)
Transfers	114,562	271,843	(115,891)	(271,848)	(1,329)	
Change in Net Position	2,563,819	(1,575,086)	62,627	148,946	2,626,446	(1,426,135)
Net Position, July 1, as restated	(17,693,603)	(16,119,502)	844,822	696,861	(16,848,781)	(15,422,641)
Net Position, June 30	\$ (15,129,784)	\$ (17,694,588)	\$ 907,449	\$ 845,807	\$ (14,222,335)	\$ (16,848,781)

### Governmental Activities:

During the fiscal year, the change in net position resulted in an increase from the previous year. The increase in net position of governmental activities was \$2.6 billion. Approximately 47.8 percent of the governmental activities' total revenue came from taxes, while 43.5 percent resulted from grants and contributions (including federal aid). Table 4 below presents program expenses and revenues for governmental activities. Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

State Programs	Program Expenses	Program Revenues	Net Program (Expenses) Revenue
General Government	\$ 363,782	\$ 981,174	\$ 617,392
Legislative and Judicial	468,775	50,999	(417,776)
Commerce	152,031	113,890	(38,141)
Education and Humanities	6,213,059	1,143,441	(5,069,618)
Human Resources	12,938,155	9,429,022	(3,509,133)
Justice	1,426,465	81,716	(1,344,749)
Natural Resources and Environmental Protection	229,066	127,444	(101,622)
Public Protection and Regulation	155,311	102,646	(52,665)
Transportation	1,932,570	1,227,908	(704,662)
Interest Expense	287,577		(287,577)
<b>Totals</b>	<b>\$ 24,166,791</b>	<b>\$ 13,258,240</b>	<b>\$ (10,908,551)</b>

### 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 \$62.6 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.

State Programs	Program Expenses	Program Revenues	Net Program (Expenses) Revenue
State Parks	\$ 140,307	\$ 52,503	\$ (87,804)
Kentucky Horse Park	19,538	11,488	(8,050)
Kentucky Public Employees Health Plan	1,812,826	1,822,296	9,470
Insurance Administration	(6,593)	118,189	124,782
Unemployment Compensation	288,755	372,186	83,431
<b>Totals</b>	<b>\$ 2,254,833</b>	<b>\$ 2,376,662</b>	<b>\$ 121,829</b>

### Overall Analysis

Financial highlights for the State as a whole during fiscal year ended June 30, 2019, include the following:

- The liabilities of the State's governmental activities exceed assets (net position) at the close of the fiscal year. Liabilities exceeded assets by \$15.13 billion and the State's business-type activities now have assets that exceed liabilities (net position) by \$909.4 million.
- The State's total net position increased during the year by \$2.6 billion. Net position of governmental activities increased by \$2.6 billion, while net position of business-type activities increased by \$62.6 million.
- The net position of the governmental activities continues to be a negative because of the implementation of GASB 68, 71 and 75.

## FINANCIAL ANALYSIS OF THE COMMONWEALTH'S INDIVIDUAL FUNDS

At June 30, 2019, the Commonwealth's governmental funds reported combined ending fund balances of \$2.4 billion, a net increase of \$10 million in comparison with the prior year. \$72 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 \$427 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, 2019, was \$233 million. The balance reported reflects an increase of \$289 million from the previously reported amount. The major factor for the increase in fund balance was increased tax revenue and the reduction of KTRS Pension and Other Post Employment Liabilities.

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 \$7.4 million represents the non-spendable amount.

### Major Special Revenue Funds

The major special revenue funds experienced normal cyclical changes in revenues and expenditures. The revenues increased by \$739 million from the previous year, a change of 5.2 percent. Expenditures increased by \$636 million from the previous year, a change of 4.6 percent. The Transportation Fund experienced a slight increase in revenues and an increase in expenditures, resulting in a decrease in fund balance of \$25.3 million.

### Proprietary Funds

The Commonwealth's proprietary funds reported net position of \$747 million, which included \$909.4 million in the enterprise funds and (\$162.2) million in the internal service funds. This is a total increase in net position of \$17 million from the previous year. This change in net position involved mainly from one fund, the Insurance Administration Fund which had an increase of \$130.7 million for the 2019 fiscal year. This change is due to a decrease in the short and long-term claims liability.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the official revenue forecast for the General Fund increased. General Fund revenues, for the year, were more than the final budgetary estimates by approximately \$196 million. Actual expenditures for the year were approximately \$124 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, 2019, amounts to \$27.3 billion, with accumulated depreciation of \$1.6 billion, leaving a net book value of \$25.7 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 \$1.4 billion for the year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$123.2 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 GASB Statement Number 34. Under this alternative method the Commonwealth expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include nearly 63,836 lane miles of roads and approximately 9,033 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 ten 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 decreased by \$484 million to \$6.3 billion, a 7.1 percent decrease during the current fiscal year. The major factors in this decrease is a result of the refunding of old issues by the FY19 new issues. The remaining liability on the retired bonds plus the FY19 principle payments on the remaining bonds outstanding were greater than the FY19 issues for new projects. No general obligation bonds were authorized or outstanding at June 30, 2019. Additional information on the Commonwealth’s long-term debt obligations can be found in Note 16 of the notes to the financial statements of this report.

During the fiscal year there were no changes in credit ratings by Moody’s Investors Service, Standard & Poor’s Rating Services, Fitch Ratings, Inc., or Kroll Bond Rating Agency. The current ratings on Kentucky’s General Obligation debt (though none is outstanding) are Aa3 by Moody’s; AA- by Fitch; A by Standard and Poor’s; and AA- by Kroll. The current ratings by debt service on Kentucky’s General Fund appropriation supported debt are as follows: A1 by Moody’s; A+ by Fitch; A- by Standard and Poor’s; and A+ by Kroll. The Kroll rating dated September 26, 2019, was the first rating sought by the Commonwealth from this rating agency.

## ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

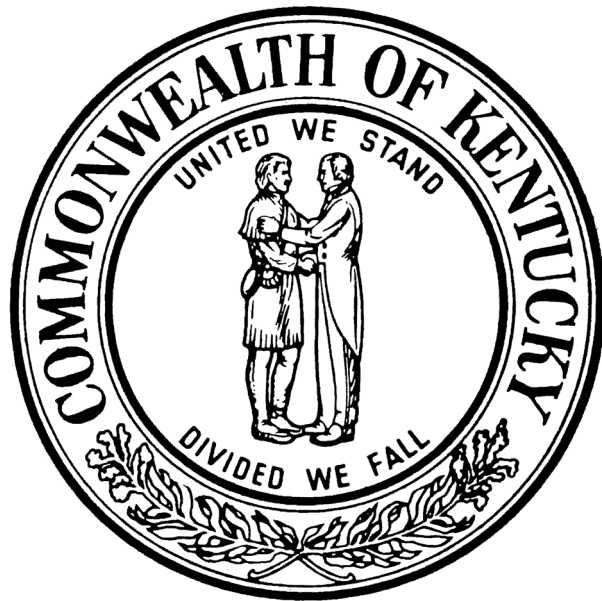
The US Economy continues to stand on relatively firm ground. The forecast expects a slowing of real GDP growth. This slowdown is largely due to the lagged effects of the newly announced tariffs on China’s exports to the U.S. Also, as the US economy nears full employment, growth in labor income will be limited, thus curtailing consumer spending as a means to provide economic stimulus.

The Kentucky economic outlook is a mixture of projected weak employment growth coupled with relatively strong growth in personal income and wages. Statistically, our General Fund taxes are linked more closely with the income-side variables (especially wages and salaries) rather than the employment trends. Despite the lackluster employment performance detailed below, personal income is faring slightly better primarily due to the tight labor markets. Stated differently, as the unemployment rate trends toward full employment, the supply of qualified workers becomes more scarce. When that occurs, it puts upward pressure on wages and the income statistics show better growth patterns.

In terms of adjacent-quarter growth, the employment gain in the first quarter of FY20 marked the ninth consecutive quarter of growth in total nonfarm employment. During this span, Kentucky witnessed an aggregate net increase of 33,200 Kentucky jobs in FY18, FY19, and the first quarter of FY20. While positive, total employment has continued to experience lackluster growth since the end of the last recession. In contrast to the overall stagnant employment gain, the momentum in personal income growth is projected to continue. Personal income growth is expected to outpace the national personal income growth projections by 0.1 percentage points. Holding pace with personal income, the wages and salaries component of personal income is expected to grow 4.4 percent in the second, third and fourth quarters of FY20 compared to the same periods in the prior year. The expected increase in wages and salaries ties directly to the tightened labor market. In effort to attract skilled workers, hiring firms must competitively bid wages.

## **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.



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## **BASIC FINANCIAL STATEMENTS**

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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 5)	\$ 954,818	\$ 567,597	\$ 1,522,415	\$ 1,643,673
Cash on deposit with the federal Government (Note 5)		645,915	645,915	
Cash with fiscal agents (Note 5)	39,386		39,386	
Restricted cash (Note 5)	5,075		5,075	
Investments, net of amortization (Note 5)	1,458,490	343,401	1,801,891	2,037,396
Invested security collateral (Note 5)	518,614		518,614	
Receivables, net (Note 4)	2,210,299	296,678	2,506,977	3,933,515
Notes receivable	5,399	151	5,550	
Capital lease receivable (Note 4)	163,749		163,749	
Internal balances (Note 7)	(57,536)	57,488	(48)	
Inventories	70,483	17,256	87,739	72,893
Prepaid expenses	4,006	3,487	7,493	42,841
Unamortized cost of issuance	1,244		1,244	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (Note 5)				676,202
Investments (Note 5)				2,246,657
Capital assets (Note 6):				
Land	244,217	23,540	267,757	425,904
Improvements other than buildings	31,551	171,307	202,858	692,322
Buildings	1,590,411	355,944	1,946,355	10,256,665
Machinery and equipment	784,888	23,235	808,123	1,731,757
Other capital assets				673,817
Easements and other intangibles	201,129	4,638	205,767	297,639
Less: Accumulated depreciation and amortization	(1,284,349)	(304,639)	(1,588,988)	(5,892,551)
Construction in progress	2,609,744	8,852	2,618,596	356,580
Infrastructure	21,256,929		21,256,929	1,043,390
Total Capital Assets	25,434,520	282,877	25,717,397	9,585,523
Other assets				466,379
Total Assets	30,808,547	2,214,850	33,023,397	20,705,079
Deferred outflows of resources (Note 16)	6,314,476	64,988	6,379,464	413,426
<b>Liabilities</b>				
Accounts payable (Note 4)	1,350,267	38,986	1,389,253	602,867
Tax refunds payable	412,157		412,157	
Unearned revenue	5,868	3,248	9,116	273,264
Other liabilities				25,021
Liabilities from restricted assets				3,784
Obligations under securities lending	518,613		518,613	
Noncurrent liabilities:				
Due within one year (Note 16)	1,066,995	254,088	1,321,083	765,163
Due in more than one year (Note 16)	35,382,892	1,060,763	36,443,655	8,097,555
Total Liabilities	38,736,792	1,357,085	40,093,877	9,767,654
Deferred inflows of resources (Note 16)	13,516,015	15,304	13,531,319	1,533,386
<b>Net Position</b>				
Net investment in capital assets	23,433,119	261,109	23,694,228	5,578,291
Restricted for:				
Debt service	156,295		156,295	388,680
Capital projects	786,641		786,641	247,261
Highways	544,377		544,377	
Unemployment benefits		779,736	779,736	
Other purposes (Note 1)				3,869,378
Unrestricted	(40,050,216)	(133,396)	(40,183,612)	(266,144)
Total Net Position	\$ (15,129,784)	\$ 907,449	\$ (14,222,335)	\$ 9,817,466

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, 2019**  
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 363,782	\$ 770,183	\$ 200,260	\$ 10,731
Legislative and judicial	468,775	46,607	4,392	
Commerce	152,031	83,983	29,907	
Education and humanities	6,213,059	53,789	1,089,652	
Human resources	12,938,155	199,566	9,226,371	3,085
Justice	1,426,465	28,603	53,113	
Natural resources and environmental protection	229,066	44,249	83,195	
Public protection and regulation	155,311	97,604	5,042	
Transportation	1,932,570	313,715	13,044	901,149
Interest expense	287,577			
Total Governmental Activities	24,166,791	1,638,299	10,704,976	914,965
Business-Type Activities:				
State Parks	140,307	52,503		
Kentucky Horse Park	19,538	11,488		
Kentucky Public Employees Health Plan	1,812,826	1,822,296		
Insurance Administration	(6,593)	118,189		
Unemployment Compensation	288,755	359,080	13,106	
Total Business-Type Activities	2,254,833	2,363,556	13,106	
Total Primary Government	\$ 26,421,624	\$ 4,001,855	\$ 10,718,082	\$ 914,965
<b>Component Units:</b>				
Authorities:				
Kentucky Housing Corporation	\$ 281,734	\$ 103,548	\$ 199,375	\$
Kentucky Higher Education Student Loan Corporation	37,960	26,413		
Kentucky Lottery Corporation	846,482	1,129,544		
Kentucky Public Transportation Infrastructure Authority	12,082	51,885		
Universities, Colleges, & Related Entities:				
University of Kentucky	3,414,730	2,625,449	439,302	71,570
University of Louisville	1,849,986	1,470,007	105,840	
Kentucky Community and Technical College System	514,547	110,557	101,510	
Other component units	1,626,994	799,479	378,362	8,332
Total Component Units	\$ 8,584,515	\$ 6,316,882	\$ 1,224,389	\$ 79,902
<b>General Revenues (Note 1):</b>				
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				

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Totals	
\$ 617,392	\$	\$ 617,392	
(417,776)		(417,776)	
(38,141)		(38,141)	
(5,069,618)		(5,069,618)	
(3,509,133)		(3,509,133)	
(1,344,749)		(1,344,749)	
(101,622)		(101,622)	
(52,665)		(52,665)	
(704,662)		(704,662)	
(287,577)		(287,577)	
(10,908,551)		(10,908,551)	
	(87,804)	(87,804)	
	(8,050)	(8,050)	
	9,470	9,470	
	124,782	124,782	
	83,431	83,431	
	121,829	121,829	
(10,908,551)	121,829	(10,786,722)	
			\$ 21,189
			(11,547)
			283,062
			39,803
			(278,409)
			(274,139)
			(302,480)
			(440,821)
			(963,342)
6,543,315		6,543,315	
4,561,557		4,561,557	
580,131		580,131	
648,739		648,739	
54,022		54,022	
149,852		149,852	
42,903		42,903	
194,494		194,494	
12,221		12,221	1,112,762
	54,938	54,938	65,221
22,007		22,007	34,609
548,567	1,751	550,318	348,168
114,562	(115,891)	(1,329)	5,786
13,472,370	(59,202)	13,413,168	1,566,546
2,563,819	62,627	2,626,446	603,204
(17,693,603)	844,822	(16,848,781)	9,214,262
\$ (15,129,784)	\$ 907,449	\$ (14,222,335)	\$ 9,817,466

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# GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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## 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 .....202

**COMMONWEALTH OF KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Cash and cash equivalents (Note 5)	\$ 418,302	\$ 23,589	\$ 314	\$ 11,555	\$ 29,766	\$ 17	\$ 422,002	\$ 905,545
Cash with fiscal agents (Note 5)						27,307		27,307
Restricted cash (Note 5)			5,075					5,075
Investments, net of amortization (Note 5)	5,704	437,862		524,092	237,138	246	243,320	1,448,362
Invested security collateral	96,559	116,558		159,122	63,126		83,249	518,614
Receivables, net (Note 4)	1,040,725	119,375	797,176	96,864	4,946		150,495	2,209,581
Notes receivable			220	3,593			1,548	5,361
Capital lease receivable (Note 4)						163,749		163,749
Interfund receivables (Note 7)	9,265	681	8,373	118,187	45		13,725	150,276
Interfund loans receivable (Note 7)		31,373		139,565			14,461	185,399
Inventories	7,373	58,418	153	2,603				68,547
Total Assets	<u>\$ 1,577,928</u>	<u>\$ 787,856</u>	<u>\$ 811,311</u>	<u>\$ 1,055,581</u>	<u>\$ 335,021</u>	<u>\$ 191,319</u>	<u>\$ 928,800</u>	<u>\$ 5,687,816</u>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable (Note 4)	\$ 514,965	\$ 110,652	\$ 516,803	\$ 88,476	\$ 9,487	\$	\$ 45,050	\$ 1,285,433
Tax refunds payable	412,157							412,157
Interfund payables (Note 7)	125,462	1,845	73,144	9,830	591		13,987	224,859
Interfund loans payable (Note 7)			139,565	5,288			18,097	162,950
Obligations under securities lending	96,559	116,558		159,122	63,126		83,249	518,614
Unearned revenue			959	1,515			336	2,810
Total Liabilities	<u>1,149,143</u>	<u>229,055</u>	<u>730,471</u>	<u>264,231</u>	<u>73,204</u>		<u>160,719</u>	<u>2,606,823</u>
Deferred inflows of resources								
Unavailable	196,025	14,424	113,789	54,787	556	163,749	113,976	657,306
<b>Fund Balances:</b>								
Nonspendable (Note 1)	7,373	58,418	153	6,196				72,140
Restricted for (Note 1)		485,959		691,424	261,261	27,570	457,905	1,924,119
Committed to (Note1)				18,845			121,185	140,030
Assigned to (Note1)	74,258			20,098			75,015	169,371
Unassigned (Note 1)	151,129		(33,102)					118,027
Total Fund Balances	<u>232,760</u>	<u>544,377</u>	<u>(32,949)</u>	<u>736,563</u>	<u>261,261</u>	<u>27,570</u>	<u>654,105</u>	<u>2,423,687</u>
Total Liabilities and Fund Balances	<u>\$ 1,577,928</u>	<u>\$ 787,856</u>	<u>\$ 811,311</u>	<u>\$ 1,055,581</u>	<u>\$ 335,021</u>	<u>\$ 191,319</u>	<u>\$ 928,800</u>	<u>\$ 5,687,816</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, 2019  
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds		\$	2,423,687
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	\$	325,560	
Buildings, equipment, and other depreciable assets		1,943,425	
Infrastructure		21,256,929	
Accumulated depreciation		(973,525)	
Construction in progress		2,515,563	25,067,952
Certain revenues are earned but not available, and therefore, are deferred in the funds.			
			657,306
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
			5,318
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.			
			(162,175)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Capital lease obligations	\$	(35,780)	
Compensated absences		(239,921)	
Pollution remediation obligations		(6,927)	
Judgements and contingencies		(448,805)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations		(110,250)	
Net pension obligations and related deferred outflows/inflows		(34,527,520)	(35,369,203)
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	\$	(6,300,864)	
Notes payable		(835,109)	
Unamortized premiums and discounts		(465,713)	
Less deferred amounts on refundings		(47,374)	
Accrued interest payable		(103,609)	(7,752,669)
Net Position of Governmental Activities		\$	(15,129,784)

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, 2019**  
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Taxes	\$ 11,082,363	\$ 1,337,996	\$	\$ 450,314	\$	\$	\$ 17,940	\$ 12,888,613
Licenses, fees, and permits	44,749	163,341	26	222,277			14,010	444,403
Intergovernmental	9,698	167	11,512,189	56,464	14,050		1	11,592,569
Charges for services	273,127	8,727	1,048	693,171	68	134,894	232,945	1,343,980
Fines and forfeits	31,453	1	15	8,119			18,778	58,366
Interest and other investment income	1,298	5,495	1,673	4,928	8,414	762	20,808	43,378
Increase (decrease) in fair value of investments	(11,003)	6,098	217	6,952	17,535		(2,249)	17,550
Securities lending income	1,962	2,369		3,234	1,283		1,692	10,540
Other revenues	101,093	6,924	65,702	358,582	296	6,640	152,832	692,069
<b>Total Revenues</b>	<b>11,534,740</b>	<b>1,531,118</b>	<b>11,580,870</b>	<b>1,804,041</b>	<b>41,646</b>	<b>142,296</b>	<b>456,757</b>	<b>27,091,468</b>
<b>Expenditures</b>								
Current:								
General government	1,658,369		111,865	201,589			292,139	2,263,962
Legislative and judicial	446,183		4,281	29,941				480,405
Commerce	31,474		18,701	55,474			516	106,165
Education and humanities	4,961,172		1,110,125	38,638			73,709	6,183,644
Human resources	2,726,895		9,285,848	1,004,182			26,391	13,043,316
Justice	908,343		52,512	124,573			3,768	1,089,196
Natural resources and environmental protection	71,925		70,876	46,018			6,249	195,068
Public protection and regulation	18,909		4,968	103,600			2,092	129,569
Transportation	10,224	1,380,293	770,364	109,688			125,196	2,395,765
Debt service:								
Principal retirement						547,771	191,684	739,455
Interest and fiscal charges						258,988	91,984	350,972
Other expenditures						(5,148)	465	(4,683)
Securities lending	1,808	2,182		2,980	1,182		1,558	9,710
Capital outlay:								
Buildings					289,598			289,598
<b>Total Expenditures</b>	<b>10,835,302</b>	<b>1,382,475</b>	<b>11,429,540</b>	<b>1,716,683</b>	<b>290,780</b>	<b>801,611</b>	<b>815,751</b>	<b>27,272,142</b>
Excess (Deficiency) of Revenues over (under) Expenditures	<b>699,438</b>	<b>148,643</b>	<b>151,330</b>	<b>87,358</b>	<b>(249,134)</b>	<b>(659,315)</b>	<b>(358,994)</b>	<b>(180,674)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in	306,477	3,580	10	437,840	53,984	639,322	772,631	2,213,844
Transfers out	(717,665)	(177,631)	(134,599)	(382,213)	(8,383)	(330)	(675,645)	(2,096,466)
Capitalized leases	1,060	41	183	844			4	2,132
Issuance of bonds:								
New issues						13,195	65,240	78,435
Refunding issues							6,556	6,556
Premiums						1,919	(725)	1,194
Discounts							(536)	(536)
Payments to refunded bond escrow agent						(14,989)	(6,173)	(21,162)
<b>Total Other Financing Sources (Uses)</b>	<b>(410,128)</b>	<b>(174,010)</b>	<b>(134,406)</b>	<b>56,471</b>	<b>45,601</b>	<b>639,117</b>	<b>161,352</b>	<b>183,997</b>
<b>Net Change in Fund Balances</b>	<b>289,310</b>	<b>(25,367)</b>	<b>16,924</b>	<b>143,829</b>	<b>(203,533)</b>	<b>(20,198)</b>	<b>(197,642)</b>	<b>3,323</b>
 Fund Balances at July 1, as restated	 (58,155)	 567,664	 (49,928)	 592,337	 464,794	 47,768	 851,747	 2,416,227
Increase (decrease) in inventories	1,605	2,080	55	397				4,137
<b>Fund Balances at June 30</b>	<b>\$ 232,760</b>	<b>\$ 544,377</b>	<b>\$ (32,949)</b>	<b>\$ 736,563</b>	<b>\$ 261,261</b>	<b>\$ 27,570</b>	<b>\$ 654,105</b>	<b>\$ 2,423,687</b>

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, 2019  
(Expressed in Thousands)**

Net Change in Fund Balances-Total Governmental Funds	\$	3,323
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	\$ (110,363)	
Donated assets, acquisition value	1,575	
Buildings, equipment, and other depreciable assets	76,232	
Infrastructure	482,028	
Accumulated depreciation	(79,549)	369,923
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		82,763
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	\$ 4,007	
Inventories	4,136	8,143
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.		(46,685)
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	\$ 7,086	
Compensated absence payments	(10,999)	
Pollution remediation payments	1,112	
Litigation payments	(134,437)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	5,325	
Excess contributions to pension funds	1,668,527	1,536,614
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	\$ (86,850)	
Repayment of bond principal	717,659	
Payment to refunded bond escrow agent	20,923	
Accrued interest	(41,609)	
Unamortized issue costs	(385)	609,738
Change in Net Position of Governmental Activities	\$	2,563,819

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

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# PROPRIETARY FUNDS FINANCIAL STATEMENTS

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## Enterprise Funds (All Major)

### State Parks Fund

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

### Kentucky Horse Park Fund

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

### Insurance Administration Fund

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

*Workers' Compensation Fund* provides benefits for workers with illnesses, which are not attributable to one employer.

*Petroleum Storage Tank Environmental Assurance Program* provides for the cleanup of leaking underground storage tanks in amounts that exceed the insurance required of the owners and operators.

*Mine Subsidence Insurance Program* provides coverage against losses arising out of or due to mine subsidence within the Commonwealth.

*Kentucky Reclamation Guaranty Fund* provides coverage to reclaim surface mined land when the permit holder has forfeited bonds posted for such purpose.

### Kentucky Public Employees Health Insurance Plan

The Kentucky Public Employees Health Insurance Plan accounts for the revenues and expenses incurred in the commercial operation of the health insurance program for state employees, local boards of education, and quasi-governmental agencies.

### Unemployment Compensation Fund

The Unemployment Compensation Fund accounts for assessed employer contributions and related unemployment compensation payments.

## Internal Service Funds

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page .....212

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Business-Type Activities-</b>		
	<b>State Parks</b>	<b>Kentucky Horse Park</b>	<b>Insurance Administration</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 5)	\$ 169	\$ 576	\$ 89,252
Cash on deposit with the federal government (Note 5)			
Cash with fiscal agents (Note 5)			
Receivables, net (Note 4)	2,453	1,031	364
Interfunds receivable (Note 7)	51	16	50
Inventories	1,208	28	16,020
Prepaid expenses	46		3,074
Total Current Assets	3,927	1,651	108,760
Noncurrent assets:			
Investments, net of amortization (Note 5)		692	342,266
Receivables, net		151	
Capital assets (Note 6):			
Land	19,087	4,453	
Improvements other than buildings	134,975	36,332	
Buildings	252,062	103,882	
Machinery and equipment	14,780	5,961	2,494
Easements and other intangibles	2,322		2,316
Less: Accumulated depreciation and amortization	(248,616)	(54,412)	(1,611)
Construction in progress	8,852		
Total Capital Assets	183,462	96,216	3,199
Total Noncurrent Assets	183,462	97,059	345,465
Total Assets	187,389	98,710	454,225
Deferred outflows of resources (Note 16)	39,367	4,490	17,010
<b>Liabilities</b>			
Current liabilities:			
Accounts payable (Note 4)	8,726	1,334	1,436
Interfunds payable (Note 7)	647	23	253
Interfund loans payable (Note 7)	12,420		
Claims liability (Note 16)			58,626
Claims adjustment liability (Note 16)			5,726
Capital lease obligations (Note 11) (Note 16)	1,812	346	
Pollution Remediation (Note 16)		109	
Compensated absences (Note 16)	5,050	519	1,334
Unearned revenue	2,777	471	
Other liabilities (Note 16)			
Total Current Liabilities	31,432	2,802	67,375
Noncurrent liabilities:			
Claims liability (Note 16)			542,776
Claims adjustment liability (Note 16)			33,918
Capital lease obligations (Note 11) (Note 16)	18,860	748	
Pollution Remediation (Note 16)		320	
Compensated absences (Note 16)	266	27	108
Net pension liability (Note 8) (Note 16)	216,376	24,108	102,608
Net OPEB Liability (Note 9) (Note 16)	36,692	3,970	17,838
Other liabilities (Note 16)			
Total Noncurrent Liabilities	272,194	29,173	697,248
Total Liabilities	303,626	31,975	764,623
Deferred inflows of resources (Note 16)	6,134	1,839	5,936
<b>Net Position</b>			
Net investment in capital assets	162,789	95,121	3,199
Restricted for:			
Unemployment benefits			
Unrestricted	(245,793)	(25,735)	(302,523)
Total Net Position	\$ (83,004)	\$ 69,386	\$ (299,324)

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

Enterprise Funds			Governmental
Kentucky			Activities-
Public			Internal
Employees	Unemployment	Totals	Service
Health Plan	Compensation	June 30, 2019	Funds
\$ 473,095	\$ 4,505	\$ 567,597	\$ 49,273
	645,915	645,915	12,079
110,646	182,184	296,678	718
70,714		70,831	1,435
		17,256	1,935
367		3,487	
654,822	832,604	1,601,764	65,440
443		343,401	10,128
		151	38
		23,540	17,752
		171,307	4,100
		355,944	380,192
		23,235	179,495
		4,638	1,675
		(304,639)	(310,825)
		8,852	94,181
		282,877	366,570
443		626,429	376,736
655,265	832,604	2,228,193	442,176
4,121		64,988	44,334
12,734	14,756	38,986	24,436
		923	368
		12,420	6,671
85,165		143,791	28,133
		5,726	749
		2,158	10,506
		109	
301		7,204	4,398
		3,248	3,122
95,100		95,100	
193,300	14,756	309,665	78,383
		542,776	197,674
		33,918	5,121
		19,608	36,359
		320	
16		417	1,052
20,458		363,550	260,543
3,562		62,062	46,734
	38,112	38,112	
24,036	38,112	1,060,763	547,483
217,336	52,868	1,370,428	625,866
1,395		15,304	22,818
		261,109	319,705
	779,736	779,736	
440,655		(133,396)	(481,879)
\$ 440,655	\$ 779,736	\$ 907,449	\$ (162,174)

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Business-Type Activities-</b>		
	<b>State Parks</b>	<b>Kentucky Horse Park</b>	<b>Insurance Administration</b>
<b>Operating Revenues:</b>			
Charges for sales and services:			
State parks sales and services	\$ 52,503	\$ 11,488	\$
Horse park admissions and sales			118,189
Insurance receipts			
Unemployment insurance receipts			
Internal service fund receipts			
Other services	1,012		739
Total Operating Revenues	<u>53,515</u>	<u>11,488</u>	<u>118,928</u>
<b>Operating Expenses:</b>			
Personal services	86,187	9,085	27,715
Utilities, rental, and other services	16,364	4,061	4,306
Commodities and supplies	20,188	1,787	467
Grants and subsidies		31	
Depreciation and amortization	13,045	4,441	374
Travel	173	13	318
Reinsurance expense			
Claims expense	53	6	49,600
Claims adjustment expense			2,106
Other expenses	1,770		4
Total Operating Expenses	<u>137,780</u>	<u>19,424</u>	<u>84,890</u>
Operating Income (Loss)	<u>(84,265)</u>	<u>(7,936)</u>	<u>34,038</u>
<b>Nonoperating Revenues (Expenses):</b>			
Gain (loss) on sale of capital assets	(1,289)	(73)	(71)
Interest and other investment income			28,483
Increase (decrease) in fair value of investments			
Interest expense	(1,238)	(41)	
Other revenues (expenses)			91,554
Total Nonoperating Revenues (Expenses)	<u>(2,527)</u>	<u>(114)</u>	<u>119,966</u>
Income (Loss) before Capital Contributions and Transfers	(86,792)	(8,050)	154,004
Capital contributions			
Transfers in	46,732	2,672	2,096
Transfers out	(975)	(39)	(26,320)
Change in Net Position	<u>(41,035)</u>	<u>(5,417)</u>	<u>129,780</u>
Net Position at July 1, As Restated	(41,969)	74,803	(429,104)
Net Position at June 30	<u>\$ (83,004)</u>	<u>\$ 69,386</u>	<u>\$ (299,324)</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, 2019	Activities- Internal Service Funds
\$	\$	\$	\$
		52,503	
		11,488	
1,822,296		1,940,485	
	372,186	372,186	
			238,036
		1,751	41,456
1,822,296	372,186	2,378,413	279,492
9,760		132,747	101,184
908		25,639	51,113
336		22,778	98,936
	288,744	288,775	3,630
		17,860	25,779
7		511	138
			1,018
1,634,144		1,683,803	54,502
		2,106	97
167,671	11	169,456	
1,812,826	288,755	2,343,675	336,397
9,470	83,431	34,738	(56,905)
		(1,433)	13,255
13,330	13,105	54,918	664
			9
		(1,279)	(1,072)
20		91,574	
13,350	13,105	143,780	12,856
22,820	96,536	178,518	(44,049)
28		51,528	938
(135,141)	(4,944)	(167,419)	(3,573)
(112,293)	91,592	62,627	(46,684)
552,948	688,144	844,822	(115,490)
\$ 440,655	\$ 779,736	\$ 907,449	\$ (162,174)



**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Expressed in Thousands)**

	<b>Business-Type Activities -</b>		
	<b>State Parks</b>	<b>Kentucky Horse Park</b>	<b>Insurance Administration</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers - public	\$ 52,074	\$ 10,759	\$ 115,352
Cash received from customers - state		72	1,314
Cash payments to suppliers for goods and services	(23,359)	(5,347)	(4,768)
Cash payments for employee salaries and benefits	(68,799)	(7,583)	(23,635)
Cash payments for claims expense	(54)	(6)	(64,152)
Cash payments from other sources	760		(8)
Cash payments to other sources	(1,770)		(6,778)
Net Cash Provided (Used) by Operating Activities	(41,148)	(2,105)	17,325
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers from other funds	46,732	2,672	2,096
Transfers to other funds	(975)	(39)	(26,320)
Net Cash Provided (Used) by Noncapital Financing Activities	45,757	2,633	(24,224)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(3,213)	(116)	(443)
Principal paid on revenue bond maturities and equipment contracts	(1,772)	(353)	
Interest paid on revenue bonds and equipment contracts	(1,238)	(41)	
Proceeds from the sale of capital assets	16	4	
Net Cash Provided (Used) for Capital and Related Financing Activities	(6,207)	(506)	(443)
<b>Cash Flows from Investing Activities</b>			
Purchase of investment securities		(224)	(332,781)
Proceeds from the sale of investment securities	1,767		275,784
Interest and dividends on investments			16,004
Net Cash Provided (Used) in Investing Activities	1,767	(224)	(40,993)
Net Increase (Decrease) in Cash and Cash Equivalents	169	(202)	(48,335)
Cash and Cash Equivalents at July 1		778	137,587
Cash and Cash Equivalents at June 30	\$ 169	\$ 576	\$ 89,252
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income (loss)	\$ (84,265)	\$ (7,936)	\$ 34,038
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	13,045	4,441	374
Miscellaneous nonoperating income (expense)			(7,203)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	(336)	(497)	(819)
Interfund receivables	(23)	(16)	
Inventories	6	6	
Prepaid expenses	7		
Other assets			68
(Increase) decrease in deferred outflows	15,301	1,806	
Increase (decrease) in liabilities:			
Accounts payable	2,436	1,006	3,694
Interfund payables	10,744	(50)	653
Claims liability			(426)
Claims adjustment liability			(14,314)
Compensated absences	42	5	2,106
Unearned revenue	(323)	(145)	(171)
Pension liability	3,348	(1,136)	(447)
OPEB liability	(2,922)	(629)	3,023
Other liabilities			(873)
Increase (decrease) in deferred inflows	1,792	1,040	(2,378)
Net Cash Provided (Used) by Operating Activities	\$ (41,148)	\$ (2,105)	\$ 17,325
<b>Noncash Investing, Capital, and Financing Activities</b>			
Change in fair value of investments	\$	\$	\$ 15,297
Capital assets acquired through leases		(9)	(197,473)
Total Noncash Investing, Capital, and Financing Activities	\$	\$ (9)	\$ (182,176)

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, 2019	Activities - Internal Service Funds
\$ 192,131	\$ 270,845	\$ 641,161	\$ 65,460
1,490,756		1,492,142	213,887
(4,149)		(37,623)	(139,436)
(4,605)		(104,622)	(95,346)
(1,719,763)		(1,783,975)	(55,863)
126,123	8,567	135,442	2,720
	(288,872)	(297,420)	(794)
80,493	(9,460)	45,105	(9,372)
28		51,528	938
(135,141)	(4,944)	(167,419)	(3,573)
(135,113)	(4,944)	(115,891)	(2,635)
		(3,772)	(35,919)
		(2,125)	(9,899)
		(1,279)	(1,062)
		20	501
		(7,156)	(46,379)
		(333,005)	(384)
		277,551	4,762
89,921	13,105	119,030	665
89,921	13,105	63,576	5,043
35,301	(1,299)	(14,366)	(53,343)
437,794	5,804	581,963	115,151
\$ 473,095	\$ 4,505	\$ 567,597	\$ 61,808
\$ 9,470	\$ 83,431	\$ 34,738	\$ (56,905)
		17,860	25,779
		(7,203)	
(11,983)	1,118	(12,517)	149
		(39)	1,873
(116)		12	208
	(102,458)	(109)	
535		(102,390)	
		17,642	13,915
(3,310)	5,031	8,857	6,528
		11,347	6,726
(5,692)		(6,118)	2,006
		(14,314)	97
22		2,175	(320)
(754)		(639)	2,995
(455)		1,011	(10,371)
91,000	3,418	(983)	(5,956)
1,776		93,545	
\$ 80,493	\$ (9,460)	\$ 45,105	\$ 3,904
\$	\$	\$ 15,297	\$ (46,497)
		(197,482)	(46,497)
		\$ (182,185)	\$ (46,497)

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## FIDUCIARY FUNDS FINANCIAL STATEMENTS

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**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**
- Coal Workers' Pneumoconiosis Fund**

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**ALL FIDUCIARY FUNDS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Pension (and Other Post Employment Benefit) Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents (Note 5)	\$ 1,820,487	\$ 269,315
Investments, net of amortization (Note 5)		13,982
Pension trust fund investments (Note 5):		
Corporate and government bonds	17,062,361	
Common stocks	17,931,130	
Alternatives	1,461,576	
Derivatives	(1,280)	
Real estate	1,968,958	
Other	3,361,463	
Invested security collateral	499,894	349,450
Receivables, net	818,570	92,537
Prepaid expenses	67	
Capital assets, net	16,764	
Total Assets	<u>44,939,990</u>	<u>725,284</u>
<b>Liabilities</b>		
Investments - accounts payable	480,347	
Accounts payable	28,519	167,776
Amounts held in custody for others		208,058
Obligations under securities lending	499,894	349,450
Total Liabilities	<u>1,008,760</u>	<u>725,284</u>
<b>Net Position</b>		
Restricted for:		
Pension and other post employment benefits	43,931,230	
Total Net Position	<u>\$ 43,931,230</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, 2019**  
**(Expressed in Thousands)**

	<b>Pension (and Other Post Employment Benefit) Trust Funds</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 3,297,868
Member	920,087
Non-Employer	9
Total Contributions	<u>4,217,964</u>
Other Contributions:	
Participant fees	8,003
Other receipts	130,994
Total Other Contributions	<u>138,997</u>
Investment income:	
Net increase (decrease) in fair value of investments	1,634,606
Interest	615,323
Dividends	319,825
Real estate operating income, net	28,403
Securities lending income, net	30,155
Total Investment Income	<u>2,628,312</u>
Less: Investment expense	199,683
Less: Securities lending expense	24,555
Net Investment Income	<u>2,404,074</u>
Total Additions	<u>6,761,035</u>
<b>Deductions</b>	
Benefit payments	4,480,501
Refunds	65,163
Administrative expenses	62,748
Self funding insurance costs	6,224
Healthcare premiums subsidies	374,372
Other deductions, net	163,674
Total Deductions	<u>5,152,682</u>
Change in Net Position	1,608,353
<b>Net Position - Restricted for Pension and Other Post Employment Benefits</b>	
Net Position at July 1	42,322,877
Net Position at June 30	<u><u>\$ 43,931,230</u></u>

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

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# COMPONENT UNITS FINANCIAL STATEMENTS

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## 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 page .....238

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Universities, Colleges, and Related Entities</b>			
	<b>University of Kentucky</b>	<b>University of Louisville</b>	<b>Kentucky Community and Technical College System</b>	<b>Kentucky Housing Corporation</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 5)	\$ 554,775	\$ 200,922	\$ 234,251	\$ 96,957
Restricted cash (Note 5)				
Investments, net of amortization (Note 5)	4,107	150,905		75,985
Accounts receivable, net	413,546	240,760	35,913	5,884
Interest receivable	2,052			
Inventories	47,904	18,394		
Prepaid expenses	14,286	14,917		
Other current assets	1,162	7,059	3,166	72,540
Total Current Assets	1,037,832	632,957	273,330	251,366
Noncurrent assets:				
Restricted cash (Note 5)	266,016	2,152	95,960	
Long-term investments (Note 5)	69,066	808,838	17,393	228,646
Restricted long-term investments (Note 5)	1,675,417	47,142	66,580	
Long-term receivables, net	405,966	61,098	2,308	490,216
Capital assets (Note 6):				
Land	91,328	98,364	31,388	1,089
Improvements other than buildings	361,890	33,135	23,916	
Buildings	3,969,105	1,620,548	906,933	5,741
Machinery and equipment	667,046	345,491	155,125	3,876
Infrastructure				
Other capital assets	168,848	294,015	88,985	
Easements and other intangibles	208,145	22,662	308	
Less: Accumulated depreciation and amortization	(2,150,222)	(1,117,779)	(533,066)	(7,252)
Construction in progress	127,632	20,973	68,997	
Total Capital Assets	3,443,772	1,317,409	742,586	3,454
Other assets	5,149	110,003	23,982	6,384
Total Noncurrent Assets, Net	5,865,386	2,346,642	948,809	728,700
Total Assets	6,903,218	2,979,599	1,222,139	980,066
Deferred outflows of resources (Note 16)	38,317	8,080	41,289	16,045
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accruals	259,754	167,982	20,840	18,501
Current portion of long-term debt:				
Notes payable (Note 16)	792	37,153		29,000
Bonds payable (Note 16)	48,719	16,770		22,110
Capital lease obligations (Note 11)(Note 16)	7,781	8,679	8,929	
Compensated absences (Note 16)(Note 17)	905	22,486	925	
Claims liability (Note 16)		150,469		
Prize liability (Note 16)				
Unearned revenues	145,607	53,564	11,936	
Payable from restricted assets				
Other current liabilities	26,994	19,803	3,635	76,271
Total Current Liabilities	490,552	476,906	46,265	145,882
Noncurrent liabilities:				
Notes payable (Note 16)	17,295	100,641		
Bonds payable (Note 16)	1,055,169	240,244		394,412
Capital lease obligations (Note 11)(Note 16)	75,822	24,640	157,344	
Prize liability (Note 16)				
Compensated absences (Note 16)(Note 17)	5,315		8,327	
Net pension liability (Note 8) (Note 16)			250,580	106,832
Net OPEB liability (Note 9) (Note 16)	236,927	64,730	55,953	18,604
Other long-term liabilities	340,158	38,207		14,162
Total Noncurrent Liabilities	1,730,686	468,462	472,204	534,010
Total Liabilities	2,221,238	945,368	518,469	679,892
Deferred inflows of resources (Note 16)	541,744	82,128	182,188	2,767
<b>Net Position</b>				
Net investment in capital assets	1,909,624	868,843	585,721	3,454
Restricted for:				
Debt service	1,069	20,835		236,062
Capital projects	74,027	4,693	52,136	
Other purposes (Note 1)	1,087,173	756,633	126,331	27,447
Unrestricted	1,106,660	309,179	(201,417)	46,489
Total Net Position	\$ 4,178,553	\$ 1,960,183	\$ 562,771	\$ 313,452

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, 2019
\$ 18,516	\$ 28,547	\$	\$ 509,705	\$ 1,643,673
	2,600		22,874	25,474
	1,623	116,620	316,257	665,497
103	37,269	9,266	224,404	967,145
25,639			2,123	29,814
			6,595	72,893
638	45		12,955	42,841
136,812	718		74,864	296,321
181,708	70,802	125,886	1,169,777	3,743,658
102,232			184,368	650,728
8,909	9,138		229,909	1,371,899
			457,518	2,246,657
871,052			1,105,916	2,936,556
	423		203,312	425,904
			273,381	692,322
	8,111		3,746,227	10,256,665
9,408	8,873		541,938	1,731,757
		1,043,390		1,043,390
904			121,065	673,817
		66,524		297,639
(10,013)	(11,680)		(2,062,539)	(5,892,551)
			138,978	356,580
299	5,727	1,109,914	2,962,362	9,585,523
	6,127		18,413	170,058
982,492	20,992	1,109,914	4,958,486	16,961,421
1,164,200	91,794	1,235,800	6,128,263	20,705,079
16,975			292,720	413,426
2,800	4,981	20,946	107,063	602,867
116,602		1,000	5,000	189,547
		555	68,088	156,242
			9,836	35,225
2,315	207		21,455	48,293
				150,469
	38,268			38,268
			62,157	273,264
			3,784	3,784
3,460	16,956		25,021	172,140
125,177	60,412	22,501	302,404	1,670,099
199,761		450,200	13,926	781,823
671,695		320,284	772,918	3,454,722
			504,326	762,132
	11,623			11,623
	1,328		817	15,787
115,638			1,452,440	1,925,490
20,136			278,723	675,073
414			77,964	470,905
1,007,644	12,951	770,484	3,101,114	8,097,555
1,132,821	73,363	792,985	3,403,518	9,767,654
15,928			708,631	1,533,386
299	5,727	456,184	1,748,439	5,578,291
130,141			573	388,680
			116,405	247,261
6,852			1,864,942	3,869,378
(104,865)	12,704	(13,369)	(1,421,525)	(266,144)
\$ 32,427	\$ 18,431	\$ 442,815	\$ 2,308,834	\$ 9,817,466

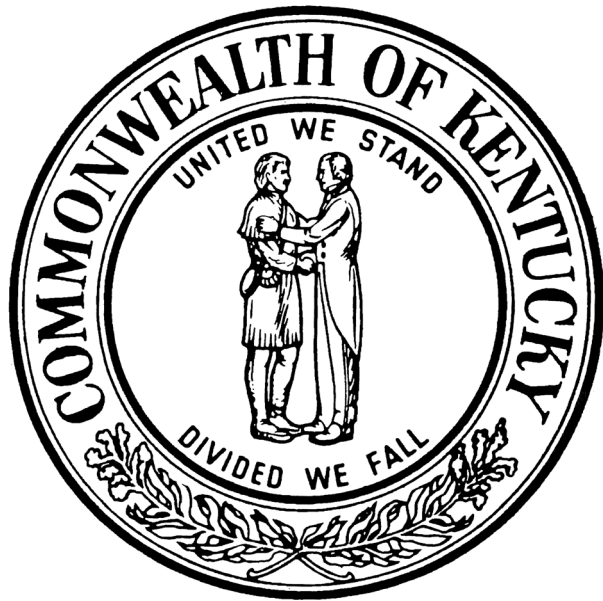


**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Universities, Colleges, and Related Entities</b>			
	<b>University of Kentucky</b>	<b>University of Louisville</b>	<b>Kentucky Community and Technical College System</b>	<b>Kentucky Housing Corporation</b>
<b>Expenses:</b>				
Operating and other expenses	\$ 3,414,730	\$ 1,849,986	\$ 514,547	\$ 281,734
Total Expenses	3,414,730	1,849,986	514,547	281,734
<b>Program Revenues:</b>				
Charges for services	2,625,449	1,470,007	110,557	103,548
Operating grants and contributions	439,302	105,840	101,510	199,375
Capital grants and contributions	71,570			
Total Program Revenues	3,136,321	1,575,847	212,067	302,923
<b>Net Program (Expense) Revenue</b>	(278,409)	(274,139)	(302,480)	21,189
<b>General Revenues:</b>				
Unrestricted grants and contributions	134,491	298,447	368,252	
Unrestricted investment earnings	25,712	36,107	10,225	
Gain on sale of capital assets		35,500	1,198	
Miscellaneous general	331,249	(8,133)	18,458	
Transfers				
Total General Revenues	491,452	361,921	398,133	
Change in Net Position	213,043	87,782	95,653	21,189
Net Position at July 1, As Restated (Note 2)	3,965,510	1,872,401	467,118	292,263
Net Position at June 30	\$ 4,178,553	\$ 1,960,183	\$ 562,771	\$ 313,452

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, 2019
\$ 37,960	\$ 846,482	\$ 12,082	\$ 1,626,994	\$ 8,584,515
37,960	846,482	12,082	1,626,994	8,584,515
26,413	1,129,544	51,885	799,479	6,316,882
			378,362	1,224,389
			8,332	79,902
26,413	1,129,544	51,885	1,186,173	7,621,173
(11,547)	283,062	39,803	(440,821)	(963,342)
	(283,611)	399	594,784	1,112,762
	483	(34,669)	27,363	65,221
			(2,089)	34,609
	201		6,393	348,168
			5,786	5,786
	(282,927)	(34,270)	632,237	1,566,546
(11,547)	135	5,533	191,416	603,204
43,974	18,296	437,282	2,117,418	9,214,262
\$ 32,427	\$ 18,431	\$ 442,815	\$ 2,308,834	\$ 9,817,466



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## **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. Conformity with generally accepted accounting principles requires the use of estimates when determining the effect of future events such as uncollectible receivables, inventory obsolescence, service lives and salvage values of depreciable assets, and periods benefited by a deferred cost. Accounting estimates change as new events occur, as more experience is acquired, or as additional information is obtained.

The financial statements for the Universities, Colleges, and Related Entities Funds have been prepared according to standards established by GASB Statement No. 35.

**B. Financial Reporting Entity**

For financial reporting purposes, the Commonwealth of Kentucky includes all fund types, departments, and agencies of the Commonwealth, as well as boards, commissions, authorities, corporations, colleges, and universities. These organizational units comprise the reporting entity of the Commonwealth and are reported in accordance with GASB Statement No. 14, as amended. Consequently, the reporting entity includes organizations that are not legally separate from the primary government and also those that are legally separate. Organizations not legally separate are reported as part of the primary government. Legally separate organizations are reported as component units if either the Commonwealth is financially accountable for the organization or when exclusion of the organization would cause the Commonwealth's financial statements to be misleading or incomplete.

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

Audited financial statements are available for the following blended component units: Kentucky Retirement System, Kentucky Teachers' Retirement System, Judicial Form Retirement System, Kentucky Public Employees' Deferred Compensation Authority, Turnpike Authority of Kentucky, and Kentucky Wired Infrastructure Company, Inc. Audited financial statements are available for all discretely

presented component units except the Kentucky Agricultural Finance Authority, and the Kentucky Grain Insurance Corporation. (See pages 150 and 151 for a complete list of component unit addresses.)

**Blended Component Units**

The following legally separate organizations provide services entirely or almost entirely to the State or otherwise exclusively, or almost exclusively, that benefit the State, and therefore, these organizations' balances and transactions are reported as though they were part of the State's primary government by using the blending method.

**Kentucky Retirement System (KRS 61.645)**

The Kentucky Retirement System administers the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System. The board consists of the secretary of the Personnel Cabinet, six members elected by the retirement systems, and ten members appointed by the Governor.

**Kentucky Teachers' Retirement System (KRS 161.220)**

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

**Judicial Form Retirement System (KRS 21.530)**

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

**Turnpike Authority of Kentucky (KRS 175.430)**

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

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

The Kentucky Employees' Deferred Compensation Authority administers two deferred compensation plans as authorized by sec-

tions 457 and 401(k) of the United States Internal Revenue Code. The plans are defined contribution plans with 998 participating employers. Under provisions of the Plans, employees of the Commonwealth and agencies thereof, including persons in the public school systems, universities, or local governments, are eligible to contribute on a pre-tax basis through payroll deductions. In no event shall the 457, 401(k) or Deemed IRA trust Funds be used for, or diverted to, purposes other than the exclusive benefit of the participants and beneficiaries or in the payment of the expenses of the Plans and Trust. The board includes three ex officio members and four members appointed by the Governor.

#### **KentuckyWired Infrastructure Company, Incorporated**

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

#### **Kentucky School Facilities Construction Commission (KRS 157.617)**

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

#### **Administrative Entities**

The State Property and Buildings Commission, Kentucky Asset/Liabilities Commission, Kentucky Tobacco Settlement Trust Corporation, Kentucky Gas Pipeline Authority, and the Board of Agriculture are legally separate entities of an administrative nature. They are comprised of elected and appointed officials from various state agencies, and have no cost associated with them. Therefore, there is no separate presentation for these entities.

#### **State Property and Buildings Commission (KRS 56.450)**

This commission is a public body corporate that issues all revenue bonds for state agencies, unless those agencies are specifically authorized by other provisions of the Kentucky Revised Statutes to issue bonds. The commission is composed of six ex officio members.

#### **Kentucky Asset/Liability Commission (KRS 56.861)**

This commission is a public body corporate that takes a comprehensive view of the Commonwealth's finances and develops policies and strategies to minimize the impact of fluctuating revenue receipts and interest rates on the Commonwealth's interest-sensitive assets and liabilities. The commission consists of five ex officio members.

#### **Kentucky Tobacco Settlement Trust Corporation (KRS 248.480)**

The Kentucky Tobacco Settlement Trust Corporation is a public body corporate that performs essential governmental and public functions by assisting in the implementation of the national tobacco grower settlement trust agreement. The board of directors is comprised of five ex officio members and nine members appointed by the Governor with the advice and consent of the Senate and House of Representatives.

#### **Kentucky Gas Pipeline Authority (KRS 353.752)**

This authority is a body corporate and politic to provide a financing mechanism for projects that will increase severance tax revenue for Kentucky, create jobs for Kentuckians, and create a competitive advantage in environmentally responsible development. The authority consists of nine members: the secretary of the Finance and Administration Cabinet, the secretary of the Tourism, Arts and Heritage Cabinet, the secretary of the Environmental and Public Protection Cabinet, a member designated by the Kentucky Oil and Gas Association, a member designated by the Kentucky Society of Professional Engineers, a member designated by the Kentucky Gas Association, a citizen member appointed by the Governor, and two legislative members.

#### **Board of Agriculture (KRS 246.120)**

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

#### **Discretely Presented Component Units**

The component unit column in the combined financial statements includes the data of the discretely presented component units described below. The component units are legally separate entities. However, there is a financial interdependence or the primary government controls the selections of the board and operations. They are reported together in a separate column to reflect that they are legally separate, but their interdependence requires that they be included as part of the reporting entity.

## COMMONWEALTH OF KENTUCKY

### Notes to the Financial Statements

June 30, 2019

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

#### **Kentucky River Authority (KRS 151.710)**

The Kentucky River Authority possesses the corporate powers that distinguish it as being legally separate from the Commonwealth. The authority is charged with developing comprehensive plans for the management of the Kentucky River Basin. The Governor appoints the twelve members of this authority. A financial benefit/burden exists between the Commonwealth and the authority.

#### **Kentucky Housing Corporation (KRS 198A.030)**

The Housing Corporation is a body corporate and politic that performs essential governmental and public functions in improving and promoting the health and welfare of the citizens of the Commonwealth by the production of residential housing in Kentucky. The board of directors consists of six ex officio members and eight members appointed by the Governor. The Commonwealth has the ability to impose its will since it may appoint, hire, reassign, or dismiss management responsible for operations.

#### **Kentucky Higher Education Student Loan Corporation (KHESLC) (KRS 164A.050)**

KHESLC is a body corporate and politic created to perform essential governmental and public functions and purposes in improving and promoting the educational opportunities of the citizens of the Commonwealth. The Corporation is governed by board of directors appointed by the Governor, as prescribed in KRS 164A.050. The Commonwealth provides operating support to the Corporation, creating a financial benefit/burden relationship.

#### **Bluegrass State Skills Corporation (KRS 154.12-205)**

This corporation attempts to improve and promote employment opportunities of the Commonwealth's citizens by assisting the Kentucky Cabinet for Economic Development in creating and expand-

ing programs offering skills, training, and education. The board of directors consists of six ex officio members and twelve members appointed by the Governor. The Commonwealth has the ability to impose its will and there also exists a financial benefit/burden relationship.

#### **Kentucky State Fair Board (KRS 247.090)**

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

#### **Kentucky Center for the Arts Corporation (KRS 153.410)**

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

#### **Kentucky Authority for Educational Television (KET) (KRS 168.030)**

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

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

KEDFA possesses the corporate powers necessary to distinguish it as legally separate from the Commonwealth. It was established to assist business enterprises in obtaining financial resources in order to promote the Commonwealth's long-term economic growth.



## COMMONWEALTH OF KENTUCKY

### Notes to the Financial Statements

June 30, 2019

The Kentucky Economic Development Partnership board appoints the five members of this authority. Additionally, other component units of the authority include the Kentucky Industrial Development Authority, the Kentucky Industrial Revitalization Authority, the Kentucky JOBS Development Authority, and the Kentucky Mortgage Insurance and Guarantee Corporation. The financial statements of the component units are combined with those of the authority. Commonwealth funds may be used for operating support to the authority, creating a financial benefit/burden relationship.

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

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

#### **Kentucky Council on Postsecondary Education (KRS 164.011)**

This council was established in 1997 under the direction of the Kentucky Postsecondary Education Improvement Act. The board consists of sixteen members: thirteen citizens appointed by the Governor, one faculty member, one student, and the commissioner of education. This council coordinates change and improvement in Kentucky's postsecondary education system. This council strives to increase literacy, improve work-related skills, and to raise the number of students attending college and completing college degrees. The Commonwealth provides significant operating support to the council, creating a financial benefit/burden relationship.

#### **Kentucky Infrastructure Authority (KRS 224A.030)**

This authority is a body corporate and politic created to perform essential governmental functions and to serve the local public agencies of the Commonwealth with respect to the construction and acquisition of infrastructure projects. The board consists of five ex officio members and five members appointed by the Governor. The Commonwealth provides significant operating support to the authority, creating a financial benefit/burden relationship.

#### **Kentucky Agricultural Finance Corporation (KAFC) (KRS 247.944)**

KAFC is a corporation that seeks to improve and promote the health and general welfare of the Commonwealth's people through the advancement of agriculture. The board of directors consists of three ex officio members and nine members appointed by the Governor. The Commonwealth provides significant operating support to the corporation, creating a financial benefit/burden relationship.

#### **Kentucky Grain Insurance Corporation (KGIC) (KRS 251.620)**

KGIC is a body politic created to promote the Commonwealth's welfare by improving the economic stability of agriculture and protecting grain producers in the event of a financial failure of a grain dealer or warehouseman. The board of directors consists of four ex officio members and six members appointed by the Commissioner of the Department of Agriculture. The Commonwealth is responsible for any insufficiency of funds to pay claims creating a financial benefit/burden relationship.

#### **Kentucky Local Correctional Facilities Construction Authority (KRS 441.615)**

This authority is a body corporate and politic created to provide an additional and alternative method of constructing, reconstructing, improving or repairing, and financing jails and appurtenant facilities for any local government in the Commonwealth. The membership consists of six ex officio members and four members appointed by the Governor. The Commonwealth provides funds, staff assistants, facilities, and materials required by the authority in the conduct of its duties and activities, creating a financial benefit/burden relationship.

#### **Appalachian/Kentucky Artisans Gateway Center Authority (KRS 148.561) (The Kentucky Artisan Center)**

This authority is an independent, de jure municipal corporation and is a body corporate and politic. It is governed by a board of directors consisting of thirteen members. The authority operates and manages the Kentucky Artisan Center at Berea. The Commonwealth provides significant operating support to the authority, creating a financial benefit/burden relationship.

#### **Kentucky Lottery Corporation (KRS 154A.020)**

The Kentucky Lottery Corporation is empowered by the Legislature to administer the Kentucky state lottery games. The board of directors is comprised of one ex officio member and seven members appointed by the Governor with the advice and consent of the Senate. The Kentucky Lottery Corporation provides significant revenues to the Commonwealth, creating a financial benefit/burden relationship.

### Kentucky Horse Park Foundation, Incorporated

The Kentucky Horse Park Foundation, Inc., is a legally separate tax-exempt Kentucky corporation that receives, holds, and administers gifts and grants in the name of the Kentucky Horse Park (the Park). Although the Park does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the foundation holds and invests is restricted by the donors to the activities of the Park. The foundation's fiscal year ended May 31, 2019, and amounts included are for the year then ended. The Commonwealth provides significant operating support to the foundation, creating a financial benefit/burden relationship.

### Louisville Arena Authority, Incorporated

The Louisville Arena Authority, Inc., was created in 2005 and oversees the financial process of the KFC Yum! Center. The Arena Authority guided the development, financing and construction process of the \$238 million arena. The Arena Authority's fiscal year ended December 31, 2018, 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	\$ 57,123
Education	187,370
Instruction	154,036
Scholarships and Fellowships	839,695
Research	766,212
Totals	<u>\$ 2,004,436</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.

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The Statement of Activities categorizes program revenues into three groups: charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type. The sales and gross receipts taxes reflected on the statement of activities for the governmental activities include various taxes that are computed using sales price or gross receipts of the reporting entity. For fiscal year 2019, the total amount of sales and gross receipts tax reported in the government wide statements was \$6,543,315,000 and comprised of:

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

Sales and Use Tax	\$	3,984,753
Motor Fuels Tax		720,218
Motor Vehicles Usage Tax		537,414
Healthcare Provider Tax		291,827
Tobacco Products Tax		391,282
Insurance Premiums Tax		173,129
Limited Liability Entity Tax		210,303
Alcoholic Beverage Tax		147,700
Telecommunications Tax		56,395
Transient Room Tax		15,078
Parimutuel and Race Track Admission Tax		15,216
<b>Total Sales and Gross Receipts Tax</b>	<b>\$</b>	<b>6,543,315</b>

**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.

## COMMONWEALTH OF KENTUCKY

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

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

#### **Proprietary Funds**

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expenses when they occur, regardless of the timing of the cash flows. On the statement of revenues, expenses, and changes in net position, the term “expenses” (not “expenditures” as in governmental funds on a modified accrual basis) describes decreases in economic benefits and emphasizes the accrual basis of accounting.

Proprietary funds’ revenues and expenses are divided into operating and nonoperating revenues and expenses. Although not specifically defined by GAAP, operating revenues and expenses are considered to be those resources gained and consumed to produce and deliver goods and services that are central to that fund’s particular purpose. Other revenues and expenses are classified as nonoperating. Operating and nonoperating expenses are further characterized by object (personal services, depreciation expense, travel expense, etc.).

**Enterprise Funds**—a category of proprietary funds used to account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of the Commonwealth and the operations of State agencies that provide goods or services to the general public on a user charge basis. Also included are the operations of the State’s risk management pools.

**State Parks Fund**—a major fund that accounts for revenues earned and expenses incurred in the commercial operations of the Department of Parks.

**Kentucky Horse Park Fund**—a major fund that accounts for revenues earned and expenses incurred in the commercial operations of the Kentucky Horse Park.

**Insurance Administration Fund**—a major fund that accounts for insurance risk pools operated by the State, including the Workers’ Compensation Special Fund, Petroleum Storage Tank Environmental Assurance Program, Mine Subsidence Insurance Program, and Kentucky Reclamation Guaranty Program.

**Kentucky Public Employees Health Plan**—a major fund that accounts for the revenues and expenses incurred in the commercial

operation of the health insurance program for state employees, boards of education, and quasi-governmental agencies.

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

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

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

Specific activities reported under Internal Service Funds are:

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

#### **Fiduciary Funds**

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

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

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



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

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

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

### E. Presentation of Component Units

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

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

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

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

Bluegrass State Skills Corporation  
Kentucky Agricultural Finance Corporation  
Kentucky Artisan Center at Berea  
Kentucky Center for the Arts Corporation  
Kentucky Economic Development Finance Authority  
Kentucky Educational Television Authority  
Kentucky Grain Insurance Corporation  
Kentucky Horse Park Foundation  
Kentucky Higher Education Assistance Authority  
Kentucky Infrastructure Authority  
Kentucky River Authority  
Kentucky State Fair Board  
Kentucky Council on Postsecondary Education  
Louisville Arena Authority  
Eastern Kentucky University  
Kentucky State University  
Morehead State University  
Murray State University  
Northern Kentucky University  
Western Kentucky University

The Commonwealth has significant transactions with its component units, primarily in providing operating funds to the universities from the State's general fund. During fiscal year 2019, the primary government provided \$258,495,000 to the University of Kentucky, \$174,572,000 to the Kentucky Community and Technical College System, \$128,930,000 to the University of Louisville, and \$247,290,000 to the Kentucky Higher Education Assistance Authority. The Commonwealth contributed capital in the amount of \$235,000 to the Kentucky Public Transportation Infrastructure Authority. In addition, the State received \$272,786,000 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, 2019, are \$2,768,601,000.

### G. Investments

This classification includes long-term investments that are stated at fair value. Investments of the Deferred Compensation Plan are reported at fair value. See Note 5 for investment details.

### H. Securities Lending

Cash and securities received as collateral on securities lending transactions are reported as assets in the accompanying financial statements. Liabilities resulting from the securities lending transactions are also reported. Certain component units of the state have deposits in the Commonwealth's Investment Pool, which participates in securities lending activities. The component units' position in the pool and related securities lending assets and liabilities are reported in an agency fund.

### I. Receivables

Receivables in the Commonwealth's governmental and fiduciary funds primarily consist of Federal revenues, taxes, and interest on investments. Some governmental fund revenues are not susceptible to accrual prior to receipt, including licenses, fees, permits, and similar revenues that are recognized on the cash basis. Receivables in all other funds have arisen in the ordinary course of business. Receivables in the governmental funds are reported net of allowances for uncollectibles. Disaggregation of current accounts receivable and current taxes receivable are shown in Note 4.

# COMMONWEALTH OF KENTUCKY

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### J. Interfund Transactions

The Commonwealth has the following types of interfund transactions:

Interfund services provided and used – Charges for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

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

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

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

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

### K. Inventories and Prepaid Expenses

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

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

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

Inventories are valued at cost (first-in, first-out, or average cost). In the Governmental Activities column of the government-wide Statement of Net Position, inventory and prepaid expenses are reported as an asset at cost when purchased, then expensed as used.

### L. Capital Assets and Depreciation

Included in capital assets are real property, equipment, intangible assets and infrastructure (e.g. roads, bridges, sidewalks and similar items). These are reported in the government-wide statement of net position as governmental or business type activities. Capital assets are expensed at the time of acquisition in the fund financial statements for governmental and similar trust funds.

The policy of the primary government is to capitalize assets when the useful life is greater than one year and the acquisition cost meets the capitalization threshold. The primary government capitalizes all land and infrastructure. Buildings, improvements to land, and equipment are capitalized when the acquisition cost is \$5,000 or greater. Intangible capital assets are capitalized when the cost is \$100,000 or more except software, which has a threshold of \$500,000. Component units establish their own capitalization policy and that policy may vary from that of the primary government.

The Kentucky Historical Society, Kentucky Horse Park, and Kentucky Department of Parks hold and care for the State’s historical treasures. Among these are historical clothing; china; furniture and other furnishings; a variety of art and decorative art; political memorabilia; pioneer tools and equipment; guns and similar military artifacts; books, manuscripts, and photographs; musical instruments from Kentucky’s musical legends; Native American artifacts; and fossilized bones and prehistory artifacts. These assets are not capitalized or depreciated as the assets could not be valued and have inexhaustible useful lives.

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

Assets are depreciated on the straight-line basis over their estimated useful lives. The table below shows the useful life by asset type for the primary government. Infrastructure assets are not being depreciated, as the Commonwealth has elected to use the modified approach, as defined by GASB Statement No. 34. As a result, certain maintenance and preservation costs are expensed when incurred. Additions and improvements to infrastructure assets are capitalized when capacity and efficiency has increased.

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

The Kentucky Center for the Arts Corporation's discretely presented component unit financial statements for fiscal year 2019 do not contain the Center's capital assets. The Finance and Administration Cabinet, Office of Statewide Accounting, Financial Reporting Branch, adjusted the Commonwealth of Kentucky's Comprehensive Annual Financial Report to include the capital assets and depreciation of the Center in order to satisfy GAAP requirements.

#### **M. Governmental Fund Equity**

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

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

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

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

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

Unassigned fund balance is the classification for residual spendable fund balance for the general fund. In all other funds, unassigned

classification is used to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted.

The Commonwealth generally segregates restricted, committed, and assigned resources by account (sub-fund) within the governmental funds, other than the general fund. When resources meeting more than one of these spendable classifications are commingled in an account in the state's accounting system the assumed order of spending is restricted first, committed second, and finally assigned. The classifications of governmental fund balances are shown in the table on pages 66 and 67.

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

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

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

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

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

## COMMONWEALTH OF KENTUCKY

### Notes to the Financial Statements

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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.

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

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

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

**Transportation** – is responsible for overseeing the development and maintenance of a safe, efficient multi-modal transportation system throughout the Commonwealth. The Cabinet manages more than 27,000 miles of highways, including roughly 20,500 miles of secondary roads, 3,600 miles of primary roads, and more than 1,400 interstate and parkway miles. The Cabinet also provides direction for 300 licensed airports and heliports and oversees all motor vehicle and driver’s licensure for more than three million drivers in the Commonwealth.

KRS 45.305 established a budget reserve trust fund account within the general fund. Within thirty days of year end deposits are required to be made at the lesser of : fifty percent (50%) of the general fund surplus or the amount necessary to make the balance equal to five

percent (5%) of the actual general fund receipts collected during the fiscal year just ended. Payments to the account are suspended for the current fiscal year when the account balance is equal to or greater than five percent (5%) of the actual general fund receipts collected during the fiscal year just ended. Money in this account may be appropriated by the General Assembly. The budget reserve trust fund had a balance of \$129,077,783 on June 30, 2019.



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**Constraints on Fund Balance**

(Expressed in Thousands)

	<b>General Fund</b>	<b>Major Special Revenue Funds</b>		
		<b>Transportation Fund</b>	<b>Federal Fund</b>	<b>Agency Revenue Fund</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventories	\$ 7,373	\$ 58,418	\$ 153	\$ 2,603
Long-term receivables				3,593
<b>Restricted for:</b>				
Government administration				140,471
Legislative and Judicial				31,185
Commerce				202,129
Education				30,668
Health and human services				97,648
Environmental and natural resources				27,867
Justice				43,620
Public Protection				117,836
Transportation		485,959		
Debt service				
<b>Committed to:</b>				
Government administration				7,017
Education				673
Health and human services				2
Environmental and natural resources				1,485
Justice				1,004
Public Protection				40
Transportation				8,624
<b>Assigned to:</b>				
Government administration	42,703			8,580
Legislative and Judicial	18,854			4,666
Commerce	2,777			375
Education	2,812			3,726
Health and human services				628
Environmental and natural resources				151
Justice				1,848
Public Protection	1,063			
Transportation	6,049			124
<b>Unassigned</b>	151,129		(33,102)	
<b>Total Fund Balances</b>	<b>\$ 232,760</b>	<b>\$ 544,377</b>	<b>\$ (32,949)</b>	<b>\$ 736,563</b>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
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<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>
		68,547
		3,593
161,466		301,937
3,668		34,853
19,008		221,137
12,365		43,033
13,696		111,344
14,575		42,442
5,525		49,145
1,346		119,182
29,612		515,571
	27,570	27,570
		7,017
		673
		2
		1,485
		1,004
		40
		8,624
		51,283
		23,520
		3,152
		6,538
		628
		151
		1,848
		1,063
		6,173
		118,027
<b>\$ 261,261</b>	<b>\$ 27,570</b>	<b>\$ 1,769,582</b>

**N. Deferred Outflows/Inflows**

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

**O. Long-Term Obligations**

Long-term liabilities that will be financed from governmental funds are presented in the Governmental Activities column of the government-wide Statement of Net Position. This total reported amount of long-term liabilities includes the following:

1. Payments of principal on revenue bonds which are recorded as expenditures in the Debt Service Fund.
2. Compensated absences including accumulated unpaid vacation and compensatory time accruals. The amount accruing to proprietary funds and pension trust funds has been included in the respective funds when material. The policy of the Commonwealth is to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 16.0 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. Compensatory leave is granted to authorized employees on an hour-for-hour basis. June 30 estimated liabilities for both annual leave and compensatory leave are summarized in Note 17.

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

There is no liability in the accompanying financial statements for unpaid accumulated sick leave, since it is the Commonwealth's policy to record the cost of sick leave only when paid. See Note 17 for disclosure of the amount of this contingency. The component units have varying policies for compensated absences. Information regarding these policies is available in the audited financial statement of each component unit.

3. Outstanding capital lease obligations for governmental funds.
4. Judgmental and contingent liabilities of governmental funds that will be paid with noncurrent resources.
5. Long-term liabilities of internal service funds.

Long-term obligations generally exclude those amounts reported as expenditures for compensated absences, judgments, contingencies, and employer pension contributions in the governmental funds since these amounts would normally be liquidated with expendable available financial resources.

Long-term liabilities of all proprietary and pension trust funds are reported in their individual fund statements. Long-term liabilities of enterprise and internal service funds are also presented in the government-wide Statement of Net Position as a single total in the Business-type Activities and Governmental Activities columns respectively. Fiduciary funds' long-term liabilities are not displayed on the government-wide Statement of Activities.

**P. Conduit Debt**

This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued to benefit a third party that is not a part of the reporting entity. Although conduit debt obligations bear the Commonwealth's name as issuer, the Commonwealth has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. GAAP allows the State to refrain from reporting the conduit debt and the related asset. Since the State is not legally, morally, or in any other way responsible for the repayment of conduit debt, these items are not included in the financial statements. As of June 30, 2019, the State has \$3,482,517,838 of conduit debt, which is made up of the Kentucky Economic Development Finance Authority with an outstanding bond balance of \$2,949,995,838 and the Kentucky Housing Corporation with an outstanding bond balance of \$532,522,000. The proceeds of which are used to promote the purposes set forth in KRS 103.200 and 103.210.

**Q. Pensions**

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

**R. Postemployment Benefits Other than Pensions (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary positions of the Systems (as defined in Q.) and additions to/deductions from the Systems' fiduciary net

positions have been determined on the same basis as they are reported by the Systems. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **S. Future Changes in Accounting Standards**

As of June 30, 2019, the Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Commonwealth.

GASB Statement No. 84 – Fiduciary Activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

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

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

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

GASB Statement No. 89 – Interest Cost. The requirements of this statement are effective for periods beginning after December 15, 2019.

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

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

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

## **Note 2**

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

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

GASB Statement No. 83 – Certain Asset Retirement Obligations.

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

**Governmental Activities:** Governmental Activities restated net position due to prior year errors. The effect on net position is an increase of \$985,000.

**Business Type Activities:** Business Type Activities restated net position due to prior year errors. The effect on net position is a decrease of \$985,000.

#### **Governmental Funds:**

**General Fund** – General Fund restated net position due to prior year errors. The effect on net position is an increase of \$985,000.

#### **Enterprise Service Funds:**

**Insurance Administration** – Insurance Administration restated net position due to prior year errors. The effect on net position is a decrease of \$985,000.

#### **Component Units – Universities, Colleges, and Related Entities:**

**University of Kentucky** – University of Kentucky restated net position due to a new dual reporting / funding model for the university and Alumni Association. The effect on net position is an increase of \$22,218,000.

**Note 3**

**STEWARDSHIP, COMPLIANCE, AND  
ACCOUNTABILITY**

**A. Governmental Activities** – The Governmental Activities has a net position deficit of \$15,132,560,000. The deficit is a result of the recognition of the net Pension liability and net OPEB liability, in accordance with GASB Statements Number 68, 71, and 75.

**B. Federal Fund** – The Federal Fund has a net position deficit of \$32,949,000. The deficit is a result of expenditure accruals, which will be funded in future periods.

**C. Enterprise Funds** – State Parks has a net position deficit of \$83,004,000. The deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB Statements Number 68, 71 and 75.

The Insurance Administration Fund has a net position deficit of \$299,324,000. 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 Computer Services Fund has a net position deficit of \$183,989,000. The deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB Statements Number 68, 71 and 75.

The Central Printing Fund has a net position deficit of \$5,976,000. 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 Risk Management Fund has a net position deficit of \$229,416,000. 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.

**E. Component Units – Authorities –**

The Kentucky Authority for Educational Television has a net position deficit of \$29,048,000. This deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB Statements Number 68, 71 and 75.

**F. Component Unites – Universities, Colleges, and Related Entities –**

Eastern Kentucky University has a net position deficit of \$47,986,000. This deficit is a result of an increase in KERS/KTRS pensions, which increased deferred inflows.

The Kentucky Council on Postsecondary Education has a net position deficit of \$22,131,000. This deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB Statements Number 68, 71 and 75.

**Note 4**

**DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE**

Accounts payable for the Commonwealth of Kentucky are amounts owed by the State as of June 30, 2019. 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, 2019. 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
<b>Current Payables</b>						
Personal services	\$ 134,880	\$ 713	\$ 5,649	\$ 141,242	\$ 18,389	\$ 159,631
Utilities, rental, and other services	21,931	560	4,415	26,906	1,622	28,528
Commodities and supplies	8,828	140	1,967	10,935	1,733	12,668
Claims	1,340		7,598	8,938	860	9,798
Grants and subsidies	863,504	11,952	133	875,589	14,794	890,383
Capital outlay	34,259	31,604	4,615	70,478	414	70,892
Travel	1,402	12	8	1,422	19	1,441
Judgements	170			170	1	171
Interest Payable	104,648	68	51	104,767	90	104,857
Other	109,819	1		109,820	1,064	110,884
Total Current Payables	<u>\$ 1,280,781</u>	<u>\$ 45,050</u>	<u>\$ 24,436</u>	<u>\$ 1,350,267</u>	<u>\$ 38,986</u>	<u>\$ 1,389,253</u>
<b>Current Receivables</b>						
Charges for services	\$ 90,756	\$ 42,203	\$ 579	\$ 133,538	\$ 107,953	\$ 241,491
Taxes receivable	1,999,649	134,454		2,134,103		2,134,103
Investment receivable		10,899		10,899	6,992	17,891
Intergovernmental revenue	828,130			828,130	6,057	834,187
Other	92,543	98,925	139	191,607	201,823	393,430
Allowances for uncollectibles	(951,992)	(135,986)		(1,087,978)	(26,147)	(1,114,125)
Total Current Receivables	<u>\$ 2,059,086</u>	<u>\$ 150,495</u>	<u>\$ 718</u>	<u>\$ 2,210,299</u>	<u>\$ 296,678</u>	<u>\$ 2,506,977</u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Taxes Receivable**  
**(Expressed in Thousands)**

**Current Taxes Receivable**

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

Governmental Activities		Total Primary Government
Major Funds	Non-Major Funds	
\$ 965,570	\$ 12,340	\$ 977,910
768,632		768,632
95,979		95,979
127,492	1	127,493
2,653	8,243	10,896
20,288	3,360	23,648
7,151	59	7,210
11,884	110,451	122,335
<u>\$ 1,999,649</u>	<u>\$ 134,454</u>	<u>\$ 2,134,103</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, 2019, are as follows (Expressed in Thousands):**

	Principal	Interest	Total
2020	\$ 9,030	\$ 6,251	\$ 15,281
2021	6,985	5,906	12,891
2022	6,730	5,671	12,401
2023	18,344	5,447	23,791
2024	7,205	5,187	12,392
2025-2029	38,525	21,338	59,863
2030-2034	45,650	12,245	57,895
2035-2039	31,280	2,370	33,650
Total leases receivable	<u>\$ 163,749</u>	<u>\$ 64,415</u>	<u>\$ 228,164</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 \$1,894,703,000 and the bank balance was \$1,894,703,000. 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 \$1,343,176 in securities lending income. On June 30, 2019, the fair value of the securities transferred was \$859,100,484 and the fair value of the securities purchased by the Commonwealth was \$868,063,087. 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, 2019, the portfolio had no obligations under option. The Commonwealth also purchases securities that have built in covered calls (callable agency securities). The risk in holding these securities is the risk that the security can be called (bought back) by the issuing agency at par either on or after a specific date.



# COMMONWEALTH OF KENTUCKY

## Notes to the Financial Statements

June 30, 2019

### 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, 2019, 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	\$ 1,202,279	\$ 1,202,279
Cash with Fiscal Agents	46,509	46,509
Cash with Federal Government	645,915	645,915
Total Cash	<u>\$ 1,894,703</u>	<u>\$ 1,894,703</u>

##### Investments Managed Based Upon Duration

###### Debt Securities

	Fair Value	Effective
Cash Equivalents	\$ 529,421	0.02
Fixed Income Mutual Funds	445,350	0.07
U.S. Government & Agency Obligations	1,591,882	0.56
Mortgage-Backed Securities	233,808	1.80
Corporate Obligations	125,524	1.07
Asset Backed Securities	190,955	1.12
Total Debt Securities	<u>3,116,940</u>	
Portfolio Effective Weighted Duration		<u>0.54</u>

##### Other Investments

Fixed Income Mutual Funds	4,772
Common Stock	3,764
Securities Lending Investments	868,063
Guaranteed Investment Contract (two to eight years)	74,358
Total Other Investments	<u>950,957</u>
Total Investments	<u>\$ 4,067,897</u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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 banker's 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.

egory by a nationally recognized rating agency. Certificates of Deposit and banker's 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, 2019, and the ratings are presented in the following table.

**Investments and Credit Ratings**

**Primary Government**

(Expressed in Thousands)

	<b>Standard &amp; Poor's/Moody's Credit Ratings</b>						<b>Total Fair Value of Investments</b>
	<b>AAA/Aaa</b>	<b>AA/Aa</b>	<b>A</b>	<b>BBB/Baa</b>	<b>Unrated</b>	<b>NA</b>	
Cash Equivalents	\$	\$	\$	\$	\$	\$	\$
Fixed Income Mutual Funds	445,350		129,958		360,021	39,443	529,422
U.S. Government & Agency Obligations	7,424	1,584,459				4,772	450,122
Mortgage-Backed Securities		233,808					1,591,883
Corporate Obligations	15,054	52,148	58,320				233,808
Common Stock						3,764	125,522
Asset Backed Securities	190,955						3,764
Guaranteed Investment Contracts		74,358					190,955
Securities Lending						868,063	74,358
Total Investments	\$ 658,783	\$ 1,944,773	\$ 188,278	\$	\$ 360,021	\$ 916,042	\$ 4,067,897

**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, 2019, the primary government had no investments which would constitute a concentration of credit risk.

KentuckyWired Infrastructure Company, Inc., has no limit on the amount that may be invested in any one issuer. At June 30, 2018, the Company's investments held with Natixis Funding Corp was given a rating of A2 by Moody's. At June 30, 2019 and 2018, the Company's investment in First American Funds Government Obligations was given a rating of Aaa by Moody's.

**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, 2019.

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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
<b>Investments</b>					
Cash Equivalents	\$ 529,422	\$ 529,422	\$	\$	\$
U.S. Agencies/Treasuries	1,591,883	1,591,883			
Fixed Income Mutual Funds	445,350		445,350		4,772
Guaranteed Investment Contracts	74,358			74,358	
Mortgage Backed Securities	233,808		233,808		
Corporate Debt	125,522		125,522		
Asset Backed Securities	190,955		190,955		
Common Stock					3,764
Securities Lending					868,063
<b>Total Investments</b>	<b>\$ 3,191,298</b>	<b>\$ 2,121,305</b>	<b>\$ 995,635</b>	<b>\$ 74,358</b>	<b>\$ 876,599</b>

**PENSION AND OPEB TRUST FUNDS**

**Interest Rate Risk**

**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 \$137,145,000 and the bank balance was \$137,145,000.

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 \$2,046,655,000 which are uninsured and not registered in the name of the Commonwealth but are held by the counterparty.

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, 2019, are presented on the following page. All investments are presented by investment type.

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

(Expressed in Thousands)

**I. Cash**

	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash	<u>\$ 137,145</u>	<u>\$ 137,145</u>
Total Cash	<u><u>\$ 137,145</u></u>	<u><u>\$ 137,145</u></u>

**II. Investments:**

**Investments Managed Based On Maturities**

<b>Debt Securities</b>	<b>Fair Value</b>	<b>&lt; 1 year</b>	<b>1-5 Years</b>	<b>6-15 Years</b>	<b>15-30 Years</b>
Fixed Income Mutual Funds	\$ 12,864	\$ 4,702	\$ 4,643	\$ 3,519	\$
U.S. Government & Agency Obligations	1,419,189			1,419,189	
Corporate Obligations	2,435,715		355,752	2,079,963	
Mortgage-Backed Securities	130,226			577	129,649
Asset-Backed Securities	48,534			48,534	
Municipal Obligations	290,273			290,273	
Other	147,200	11,786	92,101	43,313	
Total Debt Securities	<u>4,484,001</u>	<u>\$ 16,488</u>	<u>\$ 452,496</u>	<u>\$ 3,885,368</u>	<u>\$ 129,649</u>

**Investments Managed Based Upon Duration**

<b>Debt Securities</b>	<b>Fair Value</b>	<b>Modified</b>	<b>Macaulay</b>
Cash Equivalents	668,342	3.24	
Fixed Income Mutual Funds	70,861	2.99	
U.S. Government & Agency Obligations	1,405,184	4.82	
Mortgage-Backed Securities	425,999	4.42	
Corporate Obligations	1,826,254	3.62	
Asset Backed Securities	395,509	1.93	
Municipal Obligations	32,862	4.48	
Guaranteed Investment Contract\Annuities	664,630		2.86
Other	1,121,361	2.93	
Other	<u>5</u>		
Total Debt Securities	<u>6,611,007</u>		
Portfolio Weighted Modified Duration		<u>3.67</u>	
Portfolio Weighted Macaulay Duration			<u>2.86</u>

**Other Investments**

Cash Equivalents	766,173
Corporate Obligations	1,278,986
Common Stock	22,827,697
Pooled Investments	9,988
Limited Partnerships	360,168
Real Estate	1,968,958
Securities Lending	1,151,111
Other Investments	<u>4,509,355</u>
Total Other Investments	<u>32,872,436</u>
Total Investments	<u><u>\$ 43,967,444</u></u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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, 2019, and the ratings are presented in the following table.

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

<b>Quality Rating</b>	<b>Amount</b>
AAA	\$ 644,913
AA+	45,218
AA	610,855
AA-	84,808
A+	141,771
A	845,151
A-	247,318
BBB+	296,868
BBB	1,054,005
BBB-	361,944
BB+	128,747
BB	582,241
BB-	198,869
B+	154,568
B	680,903
B-	118,855
CCC+	43,710
CCC	50,421
CCC-	265
CC	2,426
C	886
D	862
NR	2,272,553
<b>Total Credit Risk Debt Securities</b>	<b>8,568,157</b>
Cash Equivalents	766,173
U.S. Government & Agencies	2,526,851
Corporate Obligations	1,278,986
Common Stock	22,827,697
Limited Partnerships	370,156
Real Estate	1,968,958
Securities Lending	499,894
Other	5,160,572
<b>Total Investments</b>	<b>\$ 43,967,444</b>

**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, 2019.

<b>Asset Description</b>	<b>Amount</b>
Fixed Contract Fund	\$664,630,000
T Rowe Price Mid Cap Growth	380,303,000
Fidelity Contrafund	326,355,000
Vanguard Institutional Index Fund	314,431,000
Fidelity Growth Co	300,833,000
Vanguard Wellington	280,579,000

**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, 2019, are presented on the following page.

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Foreign Currency Risk**

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

<b>Foreign Currency</b>	<b>Short Term</b>	<b>Equity</b>	<b>Debt</b>	<b>None Designated</b>	<b>Total</b>
American Funds Euro Pacific Growth Fund	\$	\$ 95,733	\$	\$	\$ 95,733
Argentine Peso		14			14
Australian Dollar	2,578	134,571	13,649		150,798
Bermudian Dollar		58,229	1,723		59,952
Brazilian Real	6	103,255			103,261
British Pound Sterling	1,642	575,899	40,473		618,014
Canadian Dollar	19	312,309	77,618		389,946
Cayman Islands Dollar		42,325	21,275		63,600
Chilean Peso		15,906			15,906
Chinese Yuan	118	105,663			105,781
Columbian Peso		23,300	1,540		24,840
Czech Koruna		400			400
Danish Krone	1	101,929			101,930
DFA International Small Cap		19,906			19,906
Dodge & Cox International Stock Fund		44,334			44,334
Egyptian Pound		2,105			2,105
Euro	415	2,509,643	88,673		2,598,731
Guernsey Pound		7,239			7,239
Hong Kong Dollar	690	471,046			471,736
Hungarian Forint		726			726
Indian Rupee		100,367			100,367
Indonesian Rupiah	364	57,813			58,177
Israeli New Shekel	1	20,788			20,789
Japanese Yen	2,301	1,044,885	3,453		1,050,639
Jersey Pound		62,113	6,895		69,008
Korean Won	503	101,871	3,159		105,533
Liberian Dollar		2,018			2,018
Macanese Pataca		12			12
Malaysian Ringgit		22,994			22,994
Mexican Peso		42,831	7,530		50,361
Netherlands Antillean Guilder		16,037			16,037
New Zealand Dollar		7,722	584		8,306
Norwegian Krone		46,257			46,257
Pakistani Rupee		243			243
Panamanian Balboa		30,453			30,453
Papua New Guinean Kina		5			5
Philippine Peso		18,422			18,422
Polish Zloty		4,496			4,496
Pound Sterling		297,527			297,527
Qatari Rial		2,514			2,514
Russian Ruble	1,162	42,447			43,609
Saudi Riyal		3,644			3,644
Singapore Dollar	1	61,268			61,269
Sol		2			2
South African Rand	3	54,273			54,276
South Korean Won		46,984			46,984
Swedish Krona	1	205,618			205,619
Swiss Franc	3	320,253	5,894		326,150
Taiwan Dollar	176	86,209			86,385
Thai Bhat		26,276			26,276
Trinidadian Dollar			374		374
Turkish Lira		8,695			8,695
UAE Dirham		1,704			1,704
Vanguard Total International Stock Fund		7,131			7,131
Various	9,333	27			9,360
Total Securities Subject To Foreign Currency Risk	19,317	7,368,431	272,840		7,660,588
USD (Securities Held By Intl Investment Mgrs)				17,573,305	17,573,305
Total International Investment Securities	\$ 19,317	\$ 7,368,431	\$ 272,840	\$ 17,573,305	\$ 25,233,893

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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, 2019, 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, 2019. 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.

The Pension and OPEB trust funds, have the following valuation measurements, by type, as of June 30, 2019. 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	\$ 2,600,934	\$ 2,003,124	\$ 597,810	\$	\$
Guaranteed investment contracts					664,630
Cash Equivalents	1,597,660	775,721	694,955	126,984	9,988
Mortgage Backed Securities	547,098		546,228	870	
Corporate Debt	4,500,947	35,771	3,840,853	624,323	
State and Municipal Obligations	377,740		377,740		
Asset Backed Securities	460,158		460,152	6	
Real Estate	1,371,670		44,051	1,327,619	
Common Stock	22,686,220	16,716,407	2,596,988	3,372,825	
Mortgages	22,173		22,173		
Securities Lending					499,894
Other:	8,628,327	1,170,200	145,132	7,312,995	5
Total Investments	<u>\$ 42,792,927</u>	<u>\$ 20,701,223</u>	<u>\$ 9,326,082</u>	<u>\$ 12,765,622</u>	<u>\$ 1,174,517</u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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 \$1,602,928,000 and bank balance was \$801,269,000.

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, 2019.

**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;	\$	7,482
b) collateralized with securities held by the pledging financial institution; or		240,043
c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commonwealth's name.		159,238
Total Deposits Subject To Custodial Credit Risk	\$	<u>406,763</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	\$	950,362
(b) the counterparty's trust department or agent but not in the Commonwealth's name.		(93,910)
Total Non-Current Cash And Investments Subject To Custodial Credit Risk	\$	<u>856,452</u>

**Investment Types:**

	<b>Type A (counterparty)</b>	<b>Type B (trust or agent)</b>
<b>Debt Securities</b>		
Cash Equivalents	\$ 1,024	\$ (66,121)
Fixed Income Mutual Funds	9,734	
U.S. Government & Agency Obligations	21,132	
Municipal Obligations	504	
Total Debt Securities	<u>32,394</u>	<u>(66,121)</u>
<b>Other Investments</b>		
Cash Equivalents		(2,491)
Fixed Income Mutual Funds	79,127	(27,016)
Common Stock	2,152	(48,276)
Funds Held In Trust By Others	530,721	58,675
Other Various	305,968	(8,681)
Total Other Investments	<u>917,968</u>	<u>(27,789)</u>
Total Type A	<u>950,362</u>	Total Type B <u>(93,910)</u>
Total Non-Current Cash And Investments Subject To Custodial Credit Risk		\$ <u>856,452</u>



# COMMONWEALTH OF KENTUCKY

## Notes to the Financial Statements

June 30, 2019

### 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, 2019.

### Cash And Investments By Type

#### Discretely Presented Major Component Units

(Expressed in Thousands)

##### I. Cash

	Carrying Amount	Bank Balance
Cash	\$ 675,619	\$ 693,804
Money Market	390,170	109,079
Other	537,139	(1,614)
Total Cash	<u>\$ 1,602,928</u>	<u>\$ 801,269</u>

##### II. Investments:

##### Investments Managed Based On Maturities

##### Debt Securities

	Fair Value	< 1 year	1-5 Years	6-10 Years	> 10 Years
Cash Equivalents	\$ 213,793	\$ 212,769	\$ 1,024	\$	\$
Fixed Income Mutual Funds	132,378	14,095	115,388	2,217	678
U.S. Government & Agency Obligations	21,635	6,545	15,090		
Guaranteed Investment Contract/Annuities	18,717		741	17,976	
Total Debt Securities	<u>386,523</u>	<u>\$ 233,409</u>	<u>\$ 132,243</u>	<u>\$ 20,193</u>	<u>\$ 678</u>

##### Investments Managed Based Upon Duration

##### Debt Securities

	Fair Value	Effective	Modified
Money Market Funds	68,822		
Fixed Income Mutual Funds	244,904		2.79
Fixed Income Mutual Funds	46,752		0.98
U.S. Government & Agency Obligations	2,694	2.03	
U.S. Government & Agency Obligations	155,693	2.11	
U.S. Government & Agency Obligations	10,761		
Mortgage Backed Securities	1,477	13.20	
Mortgage Backed Securities	80,116	4.12	
Corporate Debt	4,738	2.87	
Total Debt Securities	<u>615,957</u>		
Portfolio Effective Weighted Duration		<u>2.85</u>	
Portfolio Modified Weighted Duration			<u>2.50</u>

##### Other Investments

Fixed Income Mutual Funds	236,142
Common Stock	828,412
Corporate Bonds	50,068
Limited Partnerships	547,016
Alternatives	215,568
Real Estate	234,658
Funds Held In Trust By Others	58,675
Other	107,350
Total Other Investments	<u>2,277,889</u>
Total Investments	<u>\$ 3,280,369</u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Credit Risk of Debt Securities**

The major discretely presented component units, investments as of June 30, 2019, and the ratings are presented in the following table.

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

**Investments and Credit Ratings**  
**Discretely Presented Major Component Units**

(Expressed in Thousands)

	<b><u>Standard &amp; Poor's/Moody's Credit Ratings</u></b>						<b>Total Fair Value</b>	
	<b><u>AAA/Aaa</u></b>	<b><u>AA/Aa</u></b>	<b><u>A</u></b>	<b><u>BBB/Baa</u></b>	<b><u>BB/Ba or Lower</u></b>	<b><u>Unrated</u></b>	<b><u>NA</u></b>	<b><u>of Investments</u></b>
Cash Equivalents	\$ 281,124	\$	\$	\$	\$	\$ 149,175	\$ 68,822	\$ 499,121
Fixed Income Mutual Funds	36,512	18,037	66,474	53,134	2,647	1,155,929	198,326	1,531,059
U.S. Government & Agency Obligations	159,442					2,565	7,141	169,148
Mortgage Backed Securities	81,593							81,593
Corporate Obligations	2,136	115	1,220	1,267				4,738
Guaranteed Investment Contracts/Annuities	1,155	741				8,242		10,138
Other						984,572		984,572
Total Investments	<u>\$ 561,962</u>	<u>\$ 18,893</u>	<u>\$ 67,694</u>	<u>\$ 54,401</u>	<u>\$ 2,647</u>	<u>\$ 2,300,483</u>	<u>\$ 274,289</u>	<u>\$ 3,280,369</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 26%, 51%, and 23%, 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, 2019. The university has \$2,812,000 in a pooled private equity fund, \$5,443,000 in a pooled private real estate fund and \$13,000 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, 2019**

**Note 6**

**CAPITAL ASSETS**

*Capital asset activity for the year ended June 30, 2019  
(Expressed in Thousands):*

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Primary Government:</b>				
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 240,416	\$ 4,002	\$ (201)	\$ 244,217
Construction in progress	2,800,627	549,306	(740,189)	2,609,744
Infrastructure	20,701,773	652,738	(97,582)	21,256,929
Easements and Other Intangibles	97,223	2,037	(165)	99,095
Total capital assets not being depreciated	23,840,039	1,208,083	(838,137)	24,209,985
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	30,527	1,050	(26)	31,551
Buildings	1,554,098	48,844	(12,531)	1,590,411
Machinery and Equipment	706,982	121,800	(43,894)	784,888
Easements and Other Intangibles	97,240	4,794		102,034
Total capital assets, being depreciated/amortized	2,388,847	176,488	(56,451)	2,508,884
<i>Less accumulated depreciation/amortization:</i>				
Improvements other than buildings	(13,368)	(1,384)	22	(14,730)
Buildings	(708,651)	(39,467)	17,565	(730,553)
Machinery and Equipment	(478,056)	(59,840)	39,200	(498,696)
Easements and Other Intangibles	(35,735)	(4,635)		(40,370)
Total accumulated depreciation	(1,235,810)	(105,326)	56,787	(1,284,349)
Total capital assets, being depreciated/amortized, net	1,153,037	71,162	336	1,224,535
Governmental activities capital assets, net	\$ 24,993,076	\$ 1,279,245	\$ (837,801)	\$ 25,434,520
<b>Business-type activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 24,121	\$ 209	\$ (790)	\$ 23,540
Construction in progress	7,761	2,703	(1,612)	8,852
Total capital assets, not being depreciated	31,882	2,912	(2,402)	32,392
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	171,262	57	(12)	171,307
Buildings	356,941	1,419	(2,416)	355,944
Machinery and Equipment	23,222	1,006	(993)	23,235
Easements and Other Intangibles	4,638			4,638
Total capital assets, being depreciated/amortized	556,063	2,482	(3,421)	555,124
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(88,913)	(5,555)	12	(94,456)
Buildings	(183,729)	(11,078)	1,903	(192,904)
Machinery and Equipment	(14,981)	(955)	847	(15,089)
Easements and Other Intangibles	(1,918)	(272)		(2,190)
Total accumulated depreciation	(289,541)	(17,860)	2,762	(304,639)
Total capital assets, being depreciated/amortized, net	266,522	(15,378)	(659)	250,485
Business-type activities capital assets, net	\$ 298,404	\$ (12,466)	\$ (3,061)	\$ 282,877

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
General Government	\$ 13,390	\$
Legislative and Judicial	1,815	
Commerce	2,557	
Education and Humanities	1,854	
Human Resources	4,312	
Justice	24,751	
Natural Resources and Environmental Protection	2,442	
Public Protection and Regulation	683	
Transportation	27,745	
Capital assets held by government's internal service funds are charged to the various functions based on usage of the assets	25,777	
State Parks		13,046
Horse Park		4,440
Insurance Administration		374
Total depreciation expense by activities	<u>\$ 105,326</u>	<u>\$ 17,860</u>

**Discretely presented major component units**

Capital asset activity for the year ended June 30, 2019

(Expressed in Thousands):

	<b>Component Units</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 222,371	\$ 5,992	\$ (5,771)	\$ 222,592
Construction in progress	462,675	166,249	(411,322)	217,602
Infrastructure	1,094,534	235	(51,379)	1,043,390
Totals, capital assets not being depreciated	<u>1,779,580</u>	<u>172,476</u>	<u>(468,472)</u>	<u>1,483,584</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	372,635	48,586	(2,280)	418,941
Buildings	5,997,513	740,021	(227,096)	6,510,438
Machinery and Equipment	1,935,085	139,238	(331,752)	1,742,571
Easements and Other Intangibles	66,524	233,860	(2,745)	297,639
Total capital assets, being depreciated/amortized	<u>8,371,757</u>	<u>1,161,705</u>	<u>(563,873)</u>	<u>8,969,589</u>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	(139,822)	(15,971)	1,578	(154,215)
Buildings	(2,151,152)	(182,802)	27,680	(2,306,274)
Machinery and Equipment	(1,344,978)	(93,827)	222,992	(1,215,813)
Easements and Other Intangibles	(155,508)	(155,508)	1,798	(153,710)
Total accumulated depreciation	<u>(3,635,952)</u>	<u>(448,108)</u>	<u>254,048</u>	<u>(3,830,012)</u>
Total capital assets, being depreciated/amortized, net	<u>4,735,805</u>	<u>713,597</u>	<u>(309,825)</u>	<u>5,139,577</u>
Component units capital assets, net	<u>\$ 6,515,385</u>	<u>\$ 886,073</u>	<u>\$ (778,297)</u>	<u>\$ 6,623,161</u>

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

(Expressed in Thousands)

Kentucky Housing Corporation	\$ 426
Kentucky Higher Education Student Loan Corporation	251
University of Kentucky	318,514
University of Louisville	91,180
Kentucky Community and Technical College System	36,535
Kentucky Lottery Corporation	1,202
Total depreciation expense by functions/programs	<u>\$ 448,108</u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Note 7**

**INTERFUND TRANSACTIONS**

**Interfund Transfers In and Out**

The table below shows the interfund operating transfers for fiscal year 2019  
(Expressed in Thousands)

Transfers In	Transfers Out					
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund	Debt Service Fund
General Fund	\$	\$	\$ 1,591	\$ 39,292	\$ 1,000	\$
Transportation Fund				1,831	1,749	
Federal Fund				10		
Agency Revenue Fund	42,223		37,051		939	
Capital Projects Fund		11,135	584	33,671		330
Debt Service	478,348	12,083	95,241	6,848	1,516	
Non-Major Governmental Funds	148,008	154,413		300,275	264	
State Parks Fund	46,124		126	238	225	
Kentucky Horse Park Fund	2,024			48	600	
Kentucky Public Employees Health Plan						
Insurance Administration Fund			6		2,090	
Internal Service Funds	938					
Fiduciary Funds						
Total	\$ 717,665	\$ 177,631	\$ 134,599	\$ 382,213	\$ 8,383	\$ 330

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 2019  
(Expressed in Thousands):

Interfund Receivables	Interfund Payables				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$	\$ 166	\$ 1,486	\$ 4,685	\$
Transportation Fund			44	226	411
Federal Fund	7,042	49		448	10
Agency Revenue Fund	43,371	79	203,519		
Capital Projects Fund		45			
Non-Major Governmental Funds	7,805		6,438	8,094	
State Parks Fund	51				
Kentucky Horse Park Fund				16	
Kentucky Public Employees Health Plan	66,125	1,502	1,198	1,330	1
Insurance Administration Fund	50				
Internal Service Funds	768	4	24	319	169
Fiduciary Fund Agency Funds	250				
Total	<u>\$ 125,462</u>	<u>\$ 1,845</u>	<u>\$ 212,709</u>	<u>\$ 15,118</u>	<u>\$ 591</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, 2019**

Transfers Out								
Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Kentucky Public Employees Health Plan	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Fiduciary Funds	Total
\$ 114,580	\$	\$	\$ 135,141	\$ 11,500	\$	\$ 2,800	\$ 573	\$ 306,477
								3,580
								10
342,162	20			9,870	4,944	580	51	437,840
5,074		39		3,150		1		53,984
44,139	955					192		639,322
169,671								772,631
19								46,732
								2,672
							28	28
								2,096
								938
				1,800				1,800
\$ 675,645	\$ 975	\$ 39	\$ 135,141	\$ 26,320	\$ 4,944	\$ 3,573	\$ 652	\$ 2,268,110

Interfund Payables						
Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Insurance Administration Fund	Internal Service Funds	Total	
\$ 2,502	\$ 337	\$	\$	\$ 89	\$	9,265
18,097	12,420			856		32,054
824						8,373
10,653	41	3	10	76		257,752
	34			5,815		45
						28,186
						51
						16
8	235	20	92	203		70,714
						50
			151			1,435
						250
\$ 32,084	\$ 13,067	\$ 23	\$ 253	\$ 7,039	\$	408,191

**Note 8**

**PENSION PLANS**

**Kentucky Retirement Systems**

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

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

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

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

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

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (800) 928-4646 or (502) 564-4646 or online at [www.kyret.ky.gov](http://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. Member contributions to the plan are recognized when due and the employer has made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plans.

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

The Judicial Form Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement plans. That report may be obtained by writing to the Judicial Form Retirement Plans, 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](http://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](http://www.ktrs.ky.gov).

## COMMONWEALTH OF KENTUCKY

## Notes to the Financial Statements

June 30, 2019

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

	<b>Tier 1</b> Participation Prior to 9/1/2008	<b>Tier 2</b> Participation 9/1/2008 through 12/31/2013	<b>Tier 3</b> Participation on or after 1/1/2014
<b>Covered Employees:</b>	Substantially all regular full-time members employed in non-hazardous positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
<b>Benefit Formula:</b>	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
<b>Final Compensation:</b>	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
<b>Benefit Factor:</b>	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.
<b>Cost of Living Adjustment (COLA):</b>	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit:</b>	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.	
<b>Reduced Retirement Benefit:</b>	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



## COMMONWEALTH OF KENTUCKY

## Notes to the Financial Statements

June 30, 2019

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

	<b>Tier 1</b> Participation Prior to 9/1/2008	<b>Tier 2</b> Participation 9/1/2008 through 12/31/2013	<b>Tier 3</b> Participation on or after 1/1/2014
<b>Covered Employees:</b>	Substantially all regular full-time members employed in hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
<b>Benefit Formula:</b>	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
<b>Final Compensation:</b>	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
<b>Benefit Factor:</b>	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.
<b>Cost of Living Adjustment (COLA):</b>	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit:</b>	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.
<b>Reduced Retirement Benefit:</b>	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 55 or has less than 20 years service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 60 or has less than 25 years service, whichever is smaller.	No reduced retirement benefit

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2019

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

	<b>Tier 1</b> Participation before 9/1/2008	<b>Tier 2</b> Participation on or between 9/1/2008 and 12/31/2013	<b>Tier 3</b> Participation on or after 1/1/2014
<b>Covered Employees:</b>	All full-time state troopers employed in a hazardous duty position by the Kentucky State Police.		
<b>Benefit Formula:</b>	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.
<b>Final Compensation:</b>	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
<b>Benefit Factor:</b>	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.
<b>Cost of Living Adjustment (COLA):</b>	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit:</b>	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.
<b>Reduced Retirement Benefit:</b>	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**

	<b>Tier 1</b> Participation prior to 7/1/1978	<b>Tier 2</b> Participation between 7/1/1978 and 6/30/1980	<b>Tier 3</b> Participation between 7/1/1980 and 1/1/2014	<b>Tier 4</b> Participation on or after 1/1/2014
<b>Covered Employees:</b>	District, Circuit, Court of Appeals, Family 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.			
<b>Benefit Formula:</b>	Final Average Compensation X Benefit Factor X Years of Service. Not to exceed 100% of final average compensation.			Cash Balance Plan
<b>Final Compensation:</b>	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
<b>Benefit Factor:</b>	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.
<b>Cost of Living Adjustment (COLA):</b>	Prior to June 30 2009, cost of living adjustments (COLA), keyed to Consumer Price Index, were provided on July 1 of each year. Commencing in 2009, the COLA on July 1 of each year is 1.5%. The COLA created in 2009 was suspended by legislative action in 2014 and no COLA's have since been granted.			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.
<b>Unreduced Retirement Benefit:</b>	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.
<b>Reduced Retirement Benefit:</b>	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**

	<b>Tier 1</b> Participation prior to 7/1/1978	<b>Tier 2</b> Participation between 7/1/1978 and 6/30/1980	<b>Tier 3</b> Participation between 7/1/1980 and 12/31/2013	<b>Tier 4</b> Participation on or after 1/1/2014
<b>Covered Employees:</b>	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.			
<b>Benefit Formula:</b>	Final Average Compensation X Benefit Factor X Years of Service			Cash Balance Plan
<b>Final Compensation:</b>	The average compensation for the highest 36 months of state salary.			No Final Compensation
<b>Benefit Factor:</b>	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.
<b>Cost of Living Adjustment(COLA):</b>	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.
<b>Unreduced Retirement Benefit:</b>	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.
<b>Reduced Retirement Benefit:</b>	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**

	<b>Tier 1</b> Participation prior to 7/1/2008	<b>Tier 2</b> Participation on or after 7/1/2008
<b>Covered Employees:</b>	Provides pension plan coverage for local school districts and other educational agencies in the state.	
<b>Benefit Formula:</b>	Final Compensation X Benefit Factor X Years of Service	
<b>Final Compensation:</b>	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.
<b>Benefit Factor:</b>	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 for each year in excess of 30. 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.
<b>Cost of Living Adjustment (COLA):</b>	1.5% annually additional ad hoc increases must be authorized by the General Assembly.	
<b>Unreduced Retirement Benefit:</b>	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.
<b>Reduced Retirement Benefit:</b>	Reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service.	Reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

	<b>Fiscal Year 2019</b>		
	<b>Kentucky Legislators Retirement Plan</b>	<b>Kentucky Judicial Retirement Plan</b>	<b>State Police Retirement System</b>
Total Pension Liability			
Service Costs	\$ 698	\$ 4,127	\$ 11,890
Interest	4,639	22,699	47,978
Differences between expected and actual experience			25,126
Changes in assumptions			
Benefit payments/refunds	(4,529)	(23,194)	(58,805)
Other			162
Net change in total pension liability	808	3,632	26,351
Total pension liability at July 1	73,566	371,505	943,272
Total pension liability at June 30	<u>\$ 74,374</u>	<u>\$ 375,137</u>	<u>\$ 969,623</u>
Pension Plan Fiduciary Net Position			
Contributions - employer	\$ 2,400	\$ 12,529	\$ 46,877
Contributions - member	232	1,977	5,522
Net investment income	6,271	27,067	18,437
Benefit payments/refunds	(4,528)	(23,194)	(58,805)
Administrative expenses			(194)
Other			(1)
Net change in plan fiduciary net position	4,375	18,379	11,836
Pension plan fiduciary net position at July 1	68,372	292,718	255,737
Pension plan fiduciary net position at June 30	<u>\$ 72,747</u>	<u>\$ 311,097</u>	<u>\$ 267,573</u>
Net pension liability at June 30	<u>\$ 1,627</u>	<u>\$ 64,040</u>	<u>\$ 702,050</u>
Pension plan fiduciary net position as a % of the total pension liability	97.81%	82.93%	27.60%
Covered-employee payroll	\$ 4,413	\$ 30,900	\$ 50,346
Net Pension liability as a % of covered employee payroll	36.9%	207.2%	1394.5%

# COMMONWEALTH OF KENTUCKY

## Notes to the Financial Statements

June 30, 2019

	Kentucky Employees Retirement System		State Police Retirement System
	Non-Hazardous	Hazardous	
Employer Contribution	69.69%	34.41%	121.27%
State Contribution as a percentage of nonemployer special funding situation			
Member Contribution	5.00%	8.00%	8.00%
Employer Contributions made in thousands	\$771,052	\$55,259	\$60,048
Special Funding Contributions made in thousands			
As of the measurement date:			
Actuarial Valuation Date	June 30, 2017, with standard roll forward	June 30, 2017, with standard roll forward	June 30, 2017, with standard roll forward
Measurement Date	June 30, 2018	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level percent of pay	Level percent of pay	Level percent of pay
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	5.25% unchanged from prior year	6.25% unchanged from prior year	5.25% unchanged from prior year
Inflation Rate	2.30%	2.30%	2.30%
Payroll Growth Assumptions	0.00%	0.00%	0.00%
Projected salary increases	KERS Non-Hazardous and State Police Retirement System active member salaries are assumed to increase at the rate of 19.5% in year one and decreasing to 3.55% for year ten and beyond. KERS Hazardous increases will be 15.5% in year one decreasing to 3.05% year ten and beyond. A decrease of .95% when compared to the prior year.		
Mortality Tables	Pre-retirement mortality: RP-2000 Combined Mortality Table projected with scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%.) Post-retirement mortality (non-disabled) : RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). Post-retirement mortality (disabled): RP-2000 Combined Disability Mortality Table Projected with Scale BB to 2013. Male mortality rates are set back four years. These mortality assumptions assume a margin for future mortality improvement.		
Date of Experience Study	The period July 1, 2008 - June 30, 2013	The period July 1, 2008 - June 30, 2013	The period July 1, 2008 - June 30, 2013
Update procedures applied	The total pension liability, was rolled-forward from the valuation date to the fiscal year end June 30, 2018, using generally accepted actuarial principles.		
Change in Assumptions	There have been no changes in actuarial assumption since June 30, 2017.		
Membership Information			
Retirees and beneficiaries receiving benefits	44,916	4,093	1,536
Inactive members	49,658	5,298	480
Active plan members	37,234	4,047	903
Total	131,808	13,438	2,919
Number of participating employers	347	7	1



**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

<b>Judicial Retirement Plan</b>	<b>Legislators Retirement Plan</b>	<b>Kentucky Teachers' Retirement System</b>
Traditional plan 33.85% Hybrid plan 1.8%	Traditional plan 0% Hybrid plan 0%	32.11%
		32.11%
Members entering the plan on or after September 1, 2008, must contribute 6%. Members entering the plan on or after July 1, 1978, and prior to September 1, 2008, contribute 5% of official salary.		University members contribute 10.40% of salary. Non-university members contribute 12.855% of salary.
Traditional plan \$8,600 Hybrid plan \$95	Traditional plan \$0 Hybrid plan \$0	\$7,289
		\$1,051,452
June 30, 2017, with standard roll forward	June 30, 2017, with standard roll forward	June 30, 2017, with standard roll forward
June 30, 2018	June 30, 2018	June 30, 2018
Entry age normal funding method	Entry age normal funding method	Entry age normal
Interest + 1% Unfunded past liability	Interest + 1% Unfunded past liability	Level funding
Market Value	Market Value	Five-year smoothed Market
Defined Benefit Plan 6.24% Hybrid Plan 4.0%, unchanged from prior year. 3.00%	6.45 % Defined Benefit Plan; 4.0% Hybrid Cash Plan. Both unchanged from prior year. 3.00%	7.5%; prior year 4.49% 3.00%
1.0% for the next five years, thereafter 3.5%	1.0% for the next five years, thereafter 3.5%	3.50% to 7.30% including inflation
RP 2000 Mortality Tables with white collar adjustment with Pre- and Post-Commencement Rates with projected mortality improvements after year 2000 under Project Scale AA (males and female scales.)		Mortality rates were based on RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males of one year for females.
Information not available	Information not available	The period July 1, 2010 - June 30, 2015
Standard roll forward methods using generally accepted actuarial techniques.		Standard roll forward using generally accepted actuarial techniques.
368	244	52,966
16	40	8,624
213	80	72,130
597	364	133,720
1	1	216

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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 target asset allocation as of June 30, 2018 (see the discussion of the Judicial Retirement 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 Judicial Defined Benefit Plan discount used to measure the total pension liability was 6.24%, as of June 30, 2018, unchanged from the previous year. 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 Retirement Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2055. The long-term expected rate of return on the Judicial Retirement Pension Plan's investments was applied to periods of projected benefit payments through this date, and the municipal bond rate, was used for the period thereafter to determine the pension liability. The discount rate used to measure the total pension liability on the second bases was 6.5% for 38 years and 3.11% thereafter. This is equivalent to an average assumed rate of return of approximately 6.24%.

The following presents the net pension liability of the Judicial Retirement Plan, calculated using the discount rate of (6.24%), as well as what the Judicial Plan's pension liability would be if it was calculated using a discount rate that is 1% point lower (5.24%) or 1% point higher (7.24%) than the current rate:

Kentucky Judicial Retirement Plan (Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
	5.24%	6.24%	7.24%
Net Pension Liability	\$ 100,522	\$ 64,040	\$ 32,930

**Kentucky Legislators Retirement System**

The discount used to measure the total pension liability was 6.45%, as of July 1, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be made at the current statutory contribution rate. Based on those assumptions, the Legislative Defined Benefit Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2068. The long-term expected rate of return on the Legislators Retirement Plan's investments was applied to periods of projected benefit payments through this date, and the municipal bond rate, was used for periods thereafter to determine the total pension liability. The discount used to measure the total pension liability on the second bases was 6.50% for 38 years, and 3.11% thereafter. This is equivalent to an average assumed rate of return of approximately 6.45%.

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

Kentucky Legislators Retirement Plan (Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
	5.45%	6.45%	7.45%
Net Pension Liability	\$ 8,539	\$ 1,627	\$ (4,266)

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

The long-term expected rate of return was determined by using a building block method for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target 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)

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**State Police Retirement System**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>U.S. Equity</b>	<b>17.5%</b>	
US Large Cap	8.5%	4.50%
US Mid Cap	5.0%	4.50%
US Small Cap	4.0%	5.50%
<b>Non US Equity</b>	<b>17.5%</b>	
International Developed	12.5%	6.50%
Emerging Markets	5.0%	7.25%
Global Bonds	10%	3.00%
<b>Credit Fixed</b>	<b>17%</b>	
Global IG Credit	10%	3.75%
High Yield	3%	5.50%
EMD	4%	6.00%
Private Equity	10%	6.50%
Real Estate	5%	7.00%
Absolute Return	10%	5.00%
Real return	10%	5.00%
Cash	3%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>5.13%</b>

**Kentucky Retirement Systems Hazardous Retirement Plan**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>U.S. Equity</b>	<b>17.5%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.5%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.0%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.0%	6.50%
Real Estate	5.0%	9.00%
Absolute Return	10.0%	5.00%
Real return	10.0%	7.00%
Cash	2.0%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>6.09%</b>

**Kentucky Retirement Systems Non-Hazardous Retirement Plan**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>U.S. Equity</b>	<b>17.5%</b>	
US Large Cap	8.5%	4.50%
US Mid Cap	5.0%	4.50%
US Small Cap	4.0%	5.50%
<b>Non US Equity</b>	<b>17.5%</b>	
International Developed	12.5%	6.50%
Emerging Markets	5.0%	7.25%
Global Bonds	10%	3.00%
<b>Credit Fixed</b>	<b>17%</b>	
Global IG Credit	10%	3.75%
High Yield	3%	5.50%
EMD	4%	6.00%
Private Equity	10%	6.50%
Real Estate	5%	7.00%
Absolute Return	10%	5.00%
Real return	10%	5.00%
Cash	3%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>5.13%</b>

The discount rate used to measure the total pension liability of SPRS and KERS non-hazardous was 5.25%. The discount rate used to measure KERS Hazardous is 6.25%. All plans experience no change in the discount rate from the prior year. These single discount rates are based on the expected rate of return on pension plan investments for each system. Based on stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system. The projection of cash flow used to determine the single discount rate assumed that employers would contribute the actuarially determined contribution rate in all future years. The discount rate determination does not use a municipal bond rate. The following presents the net pension liability of SPRS, and KERS Non-Hazardous calculated using the discount rate stated above 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.

<b>State Police Retirement System</b>			
(Expressed in Thousands)			
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability	\$ 823,796	\$ 702,050	\$ 601,850

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Kentucky Employees Retirement System Non-Hazardous**  
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	4.25%	5.25%	6.25%
Net Pension Liability	\$ 11,477,274	\$ 10,074,599	\$ 8,906,347

The Commonwealth's proportionate share of the net pension liability (assets) is 74.46%.

**Kentucky Employees Retirement System Hazardous**  
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
Net Pension Liability	\$ 629,893	\$ 492,281	\$ 378,013

The Commonwealth's proportionate share of the net pension liability (assets) is 97.46%.

**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 investment consultant, are summarized in the following table:

**Kentucky Teachers' Retirement System**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories *	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	100%	

\*Includes High Yield, Non-US Developed Bonds and Private Credit Strategies

The discount rate used to measure the total pension liability was 7.5% an increase from the prior year rate of 4.49%. 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 the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate from 4.49% used in the 2017 disclosure report is considered a change in assumptions or other inputs.

The following table presents the net pension liability of the System, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

**Kentucky Teachers' Retirement System**  
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
State as employer	\$ 125,628	\$ 226,555	\$ 74,768
State as a nonemployer special funding situation	16,961,695	13,103,047	10,094,885
Total Net Pension Liability	\$ 17,087,323	\$ 13,329,602	\$ 10,169,653

The Commonwealth's proportionate share of the net pension liability (assets) is 97.1%.

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Kentucky Judicial Retirement Plan**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized pension expenses (income) of (\$8,202,000) for the Kentucky Judicial Retirement Plan. Deferred outflows and deferred inflows related to pensions are from the following sources:

<b>Kentucky Judicial Retirement Plan</b> (Expressed in Thousands)		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 66	\$ 9
Changes in assumptions		18,285
Net difference between projected and actual earnings on investments	3,796	
Contributions subsequent to the measurement date	8,732	
<b>Total</b>	<b>\$ 12,594</b>	<b>\$ 18,294</b>

The \$8,732,000 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, 2020. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

<b>Kentucky Judicial Retirement Plan</b> (Expressed in Thousands)	
Year ended June 30:	
2020	\$ (4,806)
2021	(3,046)
2022	(4,943)
2023	(1,673)
2024	5
Thereafter	31

**Kentucky Legislators Retirement Plan**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized pension expense (income) of (\$2,604,000) for the Kentucky Legislators Retirement Plan. Deferred outflows and deferred inflows related to pensions are from the following sources:

<b>Kentucky Legislators' Retirement Plan</b> (Expressed in Thousands)		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 15	\$ 2
Changes in assumptions		4,065
Net difference between projected and actual earnings on investments	852	
<b>Total</b>	<b>\$ 867</b>	<b>\$ 4,067</b>

Amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

<b>Kentucky Legislators' Retirement System</b> (Expressed in Thousands)	
Year ended June 30:	
2020	\$ (1,030)
2021	(685)
2022	(1,111)
2023	(380)
2024	1
Thereafter	5

# COMMONWEALTH OF KENTUCKY

## Notes to the Financial Statements

June 30, 2019

### Kentucky Employees Non-Hazardous Retirement System

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized pension expenses (income) of \$1,473,088,000 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	\$ 71,679	\$ 28,097
Changes in assumptions	449,910	
Net difference between projected and actual earnings on investments	75,318	65,700
Change in proportionate share	263,301	163,057
Contributions subsequent to the measurement date	793,776	
Total	<u>\$ 1,653,984</u>	<u>\$ 256,854</u>

The \$793,776,000 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, 2020. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

Year ended June 30:	Kentucky Employees' Retirement System Non- Hazardous (Expressed in Thousands)	
2020	\$	570,259
2021		59,213
2022		(19,886)
2023		(6,232)

### Kentucky Employees Hazardous Retirement System

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized pension expenses (income) of \$88,497,000 for the Kentucky Employees Hazardous Retirement System. Deferred outflows and deferred inflows related to pensions are from the following

	Kentucky Employees Retirement System Hazardous (Expressed in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,323	\$
Changes in assumptions	44,738	
Net difference between projected and actual earnings on investments	23,114	29,302
Change in proportionate share	2,602	3,276
Contributions subsequent to the measurement date	52,903	
Total	<u>\$ 148,680</u>	<u>\$ 32,578</u>

The \$52,903,000 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, 2020. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

Year ended June 30:	Kentucky Employees Retirement System Hazardous (Expressed in Thousands)	
2020	\$	61,121
2021		13,112
2022		(8,284)
2023		(2,750)

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Kentucky State Police Retirement System**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized pension expenses (income) of \$115,270,000 for the Kentucky State Police Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

<b>Kentucky State Police Retirement System</b> (Expressed in Thousands)			
<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ 20,566	\$	
Changes in assumptions	56,441		
Net difference between projected and actual earnings on investments	11,800		11,174
Contributions subsequent to the measurement date	57,968		
<b>Total</b>	<b>\$ 146,775</b>	<b>\$</b>	<b>11,174</b>

The \$57,968,000 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, 2020. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

<b>Kentucky State Police Retirement System</b> (Expressed in Thousands)	
Year ended June 30:	
2020	\$ 56,936
2021	23,470
2022	(1,735)
2023	(1,038)

**Kentucky Teachers' Retirement System**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized pension expenses (income) of (\$69,545,000) as an employer and (\$1,385,513,000) as a Governmental Nonemployer Contributing Entity to Kentucky Teachers' Retirement System. Deferred outflows and deferred inflows related to pensions are from the following sources:

<b>Kentucky Teachers' Retirement System</b> (Expressed in Thousands)			
<b>Employer</b>		<b>Nonemployer Special Funding Situation</b>	
<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 760	\$ 102,732	\$ 234,362
Changes in assumptions	16,087	2,173,133	11,830,399
Net difference between projected and actual earnings on investments			471,888
Change in proportionate share	11,280	387,122	22,468
Contributions subsequent to the measurement date	7,289	1,051,452	
<b>Total</b>	<b>\$ 35,416</b>	<b>\$ 3,714,439</b>	<b>\$ 12,559,117</b>

The \$7,289,000 and \$1,051,452,000 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, 2020. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized as pension expense as follows:

<b>Kentucky Teachers' Retirement System</b> (Expressed in Thousands)			
<b>Employer</b>		<b>Nonemployer Special Funding Situation</b>	
Year ended June 30:			
2020	\$ (61,893)	\$	(2,500,807)
2021	(65,697)		(2,765,083)
2022	(37,563)		(3,253,721)
2023	(9,862)		(1,376,519)



**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized pension expenses (income) of \$1,543,777,000 as an employer and (\$1,385,513,000) as a Governmental Nonemployer Contributing Entity. Deferred outflows and deferred inflows related to pensions are from the following sources:

	<b>Primary Government</b> <i>(Expressed in Thousands)</i>			
	<b>Governmental Activities</b>			
	<b>Employer</b>		<b>Nonemployer Special Funding Situation</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 115,674	\$ 28,718	\$ 102,732	\$ 234,362
Changes in assumptions	550,705	87,830	2,173,133	11,830,399
Net difference between projected and actual earnings on investments	112,143	129,872		471,888
Change in proportionate share	273,962	271,495	387,122	22,468
Contributions subsequent to the measurement date	893,426		1,051,452	
<b>Total</b>	<b>\$ 1,945,910</b>	<b>\$ 517,915</b>	<b>\$ 3,714,439</b>	<b>\$ 12,559,117</b>

For the Year Ended June 30, 2019, The Commonwealth of Kentucky recognized pension expenses (income) of \$52,727,000 and deferred outflows and deferred inflows related to pensions from the following sources:

	<b>Business-Type Activities</b> <i>(Expressed in Thousands)</i>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,734	\$ 921
Changes in assumptions	16,471	
Net difference between projected and actual earnings on investments	2,736	2,457
Change in proportionate share	3,224	4,993
Contributions subsequent to the measurement date	27,241	
<b>Total</b>	<b>\$ 52,406</b>	<b>\$ 8,371</b>

For the Year Ended June 30, 2019, Major Component Units recognized pension expenses (income) of (\$7,905,000) and deferred outflows and deferred inflows related to pensions from the following sources:

	<b>Major Component Units</b> <i>(Expressed in Thousands)</i>	
	<b>as Employer</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,414	\$ 4,274
Changes in assumptions	27,761	46,329
Net difference between projected and actual earnings on investments	3,137	4,402
Change in proportionate share	4,542	84,147
Contributions subsequent to the measurement date	21,748	
<b>Total</b>	<b>\$ 60,602</b>	<b>\$ 139,152</b>

**COMMONWEALTH OF KENTUCKY**

**Notes to the Financial Statements**

**June 30, 2019**

Primary Government reports \$1,972,120,000 and Major Component Units report \$21,748,000 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, 2020. Other amounts reported as deferred outflows and deferred inflows will be recognized in pension expense as follows:

		<b>Primary Government</b>			<b>Major Component Units</b>
		<i>(Expressed in Thousands)</i>			<i>(Expressed in Thousands)</i>
		<b>Governmental Activities</b>	<b>Nonemployer Special Funding Situation</b>	<b>Business-Type Activities</b>	
Year ended June 30:					
	2020	\$ 603,161	\$ (2,500,807)	\$ 17,390	\$ (32,531)
	2021	25,882	(2,765,083)	450	(39,153)
	2022	(72,762)	(3,253,721)	(796)	(22,170)
	2023	(21,719)	(1,376,519)	(251)	(6,444)
	2024	(29)			
Thereafter		36			

**Note 9**

**OTHER POSTEMPLOYMENT BENEFITS**

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

**Kentucky Retirement Systems OPEB Plan**

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

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

**Kentucky Judicial Form Retirement System OPEB Plan**

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

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

**Kentucky Teachers' Retirement System OPEB Plan**

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

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

The Kentucky Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601, by telephone at (800) 618-1687, or online at [www.trs.ky.gov](http://www.trs.ky.gov).

**COMMONWEALTH OF KENTUCKY**

**Notes to the Financial Statements**

**June 30, 2019**

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

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

**Covered Employees:** Members of KRS currently receiving benefits.

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

There has been no change in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the Total OPEB liability). House Bill 185 was enacted during the 2018 General Assembly Regular Session, which updated the benefits provisions for active members who die in the line of duty.

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

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

**Membership:**

Retirees and beneficiaries receiving benefits	29,032
Inactive members	5,884
Active plan members	37,100
<b>Total</b>	<b>72,016</b>

Publicly available financial report can be accessed at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**COMMONWEALTH OF KENTUCKY**

**Notes to the Financial Statements**

**June 30, 2019**

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

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

**Covered Employees:** Members of KRS currently receiving benefits.

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

There has been no change in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the Total OPEB liability). House Bill 185 was enacted during the 2018 General Assembly Regular Session, which updated the benefits provisions for active members who die in the line of duty.

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

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

**Membership:**

Retirees and beneficiaries receiving benefits	2,190
Inactive members	270
Active plan members	4,040
<b>Total</b>	<b>6,500</b>

Publicly available financial report can be accessed at [www.kyret.ky.gov](http://www.kyret.ky.gov).

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**Kentucky Retirement Systems OPEB Plan**  
**Governance KRS 61.701 to 61.705**  
**Single Employer Defined Benefit**  
**State Police Retirement System**

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

**Covered Employees:** Members of KRS currently receiving benefits.

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

There has been no change in actuarial assumptions since June 30, 2017. House Bill 185, enacted during the 2018 General Assembly Regular Session, updated the benefits provisions for active members who die in the line of duty.

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

**Cost of Living**

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

**Membership:**

Retirees and beneficiaries receiving benefits	1,277
Inactive members	40
Active plan members	875
<b>Total</b>	<b>2,192</b>

Publicly available financial report can be accessed at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**COMMONWEALTH OF KENTUCKY****Notes to the Financial Statements****June 30, 2019**

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

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

**Covered Employees:** Members of KJFRS currently receiving benefits.

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

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

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

**Employer Contribution:****Membership:**

Retirees and beneficiaries receiving benefits	354
Inactive members	15
Active plan members	238
<b>Total</b>	<b>607</b>

Publicly available financial report can be accessed at [www.kjfrs.ky.gov](http://www.kjfrs.ky.gov).

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

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

**Covered Employees:** Members of KJFRS currently receiving benefits.

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

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

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

**Employer Contribution:**

**Membership:**

Retirees and beneficiaries receiving benefits	238
Inactive members	43
Active plan members	103
<b>Total</b>	<b>384</b>

Publicly available financial report can be accessed at [www.kjfrs.ky.gov](http://www.kjfrs.ky.gov).



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

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

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

	<b>Percentage of System Contribution Rate Provided to Retirees*</b>			
	Entered system Before 7/1/2002		Entered System After June 2002 and before July 2008	Entered System After June 2008
	Years of Service	Age 65 or Older and Covered before January 2005	Age 65 After or Covered After December 2004	
<b>Benefit Factor:</b>	5 - 9.99	70%	25%	10%
	10 - 14.99	80%	50%	25%
	15 -19.99	90%	75%	45%
	20 - 24.99	100%	100%	65%
	25 - 29.99	100%	100%	90%
	26 - 26.99	100%	100%	95%
	27 or more	100%	100%	100%

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

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP( KY Employee Health Plan) -participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

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

**Cost of Living  
Adjustment (COLA)** Does not apply

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

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

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

<b>Membership:</b>	Medical	Life Insurance
Retirees and beneficiaries receiving benefits	41,232	49,422
Inactive members	7,337	8,814
Active plan members	72,205	72,205
<b>Total</b>	<b>120,774</b>	<b>130,441</b>

Publicly available financial report can be accessed at [www.trs.ky.gov](http://www.trs.ky.gov).

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

	<b>Fiscal Year 2019</b>		
	<b>Kentucky Legislators Retirement Plan</b>	<b>Kentucky Judicial Retirement Plan</b>	<b>State Police Retirement System</b>
Total OPEB Liability			
Service Costs	\$ 290	\$ 927	\$ 6,087
Interest	1,403	3,319	18,432
Changes in benefit terms			34
Differences between expected and actual experience			(23,320)
Changes in assumptions			(358)
Benefit payments/refunds	(758)	(1,962)	(13,097)
Net change in total OPEB liability	935	2,284	(12,222)
Total OPEB liability at July 1	22,085	52,111	313,234
Total OPEB liability at June 30	<u>\$ 23,020</u>	<u>\$ 54,395</u>	<u>\$ 301,012</u>
OPEB Plan Fiduciary Net Position			
Contributions - employer	\$ 5	\$ 1,218	\$ 8,535
Contributions - member	9	218	155
Net investment income	3,896	7,610	16,470
Benefit payments/refunds	(758)	(1,962)	(13,097)
Administrative expenses			(62)
Other		59	8
Net change in plan fiduciary net position	3,152	7,143	12,009
OPEB plan fiduciary net position at July 1	42,030	79,141	178,838
OPEB plan fiduciary net position at June 30	<u>\$ 45,182</u>	<u>\$ 86,284</u>	<u>\$ 190,847</u>
Net OPEB liability at June 30	<u>\$ (22,162)</u>	<u>\$ (31,889)</u>	<u>\$ 110,165</u>
Plan fiduciary net position as a % of the total OPEB liability	196.27%	158.62%	63.40%
Covered-employee payroll	\$ 4,407	\$ 30,624	\$ 50,064
Net OPEB liability as a % of covered employee payroll	-502.9%	-104.1%	220.0%

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	<b>Kentucky Employees OPEB Plan</b>		<b>State Police OPEB Plan</b>
	<b>Non-Hazardous</b>	<b>Hazardous</b>	
<b>Employer Contribution</b>	11.81%	3.28%	27.24%
<b>Member Contribution</b>	1.00%	1.00%	1.00%
<b>State Contribution as a percentage of nonemployer</b>			
<b>Contributions</b>	\$ 178,964,000	\$ 4,970,000	\$ 13,288,000
<b>Experience Study</b>	July 1, 2008-June 30, 2013	July 1, 2008-June 30, 2013	July 1, 2008-June 30, 2013
<b>Actuarial Valuation Date</b>	June 30, 2017	June 30, 2017	June 30, 2017
<b>Inflation</b>	2.3%, no change from prior year.	2.3%, no change from prior year.	2.3%, no change from prior year.
<b>Salary Increases</b>	0%, no change from prior year.	0%, no change from prior year.	0%, no change from prior year.
<b>Investment rate of return</b>	6.25%, no change from prior year.	6.25%, no change from prior year.	6.25%, no change from prior year.
<b>Health cost trend rates</b>	Underlying assumptions: 1). A short run period-this is a period for which anticipated health care trend rates are manually set based on local information as well as plan-specific and carrier information. 2). Long term real GDP Growth- 1.75%. 3). Long term rate of inflation- 2.3%. 4). Long term nominal GDP growth- 4.05%. 5). Year that excess rate converges to 0-15 years from the valuation. Health Care Cost Trends are thus the manually set rates for the short run period and rates which decline to an ultimate trend rate which equals the assumed nominal long term GDP growth rate.		
<b>Actuarial Cost Method</b>	Entry age normal		Entry age normal
<b>Asset valuation method</b>	5 years smoothing		5 year smoothing
<b>Actuarial assumptions: Investment rate of return</b>	6.25%	6.25%	6.25%
<b>Mortality Tables</b>	The mortality table used for active members is RP-2000 Combined Mortality Table projected with scale BB to 2013 (multiplied by 50% for males and 30% for females.) Post retirement mortality (non-disabled) used RP-2000 Combined Mortality Table projected with Scale BB to 2013. Set back one year for females. Post-retirement disabled members RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 Male mortality rates set back four years for male.		
<b>Update procedures applied</b>	Standard roll forward methods using generally accepted actuarial techniques.		

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<b>Judicial OPEB Plan</b>	<b>Legislators OPEB Plan</b>	<b>Kentucky Teachers' OPEB Plan</b>
0.00%	0.00%	0.09%
Members participating on or after January 2014 contribute 1%	Members participating on or after January 2014 contribute 1%	Active members contribute between 2.75% and 3.75%
		4.80%
		\$ 183,146,000
not available	not available	July 1, 2010 - June 30, 2015
July 1, 2017	July 1, 2017	June 30, 2017
3.00%	3.00%	3.00%
1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter	3.50 - 7.20% including wage inflation
6.24% (traditional plan ) 4% ( hybrid plan )	6.45% (traditional plan ) 4% ( hybrid plan )	8.00%
8% for year 1, decreasing 0.25% per year to an ultimate rate of 5% for years 13+	8% for year 1, decreasing 0.25% per year to an ultimate rate of 5% for years 13+	Under Age 65 - 7.75% FYE 2018 decreasing to an ultimate rate of 5.0% by FYE 2024. Age 65 and older is 5.75% for FYE 2018 decreasing to an ultimate rate of 5.0% by FYE 2021. The medicare part B premium is 0.00% for FYE 2018 with an ultimate rate of 5.0% FYE 2030.
Entry age normal	Entry age normal	Entry age normal
5 year smoothing	5 year smoothing	5 year smoothing
6.24%	6.45%	8.00%
Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scale).	Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scale).	Mortality rates were based on RP-2000 Combined Mortality Table projected to 2025 with projection of Scale BB, set forward two years for males of one year for females is used for dependent beneficiaries.
Standard roll forward methods using generally accepted actuarial techniques.		Standard roll forward methods using generally accepted actuarial techniques.

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**Kentucky Judicial Retirement Plan OPEB Plan**

The long-term expected rate of return on Judicial and Legislators Retirement Plan OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Judicial and Legislators Retirement Plan's OPEB Plan's target asset allocation as of June 30, 2018, (see the discussion of the Judicial Plan's investment policy in Note 5) are summarized in the following table:

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

The discount used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be made at the current statutory contribution rates. Based on those assumptions, the Judicial Retirement Plan's OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2055. The long-term expected rate of return on the Judicial OPEB Plan's investments was applied to periods of projected OPEB payments through this date, and the municipal bond rate, determined by using the 20-year municipal AA bond yield at July 1, 2017, for the periods thereafter to determine the total OPEB liability.

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

<b>Kentucky Judicial Form Retirement Plan</b> (Expressed in Thousands)			
	<b>1% Decrease</b> 5.50%	<b>Current Discount Rate</b> 6.50%	<b>1% Increase</b> 7.50%
Net OPEB Liability (Assets)	\$ (25,080)	\$ (31,890)	\$ (37,551)

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

<b>Kentucky Judicial Form Retirement Plan</b> <b>Healthcare Cost Trend Rates</b> (Expressed in Thousands)			
	<b>1% Decrease</b> 7% decreasing to 4% over 12 years	<b>Current Rate</b> 8% decreasing to 5% over 12 years	<b>1% Increase</b> 9% decreasing to 6% over 12 years
Net OPEB Liability (Assets)	\$ (38,098)	\$ (31,890)	\$ (24,431)

**Kentucky Legislators Retirement Plan OPEB Plan**

The discount used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be made at the current statutory contribution rates. Based on those assumptions, the Legislators Retirement OPEB Plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2068. The long-term expected rate of return on the Legislators Retirement OPEB Plan's investments was applied to periods of projected OPEB payments through this date, and the municipal bond rate, determined by using the 20-year municipal AA bond yield at July 1, 2017, for the periods thereafter to determine the total OPEB liability. The discount used to measure the total OPEB liability on the second basis was 6.50% for 51 years, and 3.11% thereafter. This is equivalent to an average assumed rate of return of approximately 6.45%.

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

<b>Kentucky Legislators Retirement Plan</b> (Expressed in Thousands)			
	<b>1% Decrease</b> 5.50%	<b>Current Discount Rate</b> 6.50%	<b>1% Increase</b> 7.50%
Net OPEB Liability (Assets)	\$ (19,429)	\$ (22,162)	\$ (24,437)

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

### Kentucky Legislators Retirement Plan Healthcare Cost Trend Rates (Expressed in Thousands)

	1% Decrease 7% decreasing to 4% over 12 years	Current Rate 8% decreasing to 5% over 12 years	1% Increase 9% decreasing to 6% over 12 years
Net OPEB Liability (Assets)	\$ (24,612)	\$ (22,162)	\$ (19,234)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>U.S. Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
<b>Global Bonds</b>	<b>4.00%</b>	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
<b>Private Equity</b>	<b>10.00%</b>	6.50%
<b>Real Estate</b>	<b>5.00%</b>	9.00%
<b>Absolute Return</b>	<b>10.00%</b>	5.00%
<b>Real return</b>	<b>10.00%</b>	7.00%
<b>Cash</b>	<b>2.00%</b>	1.50%
Total	100.00%	6.09%

The discount used to measure the total OPEB liability was 6.02% for the Kentucky State Police Retirement System. The single discount rate is based on expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal Go AA Index" as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be at the actuarial contribution rate, which is determined using a closed funding period (25 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. Based on those assumptions, the plan's fiduciary net position, future contributions, and investment earnings are projected to be sufficient to pay benefits payments of the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and the subsidy will not be paid out of the System's trust. The following presents the net OPEB liability calculated using a discount as well as what the liability would be if it were using a discount rate that is 1% point lower or 1% point higher than the current rate:

### State Police Retirement System (Expressed in Thousands)

	1% Decrease 5.02%	Current Discount Rate 6.02%	1% Increase 7.02%
Net OPEB Liability (Assets)	\$ 149,812	\$ 110,165	\$ 77,519

The following presents the sensitivity of the Net OPEB liability using the health care cost trend of the KSP OPEB Plan, as well as what the OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate.

### State Police Retirement System Healthcare Cost Trend Rates (Expressed in Thousands)

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Assets)	\$ 75,342	\$ 110,165	\$ 152,264

The single discount rate used to measure the total OPEB liability for Kentucky Employees Retirement System was 5.86% for the non-hazardous plan and 5.88% for hazardous plan. The single discount rate is based on expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal Go AA Index" as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be at the actuarial contribution rate, which is determined

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using a closed funding period (25 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. Based on those assumptions, the plan's fiduciary net position, future contributions, and investment earnings are projected to be sufficient to pay benefits payments of the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and the subsidy will not be paid out of the System's trust. The following presents the net OPEB liability calculated using a discount as well as what the liability would be if it were using a discount rate that is 1% point lower or 1% point higher than the current rate:

**Kentucky Employees Retirement System Non-Hazardous**  
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	4.86%	5.86%	6.86%
Net OPEB Liability (Assets)	\$ 2,060,382	\$ 1,756,074	\$ 1,502,812

The Commonwealth's proportionate share of the net OPEB liability (assets) is 74.07%.

**Kentucky Employees Retirement System Hazardous**  
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	4.88%	5.88%	6.88%
Net OPEB Liability (Assets)	\$ 32,530	\$ (32,325)	\$ (84,328)

The Commonwealth's proportionate share of the net OPEB liability (assets) is 97.46%.

The following presents the sensitivity of the Net OPEB liability of the KERS, calculated using the healthcare cost trend of 7.50% decreasing to 5.0% over 15 years, as well as what the OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate.

**Kentucky Employees Retirement System Non Hazardous**  
**Healthcare Cost Trend Rates**  
(Expressed in Thousands)

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Assets)	\$ 1,493,029	\$ 1,756,074	\$ 1,616,550

**Kentucky Employees Retirement System Hazardous**  
**Healthcare Cost Trend Rates**  
(Expressed in Thousands)

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Assets)	\$ (83,007)	\$ (32,325)	\$ 30,379

**Kentucky Teachers' OPEB Plan**

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimates ranges of expected future real rates of return 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 rate 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:

**Medical Insurance Fund**

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Global Equity	58.0%	4.60%
Fixed Income	9.0%	1.20%
Real Estate	5.5%	3.80%
Private Equity	6.50%	6.30%
Additional Categories	20.00%	3.30%
Cash	1.00%	0.90%
Total	100%	

**Life Insurance Fund**

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	40.0%	4.20%
International Equity	23.0%	5.20%
Fixed Income	18.0%	1.20%
Real Estate	6.00%	3.80%
Private Equity	5.00%	6.30%
Additional Categories	6.00%	3.30%
Cash	2.00%	0.90%
Total	100%	

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



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## Notes to the Financial Statements

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The following table presents the net OPEB liability of the System, calculated using the discount rate of 8%, as well as what the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

**Kentucky Teachers' Retirement System  
Medical Insurance Fund**  
(Expressed in Thousands)

	1% Decrease  7.00%	Current Discount Rate 8.00%	1% Increase  9.00%
State as Employer	\$ 65,564	\$ 55,913	\$ 47,868
State as Special Funding	1,827,486	1,558,435	1,334,298
Net OPEB Liability (Assets)	\$ 1,893,050	\$ 1,614,348	\$ 1,382,166

The Commonwealth's total proportionate share of the OPEB liability (assets) is 46.53%. Non-employer special funding is 44.92% and employer is 1.61%.

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

**Kentucky Teachers' Retirement System  
Medical Insurance Fund  
Healthcare Cost Trend Rates**  
(Expressed in Thousands)

	1% Decrease 7.00%	Current Rate 8.00%	1% Increase 9.00%
State as Employer	\$ 46,364	\$ 55,913	\$ 67,692
State as Special Funding	1,292,255	1,558,435	1,886,815
Net OPEB Liability (Assets)	\$ 1,338,619	\$ 1,614,348	\$ 1,954,507

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

**Kentucky Teachers' Retirement System  
Life Insurance Fund**  
(Expressed in Thousands)

	1% Decrease  6.50%	Current Discount Rate 7.50%	1% Increase  8.50%
State as Employer	\$ 740	\$ 487	\$ 276
State as Special Funding	39,327	25,832	14,764
Net OPEB Liability (Assets)	\$ 40,067	\$ 26,319	\$ 15,040

The Commonwealth's total proportionate share of the OPEB liability (assets) is 46.53%. Non-employer special funding is 44.92% and employer is 1.61%.



**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Kentucky Judicial Retirement Plan OPEB Plan**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized OPEB expenses/(income) of (\$10,162,000) for the Kentucky Judicial Retirement Plan. Deferred outflows and deferred inflows related to OPEB are from the following sources:

<b>Kentucky Judicial Retirement OPEB Plan</b>		
<i>(Expressed in Thousands)</i>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4	\$
Net difference between projected and actual earnings on investments		4,598
Contributions subsequent to the measurement date	1,218	
Total	<u>\$ 1,222</u>	<u>\$ 4,598</u>

The \$1,218,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expenses/(income) as follows:

<b>Kentucky Judicial Retirement Plan OPEB</b>		
<i>(Expressed in Thousands)</i>		
Year ended June 30:		
2020	\$	(1,371)
2021		(1,371)
2022		(1,370)
2023		(484)
2024		2

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Kentucky Legislators Retirement Plan OPEB Plan**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized OPEB expenses/(income) of (\$3,463,000) for the Kentucky Legislators Retirement Plan. Deferred outflows and deferred inflows related to OPEB are from the following sources:

<b>Kentucky Legislators Retirement Plan OPEB Plan</b> <i>(Expressed in Thousands)</i>			
	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6	\$	961
Net difference between projected and actual earnings on investments			1,366
Contributions subsequent to the measurement date	12		
<b>Total</b>	<b>\$ 18</b>	<b>\$</b>	<b>2,327</b>

The \$12,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expenses/(income) as follows:

<b>Kentucky Legislators Retirement Plan OPEB Plan</b> <i>(Expressed in Thousands)</i>		
Year ended June 30:		
2020	\$	(697)
2021		(697)
2022		(697)
2023		(235)
2024		1
Thereafter		4

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Kentucky State Police Retirement System OPEB Plan**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized OPEB expenses of \$17,798,000, for the Kentucky State Police Retirement System OPEB Plan. Deferred outflows and deferred inflows related to OPEB are from the following sources:

<b>Kentucky State Police Retirement System OPEB Plan</b> (Expressed in Thousands)			
	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$		\$ 17,925
Changes in assumptions		30,655	271
Net difference between projected and actual earnings on investments			10,152
Change in proportionate share			
Contributions subsequent to the measurement date		13,273	
Total	\$	43,928	\$ 28,348

The \$13,273,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expense as follows:

<b>Kentucky State Police Retirement System OPEB Plan</b> (Expressed in Thousands)		
Year ended June 30:		
2020	\$	4,384
2021		4,384
2022		(4,853)
2023		(1,608)

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Kentucky Employees Retirement System OPEB Plan Non-Hazardous**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized OPEB expenses of \$171,438,000 for the Kentucky Employees' Non-Hazardous OPEB Plan. Deferred outflows and deferred inflows related to OPEB are from the following sources:

		<b>Kentucky Employees Retirement System OPEB Plan Non-Hazardous (Expressed in Thousands)</b>	
		<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$		\$ 113,812
Changes in assumptions		184,600	6,875
Net difference between projected and actual earnings on investments			26,833
Change in proportionate share		39,172	40,898
Contributions subsequent to the measurement date		154,680	
Total	\$	<u>378,452</u>	<u>\$ 188,418</u>

The \$154,680,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as pension expense as follows:

		<b>Kentucky Employees Retirement System OPEB Plan Non-Hazardous (Expressed in Thousands)</b>	
Year ended June 30:			
2020	\$	21,087	
2021		21,087	
2022		21,087	
2023		(27,907)	

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Kentucky Employees Retirement System OPEB Plan Hazardous**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized OPEB expenses of \$10,947,000 for the Kentucky Employees Retirement System OPEB Plan Hazardous. Deferred outflows and deferred inflows related to OPEB are from the following sources:

Kentucky Employees Retirement System OPEB Plan Hazardous (Expressed in Thousands)			
	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$		\$ 26,328
Changes in assumptions		59,424	477
Net difference between projected and actual earnings on investments			25,761
Change in proportionate share		151	2,046
Contributions subsequent to the measurement date		3,792	
Total	\$	63,367	\$ 54,612

The \$3,792,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as pension expense as follows:

Kentucky Employees Retirement System OPEB Plan Hazardous (Expressed in Thousands)		
Year ended June 30:		
2020	\$	658
2021		658
2022		658
2023		5,919
2024		(1,190)
Thereafter		(1,740)

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Kentucky Teachers Retirement System OPEB Plan**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized OPEB expenses of \$3,320,000 as an employer and \$94,586,000 as a Governmental Nonemployer Contributing Entity to Kentucky Teachers Retirement System OPEB Plan. Deferred outflows and deferred inflows related to OPEB are from the following sources:

	<b>Kentucky Teachers Retirement System OPEB Plan</b> <i>(Expressed in Thousands)</i>		<b>Kentucky Teachers Retirement System OPEB Plan</b> <i>(Expressed in Thousands)</i>	
	<b>Employer</b>		<b>Nonemployer Special Funding Situation</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$ 1,933	\$	\$ 81,324
Changes in assumptions	517		21,675	
Net difference between projected and actual earnings on investments	132	152	7,052	6,424
Change in proportionate share	109	1,588	41,989	
Contributions subsequent to the measurement date	1,867		77,591	
Total	<u>\$ 2,625</u>	<u>\$ 3,673</u>	<u>\$ 148,307</u>	<u>\$ 87,748</u>

The \$1,867,000 and \$77,591,000 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date as the employer and nonemployer contribution entity, respectively will be recognized as a reduction of net OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expense as follows:

	<b>Kentucky Teachers Retirement System OPEB Plan</b> <i>(Expressed in Thousands)</i>		<b>Kentucky Teachers Retirement System OPEB Plan</b> <i>(Expressed in Thousands)</i>	
	<b>Employer</b>		<b>Nonemployer Special Funding Situation</b>	
Year ended June 30:				
2020	\$	(551)	\$	(3,547)
2021		(551)		(3,547)
2022		(551)		(3,548)
2023		(500)		(1,731)
2024		(531)		(3,253)
Thereafter		(231)		(1,406)

**COMMONWEALTH OF KENTUCKY**

**Notes to the Financial Statements**

**June 30, 2019**

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized OPEB expenses of 183,927,000 as an employer and \$94,586,000 as a Governmental Nonemployer Contributing Entity. Deferred outflows and deferred inflows related to OPEB are from the following sources:

	<b>Primary Government</b> <i>(Expressed in Thousands)</i>			
	<b>Governmental Activities</b>			
	<b>Employer</b>		<b>Nonemployer Special Funding Situation</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 10	\$ 157,909	\$	\$ 80,770
Changes in assumptions	268,020	7,138	21,675	
Net difference between projected and actual earnings on investments	132	66,546	7,052	6,424
Change in proportionate share	39,427	43,830	41,989	
Contributions subsequent to the measurement date	169,565		77,591	
Total	<u>\$ 477,154</u>	<u>\$ 275,423</u>	<u>\$ 148,307</u>	<u>\$ 87,194</u>

For the Year Ended June 30, 2019, the Commonwealth of Kentucky recognized OPEB expenses of \$5,951,000 and deferred outflows and deferred inflows related to OPEB from the following sources:

	<b>Business-Type Activities</b> <i>(Expressed in Thousands)</i>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$ 4,348
Changes in assumptions	7,176	240
Net difference between projected and actual earnings on investments		1,181
Change in proportionate share	6	1,164
Contributions subsequent to the measurement date	5,277	
Total	<u>\$ 12,459</u>	<u>\$ 6,933</u>

For the Year Ended June 30, 2019, Major Component Units recognized OPEB expenses of \$13,873,000 and deferred outflows and deferred inflows related to OPEB from the following sources:

	<b>Major Component Units</b> <i>(Expressed in Thousands)</i> <b>as Employer</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 9,009	\$ 40,770
Changes in assumptions	8,770	59,604
Net difference between projected and actual earnings on investments	81	6,773
Change in proportionate share	478	3,193
Contributions subsequent to the measurement date	28,742	
Total	<u>\$ 47,080</u>	<u>\$ 110,340</u>

**COMMONWEALTH OF KENTUCKY**

**Notes to the Financial Statements**

**June 30, 2019**

Primary Government reports \$252,433,000 and Major Component Units report \$28,742,000 as deferred outflows resulting from contributions made subsequent to the measurement date. Outflows from deferred contributions will reduce the net OPEB liability for the year end June 30, 2020. Other amounts reported as deferred outflows and deferred inflows will be recognized in OPEB expense as follows:

	<b>Primary Government</b>			<b>Major</b>
	<i>(Expressed in Thousands)</i>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Nonemployer Special Funding Situation</b>	<b>Business-Type Activities</b>	<i>(Expressed in Thousands)</i>
Year ended June 30:				
2020	\$ 22,948	\$ (3,436)	\$ 486	\$ (19,852)
2021	22,948	(3,436)	486	(19,852)
2022	13,712	(3,437)	486	(19,852)
2023	(23,710)	(1,620)	(1,182)	(16,355)
2024	(1,785)	(3,143)	(10)	(5,462)
Thereafter	(1,947)	(1,406)	(17)	(10,629)



**Note 10**

**EMPLOYEE BENEFIT PLAN**

**Kentucky Public Employees' Deferred Compensation Plan**

Employees of the Commonwealth, its cities, counties, and local school districts are eligible to participate in two deferred compensation plans as authorized by the United States Internal Revenue Code. These plans, labeled 457 and 401(k), after sections of the Code, are administered by the Personnel Cabinet and an independent Plan administrator. The Commonwealth, through a board of trustees as defined in KRS 18A.245, selects the administrator to oversee the daily operations and technical compliance of the Plans with applicable sections of the Internal Revenue Code. The Commonwealth's responsibilities consist of withholding payroll deductions for its employees, collecting employee withholdings of the cities, counties, and local school districts, and remitting those withholdings to the plan administrators holding fixed and variable annuity contracts (carriers). Both Plans permit employees to defer collecting a portion of their salary until future years. This 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. As of June 30, 2019 Plan Assets are as follows:

	<i>(expressed in thousands)</i>	
	<b>457 Plan</b>	<b>401(k) Plan</b>
Commonwealth	\$ 515,905	\$ 749,477
Other Participating Jurisdictions	621,482	1,198,104
Total	<u>\$ 1,137,387</u>	<u>\$ 1,947,581</u>

**Note 11**

**LEASE OBLIGATIONS**

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

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

Changes in leases payable for the year ended June 30, 2019, are summarized in Note 16, Changes in Long-Term Obligations.

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

***At June 30, 2019, 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.

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Component Units-Major</b>
Buildings	\$ 61,176	\$ 29,777	\$ 498,493
Equipment	82,865	777	96,122
Other			107,734
Total	144,041	30,554	702,349
Less: Accumulated depreciation	(63,305)	(9,124)	(335,527)
Total Net of Depreciation	<u>\$ 80,736</u>	<u>\$ 21,430</u>	<u>\$ 366,822</u>

***Future minimum rental commitments for capitalizable leases as of June 30, 2019, are as follows (Expressed in Thousands):***

	<b>Primary Government</b>				<b>Component Units - Major</b>	
	<b>Governmental</b>		<b>Business-Type</b>		<b>Principal</b>	<b>Interest</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2020	\$ 16,241	\$ 1,781	\$ 2,158	\$ 572	\$ 25,389	\$ 10,397
2021	15,349	1,554	2,116	513	18,094	10,205
2022	14,329	1,640	2,157	455	18,444	9,299
2023	14,113	764	2,060	395	20,049	8,659
2024	7,022	438	1,957	341	28,660	7,650
2025-2029	11,800	762	8,687	926	104,539	32,945
2030-2034	3,793	654	2,631	89	47,204	9,168
2035-2039					20,816	1,284
Present value of future minimum lease payments	<u>\$ 82,647</u>	<u>\$ 7,593</u>	<u>\$ 21,766</u>	<u>\$ 3,291</u>	<u>\$ 283,195</u>	<u>\$ 89,607</u>

**Note 12**

**RISK MANAGEMENT**

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

**Fire, Tornado, and Auto Insurance:**

The Fire, Tornado, and Auto Insurance Program is established to account for and finance its uninsured risk of loss arising from damages to State buildings and personal property. Under this program, coverage is provided for up to a maximum of \$1,000,000 per occurrence of loss for each insured subject of risk. The Fire and Tornado Insurance Program purchases reinsurance for claims in excess of coverage provided by the Program. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The claims liability of \$10,117,000 reported in the Program at June 30, 2019, 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 2019 and 2018 were:

	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>
Beginning of fiscal year liability	\$ 12,883,000	\$ 6,684,000
Incurred claims	30,748,121	26,784,000
Claims payments	(33,514,121)	(20,585,000)
Balance at Fiscal Year End	<u>\$ 10,117,000</u>	<u>\$ 12,883,000</u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Self-Insured Workers' Compensation:**

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

The actuarially determined aggregate claims liability of \$193,122,000 reported in the Program at June 30, 2019, 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 2019 and 2018 were:

	Fiscal Year 2019	Fiscal Year 2018
Beginning of fiscal year liability	\$ 190,605,922	\$ 179,033,385
Claims and claims adjustments incurred	21,879,425	31,152,643
Changes in estimates		
Claims and claims adjustment payments	(19,363,347)	(19,580,106)
Balance at Fiscal Year End	<u>\$ 193,122,000</u>	<u>\$ 190,605,922</u>

**Transportation Cabinet Workers' Compensation:**

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

The claims liability of \$28,438,000 reported in the Program at June 30, 2019, 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 2019 and 2018 were:

	Fiscal Year 2019	Fiscal Year 2018
Beginning of fiscal year liability	\$ 30,496,964	\$ 31,660,732
Claims and claims adjustments incurred	1,370,095	2,264,962
Changes in estimates		
Claims and claims adjustment payments	(3,429,059)	(3,428,730)
Balance at Fiscal Year End	<u>\$ 28,438,000</u>	<u>\$ 30,496,964</u>

**Note 13**

**RISK POOLS**

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

**Risk Pools - Enterprise Funds**

**Workers' Compensation Insurance:**

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

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$524,655,384 as reported in the financial statements, is the present value of the aggregate actuarially determined claims liability of \$705,462,000 discounted at 3.10 percent, and net of the estimated realizable value of reimbursements. The claims adjusted liability of \$20,727,937 as reported in the financial statements is the present value of the aggregate actuarially determined liability of \$25,024,000 discounted at 3.10 percent and net of the estimated realizable value of reimbursements. Changes in the Program's claims liability amount in Fiscal Years 2019 and 2018 were:

	Fiscal Year 2019	Fiscal Year 2018
Beginning of fiscal year liability	\$ 804,263,000	\$ 878,214,000
Claims and claims adjustments incurred	6,458,000	7,158,000
Changes in estimates	(30,510,000)	(28,531,000)
Claims and claims adjustment payments	(49,725,000)	(52,578,000)
Balance at Fiscal Year End	<u>\$ 730,486,000</u>	<u>\$ 804,263,000</u>

# COMMONWEALTH OF KENTUCKY

## Notes to the Financial Statements

June 30, 2019

### 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 \$94,588,585 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 2019	Fiscal Year 2018
Beginning of fiscal year liability	\$ 193,345,123	\$ 193,345,123
Claims and claims adjustments incurred	12,703,965	13,009,661
Changes in estimates	(98,756,538)	
Claims and claims adjustment payments	(12,703,965)	(13,009,661)
Balance at Fiscal Year End	<u>\$ 94,588,585</u>	<u>\$ 193,345,123</u>

### Kentucky Reclamation Guaranty Fund:

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

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

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

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

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

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$1,076,226 as reported in the financial statements is the aggregate actuarially determined claims liability.

	Fiscal Year 2019	Fiscal Year 2018
Beginning of fiscal year liability	\$ 1,502,277	\$ 2,465,433
Claims and claims adjustments incurred		
Changes in estimates	(426,051)	(963,156)
Claims and claims adjustment payments		
Balance at Fiscal Year End	<u>\$ 1,076,226</u>	<u>\$ 1,502,277</u>

# COMMONWEALTH OF KENTUCKY

## Notes to the Financial Statements

June 30, 2019

### 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, 2019. Changes in the Program's aggregate liabilities for the claims and claims adjustments for the past two years were:

	Fiscal Year 2019	Fiscal Year 2018
Beginning of fiscal year liability	\$	\$
Claims and claims adjustments incurred	219,936	289
Changes in estimates		
Claims and claims adjustment payments	(219,936)	(289)
Balance at Fiscal Year End	\$	\$

### Kentucky Public Employees Health Plan:

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

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

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

tor regarding premium rates. If premium rates are changed, they become effective the beginning of a calendar year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

All state agencies and local boards of education in the Commonwealth are required to offer to their active employees the coverage selections offered by the Plan. Local government entities may elect to participate in the Plan.

The Plan establishes liabilities for incurred but unpaid claims based on its estimate of the ultimate cost of settling claims that have been reported but not yet settled, and of claims that have been incurred but not yet reported. The claims liability \$85,164,771 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 2019	Fiscal Year 2018
Beginning of fiscal year liability	\$ 90,856,438	\$ 80,037,885
Claims and claims adjustments incurred	1,725,230,322	1,603,675,028
Changes in estimates	(14,414,903)	(5,911,182)
Claims and claims adjustment payments	(1,716,507,086)	(1,586,945,293)
Balance at Fiscal Year End	\$ 85,164,771	\$ 90,856,438

### 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 2019 or 2018; and, there was not a claims liability for FY 2019 or FY 2018.



**Risk Pools – Fiduciary Funds**

**Coal Workers’ Pneumoconiosis Fund:**

The Coal Workers’ Pneumoconiosis Fund (CWPF) was established within the Labor Cabinet through action of the December 1996 Special Session of the General Assembly. As created, the CWPF was liable for one-half of the income benefits and retraining incentive benefits for occupational pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal, with the employer being liable for the remaining half.

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

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

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

	Fiscal Year 2019	Fiscal Year 2018
Beginning of fiscal year liability	\$	\$ 40,943,000
Claims and claims adjustments incurred		
Changes in estimates		
Claims and claims adjustment payments		
Loss Portfolio transfer to KEMI		(40,943,000)
Balance at Fiscal Year End	\$	\$

**Note 14**

**DEFEASANCE OF LONG-TERM DEBT**

The School Facilities Construction Commission issues revenue bonds on behalf of local school districts to finance construction of new facilities or the major renovation of existing facilities. The Commission participates in the payment of debt service for qualifying districts. By statute, the Commission’s portion of the savings from refunding issues goes to the school district. Therefore, the Commission’s participation remains unchanged and the Commission does not experience an economic gain or loss on these transactions. Proceeds from the issues are placed in escrow accounts to pay the future debt service of the issue(s) being refunded. During the fiscal year ended June 30, 2019, the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated May 21, 2019, were issued for the Bell County School District Finance Corporation to refund two 2008 issues. The Commission’s portion of the refunding issue was \$2,620,389 maturing February 1, 2020, through February 1, 2029, and carrying interest rate of 3.000%.

Revenue refunding bonds dated March 28, 2019, were issued for the Fulton Independent School District Finance Corporation to refund a 2009 issue. The Commission’s portion of the refunding issue was \$16,390 maturing April 1, 2020, through February 1, 2029, and carrying interest rates from 2.500% to 3.000%.

Revenue refunding bonds dated April 23, 2019, were issued for the Magoffin County School District Finance Corporation to refund a 2009 issue. The Commission’s portion of the refunding issue was \$3,248,922 maturing April 1, 2020, through April 1, 2029, and carrying interest rates from 2.000% to 3.000%.

Revenue refunding bonds dated January 10, 2019, were issued for the Nicholas County School District Finance Corporation to refund a 2009 issue. The Commission’s portion of the refunding issue was \$670,134 maturing April 1, 2019, through April 1, 2029, and carrying interest rate of 3.000%.

**State Property and Buildings Commission**

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

\$13,195,000 Project No. 121, Revenue Refunding Bonds dated April 11, 2019. These bonds consist of Serial bonds maturing on February 1, 2020 through February 1, 2029 carrying interest rates of 2.500% to 5.000%. The net proceeds in the amount of \$15,113,639 were deposited in the Bond Fund for Prior Bonds and used for refunding of Project No. 93 bonds in the amount of \$14,750,000 maturing on February 1, 2029 carrying an interest

rate of 5.250%. The refunding will result in net savings (increase in cash flows) of \$2,366,888 in future periods and a present value savings of \$2,073,052 at 2.5817%.

#### Component Units

The University of Kentucky issued \$13,900,000 of General Receipts Refunding, 2019 Series A, dated January 23, 2019. These bonds mature May 1, 2019 through November 1, 2024 and carry an interest rate of 5.000%. The proceeds will be used by the University to refund and retire all the outstanding University of Kentucky General Receipts Bonds (Commonwealth Library), 2009 Series A and pay the costs of issuing the 2019 Series A Bonds. The 2019 Series A bonds are not subject to redemption prior to their maturity date. The refunding will result in net savings (increase in cash flows) of \$1,234,000 in future periods and a present value savings of \$1,174,000.

#### Note 15

### RELATED ORGANIZATIONS

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

#### Note 16

### LONG-TERM OBLIGATIONS

General Obligation Bonds are issued through the State Property and Buildings Commission, subject to general referendum approval required by the Kentucky Constitution. General obligation bonds pledge the full faith, credit, and taxing power of the Commonwealth and denote application of specific or general tax revenues to provide payment of principal and interest requirements on the debt. No new issues of this type have been issued since 1965, and none are outstanding or authorized but unissued at June 30, 2019.

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

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue debt issued by the Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Economic Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation, and Kentucky School Facilities Construction Commission is used as a financing mechanism for activities and facilities not used directly for State purposes. The tax-exempt status of such municipal debt, whether issued by State or local governments, is used to provide financing for entities unable to bear the costs of private financing when the General Assembly deems such entities worthy of public assistance. The other category of revenue debt finances facilities used directly by State Government in activities such as roads, parks, office buildings, and educational facilities. The primary distinction between these categories is that the first type, with the exceptions of the Kentucky School Facilities Construction Commission, which succeeds the Kentucky School Building Authority, and the Kentucky Infrastructure Authority, which succeeds the Kentucky

## COMMONWEALTH OF KENTUCKY

### Notes to the Financial Statements

June 30, 2019

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, 2019 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 \$13,195,000 in revenue and agency fund revenue bonds as follows:

\$13,195,000 Project No. 121, Revenue Refunding Bonds dated April 25, 2019. These bonds consist of Serial bonds maturing on February 1, 2020 through February 1, 2029 carrying interest rates of 2.500% to 5.000%. The net proceeds in the amount of \$15,113,639 were deposited in the Bond Fund for Prior Bonds and used for refunding of Project No. 93 bonds in the amount of \$14,750,000 maturing on February 1, 2029 carrying an interest rate of 5.250%. The refunding will result in net savings (increase in cash flows) of \$2,366,888 in future periods and a present value savings of \$2,073,052 at 2.5817%.

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

The Authority issued no bonds during fiscal year 2019.

**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 2019.

**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.

**The University of Kentucky** issued \$13,900,000 of General Receipts Refunding Bonds as follows:

\$13,900,000 of General Receipts Refunding, 2019 Series A, dated January 23, 2019. These bonds mature May 1, 2019 through November 1, 2024 and carry an interest rate of 5.000%. The proceeds will be used by the University to refund and retire all the outstanding University of Kentucky General Receipts Bonds (Commonwealth Library), 2009 Series A and pay the costs of issuing the 2019 Series A Bonds. The 2019 Series A bonds are not subject to redemption prior to their maturity date.

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

The Corporation issued no bonds during fiscal year 2019.

**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 2019.



## COMMONWEALTH OF KENTUCKY

### Notes to the Financial Statements

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**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 2019.

**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 \$184,466,646 bonds during fiscal year 2019.

**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 2019.

**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 2019.

**The School Facilities Construction Commission** was created by act of the 1985 Extraordinary Session of the Kentucky General Assembly as the successor agency to the Kentucky School Building Authority (KSBA) and empowered pursuant to KRS 157.640 with all rights of successorship necessary to assure all legal and contractual functions and liabilities associated with the outstanding bonds issued in the name of the Authority, including refunding of then existing Authority debt. The Commission is an independent corporate agency and instrumentality of the Commonwealth

pursuant to KRS 157.611 through 157.640 and empowered therein to: (1) act on behalf of local school districts to issue bonds in the name of the Commission and to enter into lease agreements with local boards of education to finance construction of new facilities or major renovation of existing facilities; (2) enter into agreements which may provide for a percentage discount, on a biennially renewable basis, of annual lease agreements due the Commission for those districts which participate; and (3) enter into lease agreements with the Department of Education to build State-owned facilities operated by the Department of Education.

During the fiscal year ended June 30, 2019, the Commission sold school building revenue and revenue refunding bond issues having aggregate state participation of \$63,636,879 maturing through June 1, 2039, at interest rates of 2.000% to 5.000%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 2019, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019. 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, 2019.

**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, 2019.

**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

## COMMONWEALTH OF KENTUCKY

### Notes to the Financial Statements

June 30, 2019

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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 2019, the Company made an additional draw of \$8,158,831 increasing the total principal to \$304,488,211 with debt retirement payments of \$686,900 made as of June 30, 2019. The debt service requirements are shown in the following chart.

**COMMONWEALTH OF KENTUCKY**

**Notes to the Financial Statements**

**June 30, 2019**

*The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 2019, are as follows (Expressed in Thousands):*

Long-Term Obligations	Principal Outstanding	Interest Rate	Annual Maturity To
Agency:			
State Property and Buildings Commission	\$ 3,503,400	1.00%-8.25%	2038
Kentucky School Facilities Construction Commission	1,113,486	.050%-5.90%	2039
Turnpike Authority of Kentucky	1,203,755	1.00%-5.72%	2037
Total	<u>\$ 5,820,641</u>		

*Future revenue bond debt service requirements, to be paid with State Funds, at June 30, 2019, are as follows (Expressed in Thousands):*

Year Ending June 30	Principal	Interest	Totals
2020	\$ 640,312	\$ 289,334	\$ 929,646
2021	555,405	207,076	762,481
2022	561,569	182,212	743,781
2023	426,162	161,267	587,429
2024	426,289	143,976	570,265
2025-2029	1,926,898	468,795	2,395,693
2030-2034	927,106	165,648	1,092,754
2035-2039	356,900	31,286	388,186
Total	<u>\$ 5,820,641</u>	<u>\$ 1,649,594</u>	<u>\$ 7,470,235</u>

*Future debt service requirements for aggregated Next Generation Kentucky Information Highway Project at June 30, 2019, are as follows (Expressed in Thousands)*

Year Ending June 30	Principal	Interest	Totals
2020	\$ 1,659	\$ 15,405	\$ 17,064
2021	1,918	15,318	17,236
2022	2,291	15,219	17,510
2023	2,804	15,104	17,908
2024	3,245	14,995	18,240
2025-2029	25,828	71,995	97,823
2030-2034	46,281	63,844	110,125
2035-2039	73,598	50,169	123,767
2040-2045	146,864	29,605	176,469
Total	<u>\$ 304,488</u>	<u>\$ 291,654</u>	<u>\$ 596,142</u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

***Component Unit Revenue Bonds payable as of June 30, 2019 (Expressed in Thousands):***

<b>Component Unit Revenue Bonds Payable:</b>	<b>Principal Outstanding</b>	<b>Interest Rate</b>	<b>Annual Maturity To</b>
Kentucky Housing Corporation *	\$ 414,850	2.400%-5.000%	2044
Kentucky Infrastructure Authority*	210,720	2.000%-5.290%	2032
Kentucky Higher Education Student Loan Corporation	668,600	2.800%-5.000%	2037
Kentucky Public Transportation Infrastructure Authority	364,525	3.750%-6.875%	2053
University of Kentucky*	1,051,785	1.030%-3.900%	2047
University of Louisville*	241,896	0.900%-5.800%	2044
Louisville Arena Authority	377,765	2.967%-5.000%	2047
Eastern Kentucky University	111,555	2.000%-5.000%	2038
Western Kentucky University*	211,489	2.000%-5.000%	2037
Murray State University *	64,400	1.000%-5.000%	2035
Morehead State University	70,705	1.000%-5.000%	2037
Kentucky State University	2,285	3.625%-3.875%	2027
Northern Kentucky University*	97,450	2.000%-5.000%	2034
<b>Total Component Unit Revenue Bonds Payable</b>	<b>\$ 3,888,025</b>		

\* Amounts reflect original issue

***Future revenue bond debt service requirements for bonds issued by  
the Commonwealth's Component Units at June 30, 2019, are as  
follows (Expressed in Thousands):***

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2020	\$ 144,876	\$ 148,083	\$ 292,959
2021	168,731	142,880	311,611
2022	175,105	136,515	311,620
2023	179,255	129,823	309,078
2024	170,626	127,570	298,196
2025-2029	1,164,102	534,848	1,698,950
2030-2034	720,476	359,034	1,079,510
2035-2039	435,175	231,876	667,051
2040-2044	333,934	147,260	481,194
2045-2049	276,695	73,286	349,981
2050-2054	119,050	18,656	137,706
Thereafter			0
<b>Total</b>	<b>\$ 3,888,025</b>	<b>\$ 2,049,831</b>	<b>\$ 5,937,856</b>

**NOTES PAYABLE** At June 30, 2019, the following entities had notes payable as follows:

**The Kentucky Asset/Liability Commission**, created by House Bill 5 enacted by the 1997 Extraordinary Session of the Kentucky General Assembly, develops policies and strategies to minimize the impact of fluctuating interest rates on the Commonwealth's interest-sensitive assets and liabilities. It is authorized to issue tax and revenue anticipation notes, project notes and funding notes. Tax and revenue notes are to be used for the purpose of providing monies to discharge expenditure demands in anticipation of revenues and taxes to be collected during the fiscal year. Project notes are to be used for authorized projects upon request of the Finance and Administration Cabinet, to be repaid through financing agreements or alternative agreements. Funding notes are to be used for the purpose of funding judgments against the Commonwealth or any state agency.

The Commission issued no bonds during the fiscal year ended June 30, 2019.

**The Component Units** of the Commonwealth reported notes payable of \$185,737,000 direct borrowings of \$567,802,000, and direct placements of \$219,684,000 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 150 and 151.

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

**COMMONWEALTH OF KENTUCKY****Notes to the Financial Statements****June 30, 2019**

**Memorandum of Understanding (MOU)** – The Commonwealth of Kentucky has entered into an understanding with The Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC). Bonds were issued in order to construct, furnish and equip a new State Mental Health Hospital with the understanding that the Commonwealth will fund the debt service of the Corporation by making Biennial Appropriations for this purpose. The net proceeds from the bond issue have been deposited in the Commonwealth of Kentucky's account and construction costs are being recorded as Construction in Progress. The debt service requirement for the memorandum of understanding is shown in the chart below.

***Future debt service requirements, under Memorandum of Understanding  
to be paid with State Funds, at  
June 30, 2019, are as follows (Expressed in Thousands)***

Year Ending June 30	Principal	Interest	Totals
2020	\$ 5,590	\$ 5,666	\$ 11,256
2021	5,870	5,387	11,257
2022	6,165	5,093	11,258
2023	6,475	4,785	11,260
2024	6,800	4,461	11,261
2025-2029	39,565	16,733	56,298
2030-2033	39,785	5,248	45,033
Total	<u>\$ 110,250</u>	<u>\$ 47,373</u>	<u>\$ 157,623</u>

**The Finance and Administration Cabinet**, a statutory administrative organization of the Commonwealth entered into a lease agreements with semi-annual payments to pay the principal and interest due on the Certificates of Participation (Certificates) dated April 29, 2015 and October 15, 2018 to fund projects to construct two state office buildings (300 Building and Mayo-Underwood Building, respectively).

A debt payment of \$1,205,000 was made on those Certificates in 2019. The remaining debt service requirement, the trustee fee and management and maintenance fee under the lease agreement are shown in the chart on the next page.

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

***Future debt service requirements for Certificates of Participation June 30, 2019, are as follows***  
***(Expressed in Thousands)***

Year Ending June 30	Principal	Interest	Operations & Maintenance	Totals
2020	\$ 1,250	\$ 2,688	\$ 1,227	\$ 5,165
2021	3,600	7,206	1,263	12,069
2022	3,675	7,036	1,305	12,016
2023	3,775	6,901	1,345	12,021
2024	3,885	6,749	1,384	12,018
2025-2029	21,180	31,351	7,568	60,099
2030-2034	24,255	27,095	8,766	60,116
2035-2039	28,825	21,157	10,155	60,137
2040-2044	33,900	14,487	11,766	60,153
2045-2049	39,250	7,301	13,636	60,187
2050-2054	12,140	620	2,305	15,065
Total	<u>\$ 175,735</u>	<u>\$ 132,591</u>	<u>\$ 60,720</u>	<u>\$ 369,046</u>

**Pollution Remediation Liabilities** - GASB Statement Number 49 establishes the guidance reporting entities are to use in estimating and reporting potential cost which may be incurred for pollution remediation. GASB Statement Number 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 143.

**Asset Retirement Obligations** - An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Commonwealth identified potential tangible assets that would qualify. The potential outcomes with relevant data to identify the liability was not available or obtainable at reasonable cost.

**Deferred Outflows and Inflows** - GASB 65 provides financial reporting guidance relative to deferred outflows of resources, a consumption of assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, an acquisition of assets by the entity that is applicable to a future reporting period. The following table provides information about amounts reported as deferred inflows of resources and deferred outflows of resources on the Government-Wide Statement of Net Position. GASB 68, GASB 71, and GASB 75 establish financial reporting of deferred inflows of resources and deferred outflows of resources related to pensions and other post employment benefits. A change in assumptions related to pensions and other post employment benefits could have a significant impact on the Government-Wide Statement of Activities. Additional information can be found in Note 8 and Note 9.

COMMONWEALTH OF KENTUCKY

Notes to the Financial Statements

June 30, 2019

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

	Governmental Activities	Business-Type Activities	Major Component Units
<b>Deferred Outflow of Resources:</b>			
Deferred Loss on Refunding	\$ 27,207	\$	\$ 13,024
Interest Rate Swap-Derivative	1,785		
Pension Related Outflows	5,660,670	52,519	60,602
OPEB Related Outflows	624,814	12,469	47,080
<b>Total</b>	<b>\$ 6,314,476</b>	<b>\$ 64,988</b>	<b>\$ 120,706</b>
<b>Deferred Inflow of Resources:</b>			
Deferred Gain on Refunding	\$ 74,581	\$	\$ 12,813
Interest Rate Swap-Derivative	1,785		2,645
Service Concession Arrangement			559,804
Pension Related Inflows	13,077,032	8,371	139,152
OPEB Related Inflows	362,617	6,933	110,340
<b>Total</b>	<b>\$ 13,516,015</b>	<b>\$ 15,304</b>	<b>\$ 824,754</b>

*Future debt service requirements for aggregated Notes Payable for the Primary Government at  
June 30, 2019, are as follows (Expressed in Thousands):*

Year Ending June 30	Principal	Interest	Totals
2020	\$ 142,620	\$ 35,784	\$ 178,404
2021	124,175	29,581	153,756
2022	111,240	23,844	135,084
2023	116,760	18,719	135,479
2024	86,670	14,161	100,831
2025 - 2029	256,420	19,388	275,808
<b>Total</b>	<b>\$ 837,885</b>	<b>\$ 141,477</b>	<b>\$ 979,362</b>

*Future debt service requirements for aggregated Notes Payable for the Component Units at June 30, 2019, are as follows (Expressed in Thousands):*

Year Ending June 30	Principal	Interest	Direct Borrowings		Direct Placements		Totals
			Principal	Interest	Principal	Interest	
2020	\$ 71,152	\$ 4,212	\$ 117,602	\$ 20,890	\$ 1,109	\$ 4,484	\$ 219,449
2021	13,822	3,429	1,000	17,449	1,160	4,444	41,304
2022	21,005	3,178	1,000	17,409	1,199	4,402	48,193
2023	7,102	2,940	1,000	17,370	1,244	4,358	34,014
2024	13,036	2,242	1,054	17,331	1,284	4,316	39,263
2025 - 2029	20,431	8,226	6,830	85,984	61,139	15,239	197,849
2030 - 2034	18,249	5,193	32,624	82,594	5,589	10,584	154,833
2035 - 2039	17,047	1,718	77,547	72,191	146,960	5,929	321,392
2040 - 2044	3,893	64	107,683	53,700			165,340
2045-2049			130,378	30,695			161,073
2049-2053			91,084	5,377			96,461
<b>Total</b>	<b>\$ 185,737</b>	<b>\$ 31,202</b>	<b>\$ 567,802</b>	<b>\$ 420,990</b>	<b>\$ 219,684</b>	<b>\$ 53,756</b>	<b>\$ 1,479,171</b>

**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

*Changes in long-term liabilities for the fiscal year ended June 30, 2019, are summarized as follows (Expressed in Thousands):*

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due In One Year	Due Thereafter
<b>Governmental Activities</b>						
Compensated absences	\$ 234,692	\$ 16,162	\$ (5,484)	\$ 245,370	\$ 212,620	\$ 32,750
Capital leases	51,002	48,630	(16,985)	82,647	16,240	66,407
Claims liability	233,986	29,452	(31,760)	231,678	28,882	202,796
Notes payable	1,008,140		(173,031)	835,109	142,620	692,489
Certificate of Participation	176,940		(1,205)	175,735	1,250	174,485
KWIC	297,016	8,159	(687)	304,488	1,659	302,829
Bonds payable	6,310,244	432,537	(922,140)	5,820,641	546,302	5,274,339
Unamortized premiums	526,979	2,319	(55,512)	473,786	48,836	424,950
Unamortized discounts	(8,401)	(536)	859	(8,078)	(417)	(7,661)
Judgments and contingent liabilities	378,956	148,142	(17,398)	509,700	60,896	448,804
LFUCGPFC MOU obligations	115,575		(5,325)	110,250	5,590	104,660
Pollution remediation liabilities	10,100	1,004	(1,660)	9,444	2,517	6,927
Net OPEB liability	3,505,700		(147,232)	3,358,468		3,358,468
Net pension liability	38,142,562		(13,841,913)	24,300,649		24,300,649
<b>Total Governmental Activities</b>	<b>50,983,491</b>	<b>685,869</b>	<b>(15,219,473)</b>	<b>36,449,887</b>	<b>1,066,995</b>	<b>35,382,892</b>
<b>Business-Type Activities</b>						
Compensated absences	7,554	67		7,621	7,204	417
Capital leases	23,881	9	(2,124)	21,766	2,158	19,608
Judgments Payable	1		(1)			
Claims and claims adjustment liability	843,293		(117,082)	726,211	149,517	576,694
Pollution remediation liabilities		429		429	109	320
Net OPEB liability	67,484		(5,422)	62,062		62,062
Net pension liability	361,195	4,242	(1,887)	363,550		363,550
Other Liabilities	29,545	103,667		133,212	95,100	38,112
<b>Total Business-Type Activities</b>	<b>1,332,953</b>	<b>108,414</b>	<b>(126,516)</b>	<b>1,314,851</b>	<b>254,088</b>	<b>1,060,763</b>
<b>Total Primary Government</b>	<b>\$ 52,316,444</b>	<b>\$ 794,283</b>	<b>\$ (15,345,989)</b>	<b>\$ 37,764,738</b>	<b>\$ 1,321,083</b>	<b>\$ 36,443,655</b>
<b>Major Component Units</b>						
Compensated absences	\$ 36,485	\$ 19,813	\$ (14,490)	\$ 41,808	\$ 26,838	\$ 14,970
Capital leases	285,584	69,268	(71,657)	283,195	25,389	257,806
Prize liability	43,968	5,923		49,891	38,268	11,623
Claims liability	140,017	10,452		150,469	150,469	
Notes payable	218,461	482,992	(534,641)	166,812	66,171	100,642
Direct Borrowings		567,802		567,802	117,602	450,200
Direct Placements		217,829		217,829	774	217,055
Bonds payable	3,494,390	304,163	(1,028,595)	2,769,958	88,154	2,681,804
Net OPEB Liability	339,504	126,308	(69,462)	396,350		396,350
Net Pension Obligation	528,638	12,934	(68,522)	473,050		473,050
Other Liabilities	544,751	112,077	(116,768)	540,060	147,119	392,941
<b>Total Major Component Units</b>	<b>\$ 5,631,798</b>	<b>\$ 1,929,561</b>	<b>\$ (1,904,135)</b>	<b>\$ 5,657,224</b>	<b>\$ 660,784</b>	<b>\$ 4,996,441</b>



# COMMONWEALTH OF KENTUCKY

## Notes to the Financial Statements

June 30, 2019

**Interest Rate Swap Agreements** - The Commonwealth currently has three outstanding interest rate swaps. Each of these swaps were entered into to synthetically fix the interest rate on floating rate bonds. The notes were issued concurrent with the execution of the swap. Each of the interest rate swaps amortizes to match the sinking fund schedule of the hedged notes. 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, 2019. 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, 2019**  
**(Expressed in Thousands)**

Project Notes	Effective Date	Notional Amounts		Maturity Date	Pay-Fixed		Fair Value 6/30/2018	Fair Value 6/30/2019	Change in Fair Value
		Original	Outstanding		Rate	Variable Rate			
2007 ALCo	5/31/2007	\$ 71,310	\$ 40,390	11/1/2021	4.042%	67% 3M LIBOR +.52%	\$ (1,769)	\$ (1,355)	\$ 414
2007 ALCo	5/31/2007	70,935	70,935	11/1/2025	4.125%	67% 3M LIBOR +.55%	(6,489)	(7,978)	(1,489)
2007 ALCo	5/31/2007	75,625	40,230	11/1/2027	4.066%	67% 3M LIBOR +.53%	(3,504)	(4,214)	(710)
Total		<u>\$ 217,870</u>	<u>\$ 151,555</u> **				<u>\$ (11,762)</u>	<u>\$ (13,547)</u>	<u>\$ (1,785)</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, 2019**  
**(Expressed in Thousands)**

Year Ending June 30	Principal	Interest	Net Swap Payments	Totals
2020	\$ 16,705	\$ 2,994	\$ 2,862	\$ 22,561
2021	17,355	2,638	2,529	22,522
2022	18,145	2,275	2,174	22,594
2023	20,935	1,867	1,784	24,586
2024	27,780	1,468	1,181	30,429
2025-2028	50,635	1,374	1,529	53,538
Total	<u>\$ 151,555</u>	<u>\$ 12,616</u>	<u>\$ 12,059</u>	<u>\$ 176,230</u>

Note 17

COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

**Leases** – The Commonwealth has entered into various operating leases for land and buildings. All leases contain termination clauses providing for the cancellation after 30, 60, or 90 days written notice

to the lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business, similar leases will replace most of these leases. Primary Government expenditures for rent under leases for the years ended June 30, 2019 and 2018, amounted to \$153.5 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, 2019, the estimated liability for annual and compensatory leave was \$245,370,000 for the governmental activities, and \$7,621,000 in the business-type activities.

Compensated absence liabilities for the major component units totaled \$41,808,000 at June 30, 2019.

**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, 2019. The estimated accumulated amount of unused sick leave at that date for the governmental and business-type activities was \$418,459,000 and \$13,112,000, respectively.

**Construction Projects** – The Transportation Cabinet, at June 30, 2019, had contractual commitments of approximately \$1,145,481,000 for the construction, maintenance, and operation of the highway system. It is anticipated that these projects will be funded with approximately 25% State funds, 71% Federal funds, and the remaining 4% with proceeds from the sale of revenue bonds.

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

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

## **TAX ABATEMENTS**

A tax abatement as defined by the Governmental Accounting Standards Board (GASB) is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. Tax abatements do not include tax credits or deductions given by the Kentucky Tax Code. KRS 131.190 prohibits the disclosure of taxpayer information. Therefore, all tax abatements are aggregated by program for the year ended June 30, 2019, in the following table:

(expressed in thousands)

Program Name	Sales and Use Tax	Property Tax	Income Tax	Total
Kentucky Rural Economic Development Act	\$	\$	\$ 25,432	\$ 25,432
Kentucky Business Investment			30,016	30,016
Tax Increment Financing	17,172	1,172	14,072	32,416
Kentucky Tourism Development Act	6,281			6,281
Kentucky Film Industry Tax Credit			12,571	12,571
Other Economic Incentives	5,060		64,023	69,083
	<u>\$ 28,513</u>	<u>\$ 1,172</u>	<u>\$ 146,114</u>	<u>\$ 175,799</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: Real Property Ad Valorem Tax Revenue, Mixed-Use Redevelopment in Blighted Urban Redevelopment Areas, and Signature Projects. Incentives vary amongst the three types and may include up to 100 percent of incremental property taxes and/or up to 80 percent of occupational, sales, individual income and/or corporate income or limited liability entity taxes for a maximum term of 20 or 30 years, depending on the type of program. Unused credits can be carried forward for the term of the agreement but expire at the maturity of the agreement. KRS 154.30-040, KRS 154.30-050, KRS 154.30-060 & KRS Chapter 65

### **Kentucky Industrial Development Act (KIDA)**

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

## COMMONWEALTH OF KENTUCKY

### Notes to the Financial Statements

June 30, 2019

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 Industrial Revitalization Act (KIRA)**

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

#### **Kentucky Jobs Development Act (KJDA)**

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

#### **Kentucky Tourism Development Act**

This program provides sales tax incentives for the creation of new tourism attractions and expansion of existing tourism attractions within the Commonwealth. Incentives may be granted to an approved company based on the Kentucky sales tax imposed on sales generated or arising at a tourism development project over a period of ten years, with an additional two-year extension available for entertainment destination centers meeting certain conditions.

The incentive shall not exceed the lesser of the total amount of the sales tax liability of the approved company and its lessees or a percentage of the approved costs as specified by the agreement. Approved Tourism Attraction Projects include cultural or historic sites, recreation or entertainment facilities, areas of scenic beauty or distinctive natural phenomena, entertainment destination centers, Kentucky crafts and product centers, or theme restaurant destinations. A Tourism Attraction Project would not include facilities primarily devoted to the retail sale of goods unless the sale of goods is secondary and a subordinate component of the attraction. The approved company seeking incentives shall execute information-sharing agreements prescribed by the Department of Revenue with its lessees and other related parties to verify the amount of sales tax eligible for the sales tax refund under KRS 139.536. The approved company shall have no obligation to refund or otherwise return any amount of the sales tax refund to the persons who originally collected the tax and remitted to the Commonwealth. KRS 148.853, KRS 139.536

#### **Other Economic Incentives**

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

At this time, there are no provisions for recapturing abated taxes or documenting the type of commitments other than taxes. The Commonwealth had additional tax abatement programs, which did not meet our reporting threshold of \$5 million. In aggregate, the total was less than \$10 million for the year ending June 30, 2019. Among those not reported are Kentucky Economic Opportunity Zone, Kentucky Historic Preservation, Incentives for Energy Independence Act, Local Issued Industrial Revenue Bonds, Kentucky Angel Investment Tax Credit, Skills Training Investment Credit, Kentucky Film Industry Tax Credit, and Kentucky Investment Fund Act. For more information on the programs, see [thinkkentucky.com](http://thinkkentucky.com).



**COMMONWEALTH OF KENTUCKY**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Note 18**

**SUBSEQUENT EVENTS**

The debt-issuing entities of the Commonwealth issued or agreed to administer State participation in debt service payments for revenue bonds sold after June 30, 2019, and prior to December 12, 2019, and reported other subsequent events for the same period, as described below.

**The Kentucky Asset/Liability Commission** issued \$400,000,000 debt subsequent to June 30, 2019, and maturing as to principal through 2020 at an interest rate of 3.000%.

**The Kentucky Bond Development Corporation** issued \$102,090,000 debt subsequent to June 30, 2019, and maturing as to principal through June 30, 2050 at an interest rate of 5.000%. The Kentucky Economic Development Finance Authority increased conduit debt subsequent to June 30, 2019, by \$176,195,000 with two bond issues of CommonSpirit Health Revenue Bonds.

**The Kentucky State Property and Buildings Commission** issued \$318,800,000 debt with refunding of \$167,705,000 subsequent to June 30, 2019, and maturing as to principal through 2039 at interest rates of 1.918% to 5.000%.

**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, 2019, and maturing as to principal through 2039 as displayed on the table below.

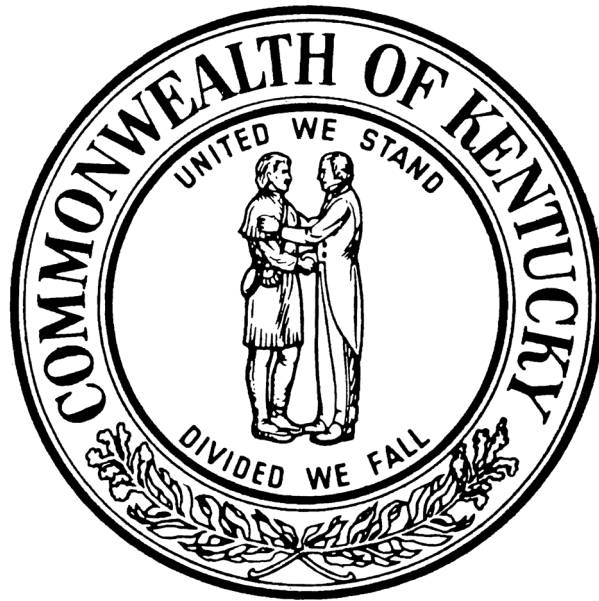
**State Universities** issued debt with refunding subsequent to June 30, 2019, and maturing as to principal through 2044 at interest rates of 2.000% to 5.000% as displayed in the table below.

**KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

School District	Delivery Date	Principal at Issue	State Share	Interest Rates (%)
Anderson County	08/20/19	\$ 6,600,000	\$ 969,182	3.000%
Bracken County	12/30/19	4,295,000	350,000	1.700%-2.850%
Breathitt County	12/23/19	1,235,000	1,011,100	1.700%-2.850%
Covington Independent	08/06/19	1,110,000	257,342	3.000%
Covington Independent	11/14/19	1,350,000	1,276,967	1.900%-2.150%
Dayton Independent	08/08/19	1,320,000	366,515	3.000%
Hazard Independent	10/10/19	3,545,000	781,666	3.000%
Jackson County	08/21/19	435,000	435,000	2.000%-3.000%
Johnson County	08/20/19	955,000	955,000	2.250%-2.875%
LaRue County	10/30/19	5,625,000	854,152	2.250%-3.000%
Leslie County	10/09/19	720,000	720,000	2.000%-2.125%
Lincoln County	10/01/19	740,000	540,000	2.500%-2.750%
Mason County	07/30/19	8,765,000	1,031,898	2.000%-3.000%
Meade County	10/22/19	9,165,000	43,774	2.000%-2.750%
Menifee County	07/09/19	14,355,000	8,578,685	3.000%
Middlesboro Independent	12/23/19	395,000	395,000	2.000%-3.500%
Owensboro Independent	07/11/19	13,060,000	549,601	3.000%
Pikeville Independent	10/08/19	905,000	153,040	2.000%
Rowan County	10/10/19	6,635,000	882,934	2.000%-3.000%
Trigg County	10/24/19	13,315,000	2,737,020	2.250%-2.750%
Walton-Verona Independent	11/07/19	1,485,000	111,143	2.000%-2.150%
Webster County	07/02/19	2,850,000	96,481	3.000%
Williamstown Independent	10/23/19	1,040,000	36,979	2.500%
		<u>\$ 99,900,000</u>	<u>\$ 23,133,479</u>	

**COMPONENT UNITS**

School District	Delivery Date	Principal at Issue	Amount Refunded	Interest Rates (%)
Eastern State University	09/27/19	\$ 5,265,000	\$ 5,793,561	2.000%-5.000%
Murray State University	08/08/19	4,110,000	4,275,000	2.000%-5.000%
Northern Kentucky State University	11/12/19	37,870,000		3.000%-5.000%
		<u>\$ 47,245,000</u>	<u>\$ 10,068,561</u>	



## COMMONWEALTH OF KENTUCKY

### Notes to the Financial Statements

June 30, 2019

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#### 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, 2019

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University of Louisville  
University Accounting and Reporting  
Service Complex, Second Floor  
Louisville, Kentucky 40292  
[louisville.edu](http://louisville.edu)

Eastern Kentucky University  
Accounting and Financial Services  
521 Lancaster Avenue  
Coates CPO 3A  
Richmond, Kentucky 40475  
[eku.edu](http://eku.edu)

Morehead State University  
Office of Accounting and Financial Services  
207 Howell-McDowell  
Morehead, Kentucky 40351  
[moreheadstate.edu](http://moreheadstate.edu)

Murray State University  
Accounting and Financial Services  
322 Sparks Hall  
Murray, Kentucky 42071  
[murraystate.edu](http://murraystate.edu)

Northern Kentucky University  
Office of the Comptroller  
605 Lucas Administration Center  
726 Nunn Drive  
Highland Heights, Kentucky 41099  
[nku.edu](http://nku.edu)

Western Kentucky University  
Accounting and Financial Reporting  
Wetherby Administration Building, G01  
Bowling Green, Kentucky 42101  
[wku.edu](http://wku.edu)

Kentucky River Authority  
403 Wapping Street, Suite 105  
Frankfort, Kentucky 40601  
[finance.ky.gov/offices/kra](http://finance.ky.gov/offices/kra)

Council on Postsecondary Education  
1024 Capital Center Drive, Suite 320  
Frankfort, Kentucky 40601  
[cpe.ky.gov](http://cpe.ky.gov)

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

Kentucky Artisan Center at Berea  
200 Artisan Way  
Berea, Kentucky 40403  
[kentuckyartisancenter.ky.gov](http://kentuckyartisancenter.ky.gov)

Personnel Cabinet  
Department of Employee Insurance  
501 High Street  
Frankfort, Kentucky 40601  
[personnel.ky.gov](http://personnel.ky.gov)

Personnel Cabinet  
Workers' Compensation Insurance Program  
501 High Street  
Frankfort, Kentucky 40601  
[personnel.ky.gov](http://personnel.ky.gov)

The Kentucky Public Employees'  
Deferred Compensation Authority  
101 Sea Hero Road, Suite 110  
Frankfort, Kentucky 40601-5413  
[kentuckyplans.com](http://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](http://labor.ky.gov/dows/dowcf)

Kentucky Horse Park  
4089 Iron Works Parkway  
Lexington, Kentucky 40511  
[kyhorsepark.com](http://kyhorsepark.com)

The Kentucky Horse Park Foundation  
4089 Iron Works Parkway, Suite 180  
Lexington, Kentucky 40511  
[khpfoundation.org](http://khpfoundation.org)

Kentucky Public Transportation Infrastructure Authority  
200 Mero Street, 6th Floor East  
Frankfort, Kentucky 40622  
[transportation.ky.gov/KPTIA](http://transportation.ky.gov/KPTIA)

Louisville Arena Authority Inc.  
One Arena Plaza  
Louisville, KY 40202  
[Kfcyumcenter.com](http://Kfcyumcenter.com)





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

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**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, 2019**  
(Expressed in Thousands)

	Original	Final	Actual	Variance
<b>Revenues</b>				
<b>Budgeted:</b>				
Taxes	\$ 10,633,942	\$ 10,826,242	\$ 10,968,318	\$ 142,076
Licenses, fees, and permits	33,845	33,845	31,859	(1,986)
Intergovernmental	21,895	21,895	9,634	(12,261)
Charges for services	5,003	5,003	6,843	1,840
Fines and forfeits	24,920	24,920	31,413	6,493
Interest and other investment income	(5,200)	(5,200)	(10,553)	(5,353)
Lottery proceeds	249,000	249,000	263,946	14,946
Other revenues	42,494	42,494	91,239	48,745
Tobacco Settlement	119,500	119,500	117,587	(1,913)
Subtotal of Budgeted Revenues	11,125,399	11,317,699	11,510,286	192,587
<b>Other Budgeted Financial Resources:</b>				
Transfers in (intrafund)			11	11
Transfers in (interfund)	303,570	303,570	307,002	3,432
Total Budgeted Revenues	11,428,969	11,621,269	11,817,299	196,030
Total Revenues	11,428,969	11,621,269	11,817,299	196,030
<b>Expenditures</b>				
<b>General Government:</b>				
Executive Office of the Governor	6,171	6,171	5,676	(495)
Office of Homeland Security	252	252	252	
Kentucky Infrastructure Authority	1,399	1,399	1,397	(2)
Commonwealth Council on Developmental Disabilities		152	152	
Department of Veterans Affairs	25,099	25,099	25,099	
Office of State Budget Director	3,486	3,486	3,395	(91)
State Planning Fund				
Small Business Advocacy				
Unified Prosecutorial System:				
Commonwealth Attorneys	59,069	59,069	59,052	(17)
County Attorneys	52,267	52,267	52,253	(14)
Department of Agriculture	17,828	17,828	17,821	(7)
Office of the Attorney General	12,081	12,221	12,221	
Auditor of Public Accounts	5,634	5,634	5,634	
Registry of Election Finance	1,511	1,511	1,481	(30)
Military Affairs	15,036	15,036	14,121	(915)
Governor's Office of Agriculture Policy				
Governor's Office for Local Development	9,207	9,207	9,206	(1)
Local Government:				
Economic Assistance Fund	26,258	43,963	28,826	(15,137)
Economic Development Fund	17,923	17,923	17,923	
Area Development Fund				
Secretary of State	2,204	2,204	2,204	
Department of Treasury	2,226	2,216	2,216	
Board of Elections	4,216	4,238	4,237	(1)
Personnel Board				
School Facilities Construction Commission	129,898	129,898	129,898	
Executive Branch Ethics Commission	549	549	549	
Commission on Human Rights	1,875	1,875	1,875	
Council on Postsecondary Education	38,450			
Kentucky Communications Network Authority	33,387	33,387	33,387	
Budget Reserve Trust Fund	127,235			
<b>Personnel:</b>				
General Operations				
State Salary Compensation Fund				

	Original	Final	Actual	Variance
<b>Universities:</b>				
Eastern Kentucky University	\$ 60,802	\$ 64,189	\$ 64,189	\$
Kentucky State University	25,459	25,749	25,749	
Morehead State University	38,852	38,852	38,852	
Murray State University	45,015	45,572	45,572	
Northern Kentucky University	48,476	53,315	53,315	
University of Kentucky	250,224	259,343	259,343	
University of Louisville	124,611	127,118	127,118	
Western Kentucky University	70,035	73,783	73,783	
Kentucky Community and Technical College System	167,729	174,572	174,572	
Postsecondary Education Performance Fund	31,000	22,517	22,517	
<b>Finance and Administration:</b>				
General Administration and Support	7,573	7,573	7,573	
Office of the Inspector General	791	791	791	
Special Accounts - Capital Construction				
Debt Service	475,584	475,584	465,834	(9,750)
Office of the Controller	6,351	6,351	6,351	
Commonwealth Office of Technology	641	641	641	
Department for Administration				
Department for Facilities and Support Services	6,116	6,116	6,116	
Kentucky Retirement Systems	1,086	16,849	16,849	
Kentucky Higher Education Assistance Authority	274,666	289,612	247,185	(42,427)
Special Accounts - Tobacco Settlement	121,531	119,619	117,587	(2,032)
Finance - County Costs	19,744	22,182	22,182	
Department of Revenue:				
General Operations	95,204	95,204	95,204	
Office of Property Valuation Administrators	54,825	54,824	54,825	1
Appropriations Not Otherwise Classified:				
Judgements		4,385	4,385	
Board of Claims Award	200	486	486	
Guardian Ad Litem	11,625	18,226	18,226	
Prior Year Claims	100	542	542	
Unredeemed Checks Refunded	1,252	4,978	4,978	
Involuntary Commitments	65	62	62	
Blanket Employee Bonds	50	39	39	
Frankfort In Lieu of Taxes	195	195	195	
Frankfort Cemetery	3			
Police and Firemen Life Insurance	489	809	809	
Attorney General Expense	450	347	347	
Medical Malpractice Liability Insurance Reimbursements	97	80	80	
<b>Total General Government</b>	<b>2,534,102</b>	<b>2,456,090</b>	<b>2,385,172</b>	<b>(70,918)</b>
<b>Legislative and Judicial:</b>				
General Assembly	22,753	22,753	16,343	(6,410)
Legislative Research Commission	55,873	55,873	46,042	(9,831)
Judicial Retirement System	9,566	9,566	9,544	(22)
Court of Justice - Court Facility Use				
Court of Justice - Operation and Administration	269,947	269,947	259,806	(10,141)
Court of Justice - Local Facility Support	114,220	112,087	108,549	(3,538)
<b>Total Legislative and Judicial</b>	<b>472,359</b>	<b>470,226</b>	<b>440,284</b>	<b>(29,942)</b>

**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, 2019**  
(Expressed in Thousands)

	Original	Final	Actual	Variance
<b>Commerce:</b>				
<b>Economic Development:</b>				
Economic Development	\$ 28,274	\$ 28,274	\$ 20,070	\$ (8,204)
New Business Development				
<b>Commerce Cabinet:</b>				
Office of the Secretary	3,159	2,846	2,844	(2)
Kentucky State Fair Board	4,214	4,214	4,072	(142)
Kentucky Horse Park	1,674	2,024	2,024	
Department of Parks	46,550	46,550	46,549	(1)
Department of Travel	3,118	3,068	3,045	(23)
Berea Artisans Center	478	478	478	
<b>Total Commerce</b>	<b>87,467</b>	<b>87,454</b>	<b>79,082</b>	<b>(8,372)</b>
<b>Education:</b>				
General Administration and Program Support	5,164	5,164	5,164	
Commission on the Deaf and Hard of Hearing	959	959	959	
Kentucky Heritage Council	716	716	716	
Kentucky Arts Council	1,709	1,722	1,722	
Department of Education:				
Support Education Excellence In KY (SEEK)	3,056,501	3,056,501	3,056,501	
Executive Policy and Management				
Bureau of Support Services	56,244	42,257	42,257	
Learning Results Services	1,006,064	927,455	927,455	
Kentucky Educational Television	15,048	15,048	15,048	
Kentucky Historical Society	5,894	5,894	5,894	
Kentucky Center for the Arts	558	558	558	
Education Professional Standards Board	3,625	500	500	
Libraries and Archives:				
Direct Local Aid	6,830	2,500	2,500	
Public Library Facilities Construction Debt Assistance		4,330	4,330	
General Operations	6,266	6,266	6,266	
Teachers' Retirement System	828,161	828,161	828,160	(1)
Workforce Investment:				
Office of the Blind	1,881	1,879	1,879	
Employment and Training (operations and Support)		6,356	6,353	(3)
Technical Education		63,076	58,794	(4,282)
Vocational Rehabilitation	13,393	7,277	7,277	
<b>Total Education and Humanities</b>	<b>5,009,013</b>	<b>4,976,619</b>	<b>4,972,333</b>	<b>(4,286)</b>
<b>Human Resources:</b>				
<b>Health and Family Services:</b>				
Administrative Services	35,785	29,321	29,321	
Department for Community Based Services	471,974	471,974	471,974	
Department for Disability Determination Services				
Department for Family Resource Centers and Volunteer Services	11,318	60,207	60,207	
Office of the Inspector General		6,463	6,463	
Office of Health Policy	472	472	472	
Department for Aging and Independent Living	43,742	43,742	43,742	
Department for Income Support	7,117	7,117	7,117	
Department for Public Health	76,360	76,360	76,360	
Department for Behavioral Health, Developmental and Intellectual Disabilities	172,407	172,255	172,255	
Department for Human Support Services				
Medicaid Administration	56,623	56,623	56,623	
Medicaid Services Benefits	1,825,370	1,825,370	1,825,370	
Commission for Children With Special Health Care Needs	5,249	5,249	5,249	
<b>Total Human Resources</b>	<b>2,706,417</b>	<b>2,755,153</b>	<b>2,755,153</b>	

	Original	Final	Actual	Variance
<b>Justice:</b>				
Justice Administration	\$ 31,086	\$ 31,371	\$ 31,371	\$
Department of State Police	125,211	125,211	125,211	
Department of Juvenile Justice	103,936	103,936	103,936	
Department for Public Advocacy	65,413	65,413	65,413	
Department of Corrections:				
Management	11,745	13,715	13,715	
Adult Institutions	311,464	324,704	324,704	
Local Jail Allotment	16,654	16,654	16,651	(3)
Community Services and Local Facilities	244,656	244,076	244,076	
<b>Total Justice</b>	<u>910,165</u>	<u>925,080</u>	<u>925,077</u>	<u>(3)</u>
<b>Natural Resources and Environmental Protection:</b>				
General Administration and Support	3,330	3,700	3,700	
Department for Energy Development and Independence	1,412	738	738	
Kentucky River Authority	283	283	283	
Kentucky Nature Preserves Commission	1,225	1,424	1,424	
Department for Environmental Protection	27,666	29,694	29,694	
Department for Natural Resources	37,229	18,665	18,665	
Mine Safety and Licensing		9,387	9,387	
Surface Mining Reclamation and Enforcement		9,352	9,352	
<b>Total Natural Resources and Environmental Protection</b>	<u>71,145</u>	<u>73,243</u>	<u>73,243</u>	
<b>Public Protection and Regulation:</b>				
General Administration and Support		645	645	
Board of Claims and Crime Victims Compensation				
Kentucky Claims Commission	1,371	1,371	983	(388)
Board of Tax Appeals				
Horse Racing Commission	3,092	3,092	3,092	
Public Service Commission	17,646	17,646	9,362	(8,284)
Mine Safety Review Commission				
Department of Alcoholic Beverage Control				
Department of Housing, Buildings, and Construction	2,611	2,611	2,611	
Labor:				
Workplace Standards	2,405	1,856	1,712	(144)
General Administration & Support	3,528	860	860	
<b>Total Public Protection and Regulation</b>	<u>30,653</u>	<u>28,081</u>	<u>19,265</u>	<u>(8,816)</u>
<b>Transportation:</b>				
General Administration and Support	500	500	449	(51)
Public Transportation	11,638	11,638	9,681	(1,957)
Revenue Sharing				
<b>Total Transportation</b>	<u>12,138</u>	<u>12,138</u>	<u>10,130</u>	<u>(2,008)</u>
Total Expenditures	<u>11,833,459</u>	<u>11,784,084</u>	<u>11,659,739</u>	<u>(124,345)</u>
Excess of Revenues Over (Under) Expenditures	(404,490)	(162,815)	157,560	
Fund Balance at July 1			197,079	
Non-Budgeted Items			(1,702)	
Fund Balance at June 30	<u>\$</u>	<u>\$</u>	<u>\$ 352,937</u>	<u>\$</u>

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
<b>Revenues</b>				
<b>Budgeted:</b>				
Taxes	\$ 1,337,118	\$ 1,337,118	\$ 1,374,932	\$ 37,814
Licenses, fees, and permits	152,191	153,441	163,499	10,058
Intergovernmental			167	167
Charges for services	8,940	8,940	8,727	(213)
Fines and forfeits	25	25	1	(24)
Interest and other investment income	3,100	3,100	11,894	8,794
Other revenues	3,926	3,926	6,924	2,998
Subtotal of Budgeted Revenues	1,505,300	1,506,550	1,566,144	59,594
<b>Other Budgeted Financial Resources:</b>				
Transfers in (intrafund)				
Transfers in (interfund)	1,831	1,831	3,580	1,749
Total Budgeted Revenues	1,507,131	1,508,381	1,569,724	61,343
<b>Non-Budgeted:</b>				
Taxes				
Licenses, fees, and permits				
Intergovernmental				
Charges for services				
Fines and forfeits				
Interest and other investment income				
Employer contributions				
Other revenues				
Transfers in (interfund)				
Transfers in (intrafund)				
Total Non-Budgeted Revenue				
Total Revenues	1,507,131	1,508,381	1,569,724	61,343
<b>Expenditures</b>				
<b>General Government:</b>				
Executive Office of the Governor				
Office of Homeland Security	308	308	308	
Kentucky Infrastructure Authority				
Commonwealth Council on Developmental Disabilities				
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	247	(3)
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				

**Continued**



**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, 2019**  
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Board of: (Continued)				
Elections	\$	\$	\$	\$
Embalmers and Funeral Home Directors				
Architects				
Landscape Architects				
Examiners of Psychologists				
Examiners of Social Workers				
Hairdressers and Cosmetologists				
Hearing Instrument Specialists				
Nursing Home Administrators Licensing				
Medical Licensure				
Nursing				
Ophthalmic Dispensers				
Optometric Examiners				
Art Therapists				
Occupational Therapy				
Respiratory Care Practitioners				
Marriage and Family Therapists				
Proprietary Education				
Geologists				
Personnel				
Pharmacy				
Physical Therapists				
Podiatry				
Engineers and Land Surveyors				
Speech Pathology and Audiology				
Veterinary Examiners				
Investigators				
Massage Therapy				
Real Estate Commission				
Commission on Human Rights				
Council Postsecondary Education				
<b>Personnel:</b>				
General Operations				
Public Employee Deferred Compensation Authority				
<b>Universities:</b>				
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				
<b>Finance and Administration:</b>				
General Administration and Support	265	265	152	(113)
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	3,032	3,032	3,032	
Office of Property Valuation Administrators	545	545	545	
Department for Facilities and Support Services				
<b>Total General Government</b>	<b>4,400</b>	<b>4,400</b>	<b>4,284</b>	<b>(116)</b>

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 4,045	\$ 4,045	\$ 4,014	\$ (31)	\$ 246	\$ 246	\$ 155	\$ (91)
				484	484	457	(27)
				547	547	460	(87)
				77	77	76	(1)
				256	256	242	(14)
				421	421	398	(23)
				1,719	1,719	1,643	(76)
				58	58	56	(2)
				61	77	76	(1)
				3,408	3,408	3,270	(138)
				8,267	8,267	7,003	(1,264)
				68	71	71	
				231	231	216	(15)
				11	11	8	(3)
				192	222	211	(11)
				240	240	226	(14)
				134	134	114	(20)
				95	110	108	(2)
				1,010	1,010	815	(195)
				2,437	2,437	2,364	(73)
				647	647	586	(61)
				40	48	46	(2)
				1,578	1,578	1,442	(136)
				173	213	205	(8)
				275	275	240	(35)
				74	88	86	(2)
				170	170	152	(18)
					5,769	6,590	821
245	634	263	(371)	10	10	3	(7)
12,772	5,794	6,416	622	5,368	5,114	4,450	(664)
				56,947	30,922	28,596	(2,326)
				9,228	9,228	7,605	(1,623)
				334,501	334,501	425,874	91,373
				38,220	38,220	64,477	26,257
				163,417	163,417	136,139	(27,278)
				148,889	148,889	319,724	170,835
				195,538	195,538	341,738	146,200
				3,666,361	3,666,361	5,945,905	2,279,544
				1,116,635	1,116,635	170,905	(945,730)
				344,030	344,030	375,060	31,030
				671,247	671,247	494,052	(177,195)
				32,616	4,278	3,808	(470)
				13,138	10,487	10,265	(222)
				657	657	299	(358)
10	85	100	15	129,509	1,800	758	(1,042)
34	39	38	(1)	33,492	34,492	30,659	(3,833)
					104	100	(4)
				1,703	1,703	1,320	(383)
				47,307	47,307	42,356	(4,951)
	269		(269)	14,711	14,711	15,010	299
				3,699	4,163	3,932	(231)
				43,198	1,254	1,233	(21)
140,593	179,774	152,318	(27,456)	7,316,340	7,093,547	8,601,047	1,507,500

**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, 2019**  
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
<b>Legislative and Judicial:</b>				
General Assembly	\$	\$	\$	\$
Legislative Research Commission				
Court of Justice - Operation and Administration				
<b>Total Legislative and Judicial</b>				
<b>Commerce:</b>				
<b>Economic Development:</b>				
Office of the Secretary				
Financial Incentives				
Business Development				
<b>Commerce:</b>				
Office of the Secretary				
Kentucky State Fair Board				
Kentucky Horse Park				
Department of Parks				
Department of Travel				
Berea Artisans Center				
Department of Fish and Wildlife Resources	544	544	544	
<b>Total Commerce</b>	<u>544</u>	<u>544</u>	<u>544</u>	
<b>Education:</b>				
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				
<b>Total Education and Humanities</b>				

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$ 959	\$ 959	\$	\$ (959)
1	1		(1)	1,786	1,786		(1,786)
2,560	4,560	4,219	(341)	79,118	79,474	39,104	(40,370)
2,561	4,561	4,219	(342)	81,863	82,219	39,104	(43,115)
	6	8	2	2,889	300	115	(185)
					2,589	2,272	(317)
398	617	492	(125)				
				14,703	14,703	13,807	(896)
				47,212			
				10,880			
				51,841	5	5	
				29	29	25	(4)
				1,606	1,606	1,596	(10)
18,880	19,332	28,190	8,858	42,072	42,905	49,564	6,659
19,278	19,955	28,690	8,735	171,232	62,137	67,384	5,247
				1,174	1,674	1,499	(175)
	254	192	(62)	214	394	282	(112)
864	1,000	998	(2)	279	279	33	(246)
709	709	706	(3)	152	152		(152)
3,941	8,521	3,851	(4,670)	7,382	7,658	5,485	(2,173)
559,690	547,525	486,391	(61,134)	34,812	35,920	22,530	(13,390)
389,132	443,813	433,961	(9,852)	7,402	7,402	122	(7,280)
				1,519	1,519	1,243	(276)
180	180	153	(27)	458	700	763	63
				321	321	203	(118)
96	157	157		1,122	15	15	
				592	1,047	1,038	(9)
2,567	2,567	1,684	(883)	1,642	1,642	285	(1,357)
				13,949	13,949	17,969	4,020
10,111	8,499	4,310	(4,189)	1,011	936	1,275	339
98,936	139,153	116,149	(23,004)	46,497	48,244	5,107	(43,137)
50,270	20,936	18,784	(2,152)	3,334	1,915	2,347	432
1,116,496	1,173,314	1,067,336	(105,978)	121,860	123,767	60,196	(63,571)

**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, 2019**  
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
<b>Human Resources:</b>				
<b>Health and Family Services:</b>				
Administrative Support	\$	\$	\$	\$
Office of Health Benefit Exchange				
Department for Disability Determination Services				
Department for Community Based Services				
Department for Family Resources and Volunteer Services				
Governor's Office of Wellness and Physical Activity				
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				
Aging Services				
<b>Total Human Resources</b>				
<b>Justice:</b>				
Office of the Secretary				
Department of State Police	105,279	105,279	105,279	
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				
<b>Total Justice</b>	105,279	105,279	105,279	
<b>Natural Resources and Environmental Protection:</b>				
General Administration and Support				
Department for Energy Development and Independence				
Kentucky River Authority				
Kentucky Nature Preserves Commission				
Department for Environmental Protection	322	321	321	
Department for Natural Resources				
Mining Safety and Licensing				
Surface Mining Reclamation and Enforcement				
Abandoned Mine Lands Reclamation Projects				
<b>Total Natural Resources and Environmental Protection</b>	322	321	321	
<b>Public Protection and Regulation:</b>				
Office of the Commissioner				
Board of Claims and Crime Victims Compensation				
Horse Racing Commission				
Kentucky Athletic Commission				
Public Service Commission				
Occupations and Professions				
Mine Safety Review Commission				
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				
<b>Total Public Protection and Regulation</b>				

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 37,098	\$ 28,598	\$ 25,083	\$ (3,515)	\$ 21,370	\$ 13,357	\$ 11,684	\$ (1,673)
	16,847	10,998	(5,849)	5,064	9,858	5,752	(4,106)
85,213	52,739	47,679	(5,060)				
572,881	624,881	618,426	(6,455)	201,316	168,191	201,829	33,638
338	338		(338)		33,126	16,721	(16,405)
16,975	16,975	16,356	(619)		5,320	6,522	1,202
1,013				819			
24,829	24,829	21,551	(3,278)	3,299	3,299	2,932	(367)
	32,474	32,171	(303)	12,551	17,863	17,128	(735)
190,380	190,380	174,492	(15,888)	86,878	86,878	91,575	4,697
49,131	65,526	56,728	(8,798)	209,583	209,583	213,064	3,481
214,031	214,031	169,266	(44,765)	19,027	19,027	15,112	(3,915)
8,920,198	8,920,198	8,068,253	(851,945)	536,245	536,245	527,805	(8,440)
				11,286	11,286	7,771	(3,515)
4,566	5,566	5,561	(5)				
6,705	6,705	6,721	16				
10,123,358	10,200,087	9,253,285	(946,802)	1,107,438	1,114,033	1,117,895	3,862
51,630	51,630	27,562	(24,068)	4,297	6,997	6,233	(764)
11,097	13,964	13,188	(776)	38,458	40,817	39,250	(1,567)
1,422	1,633	1,578	(55)	4,608	4,608	2,292	(2,316)
10,542	10,542	8,881	(1,661)	10,360	10,360	9,351	(1,009)
120	120	33	(87)	90,331	90,331	80,015	(10,316)
75	75	29	(46)	300	300	1	(299)
273	472	274	(198)	10,000	4,986	3,264	(1,722)
696	696	432	(264)	17,909	10,000	6,277	(3,723)
75,855	79,132	51,977	(27,155)	176,263	168,399	146,683	(21,716)
1,126	1,564	1,316	(248)	1,874	1,874	1,814	(60)
582	897	828	(69)	868	720	2,648	1,928
				7,290	7,290	4,908	(2,382)
50	70	69	(1)	944	944	4,263	3,319
21,122	27,460	28,674	1,214	75,122	49,897	43,879	(6,018)
				14,698	3,841	5,742	1,901
3,755	5,531	3,440	(2,091)		683	823	140
11,926	10,478	9,704	(774)		282	372	90
45,744	44,642	29,676	(14,966)		7,580	2,135	(5,445)
84,305	90,642	73,707	(16,935)	100,796	73,111	66,584	(6,527)
157	157	128	(29)	968	968	681	(287)
				29,736	36,236	35,262	(974)
				5,947	178	156	(22)
445	684		(684)	202	227	881	654
				6,494	7,201	5,478	(1,723)
	440	242	(198)	8,199	8,199	6,887	(1,312)
				4,293	4,293	3,128	(1,165)
				14,523	14,523	21,678	7,155
				25,483	25,483	24,622	(861)
704	904	161	(743)	20,146	19,938	47,223	27,285
3,811	4,018	3,879	(139)	8,733			
75		787	787	203,217	5,378	5,075	(303)
5,192	6,203	5,197	(1,006)	327,941	122,624	151,071	28,447

**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, 2019**  
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
<b>Transportation:</b>				
Administration and Support	\$ 80,815	\$ 80,815	\$ 73,014	\$ (7,801)
Revenue Sharing	458,407	465,376	340,519	(124,857)
Air Transportation	2,780	2,780	2,762	(18)
Highways				
Public Transportation	1,092,722	1,112,305	833,338	(278,967)
Vehicle Regulation	30,364	30,364	26,921	(3,443)
Debt Service	160,013	160,013	154,413	(5,600)
Transfers to Capital Projects	10,590	10,590	10,590	
BRAC Economic Development Road Bonds				
GARVEE Western KY Bridges Project				
2005 Ed Bond Series				
<b>Total Transportation</b>	<u>1,835,691</u>	<u>1,862,243</u>	<u>1,441,557</u>	<u>(420,686)</u>
Total Expenditures	<u>1,946,236</u>	<u>1,972,787</u>	<u>1,551,985</u>	<u>(420,802)</u>
Excess of Revenues over (under)				
Expenditures	<u>(439,105)</u>	<u>(464,406)</u>	<u>17,739</u>	<u>482,145</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Trustees				
Total Other Financing Sources (Uses)				
Excess of Revenues and Other Financing				
Sources over (under) Expenditures and				
Other Financing Uses			17,739	
Fund Balances at July 1			455,302	
Non-Budgeted Items			(213)	
Fund Balances at June 30	<u>\$</u>	<u>\$</u>	<u>\$ 472,828</u>	<u>\$</u>

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$	\$	\$	\$	\$ 2,336	\$ 80	\$ 21	\$ (59)
302	302	48	(254)	18,836	24,727	11,553	(13,174)
1,152,568	1,152,568	867,341	(285,227)	260,737	111,649	91,126	(20,523)
41,184	54,934	28,906	(26,028)	775	775	560	(215)
4,635	4,635	2,153	(2,482)	19,396	19,396	19,087	(309)
					26,829	4,804	(22,025)
					108,752	15,985	(92,767)
1,198,689	1,212,439	898,448	(313,991)	302,080	292,208	143,136	(149,072)
12,766,327	12,966,107	11,535,177	(1,430,930)	9,705,813	9,132,045	10,393,100	1,261,055
		(20,348)				1,596,868	
						1,285	
						1,285	
		(20,348)				1,598,153	
		109,492				1,543,450	
		(137)				(1,381,062)	
\$	\$	\$ 89,007	\$	\$	\$	\$ 1,760,541	\$



## **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, 2019**

**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, 2019, 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, 2019:				
Budgetary basis	\$ 352,936	\$ 472,828	\$ 89,007	\$ 1,760,541
Adjustments:				
Accrued revenues	440,366	103,246	440,124	62,662
Accrued expenditures	(445,591)	(88,855)	(379,526)	(46,603)
Accrued transfers (net)			(39,721)	39,721
Total Accruals (1)	<u>(5,225)</u>	<u>14,391</u>	<u>20,877</u>	<u>55,780</u>
Reclassifications and other adjustments:				
Inventory balances (1)	7,373	58,417	152	2,603
To reclassify financial and other resources into financial statement fund types (2)	4,248	(1,259)	(142,982)	(1,081,815)
To record financial resources available as non-budgeted funds (3)	<u>(126,572)</u>		<u>(3)</u>	<u>(546)</u>
Fund Balance				
Fund balance June 30, 2019:				
GAAP Basis	<u>\$ 232,760</u>	<u>\$ 544,377</u>	<u>\$ (32,949)</u>	<u>\$ 736,563</u>
(1) Basis differences				
(2) Perspective differences				
(3) Entity differences				

### Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, the Commonwealth has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the Commonwealth expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for, under the modified approach, include approximately 63,836 lane miles of roads and approximately 9,033 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Good	46.20%	57.60%	61.20%	45.60%	56.40%
Fair	28.60%	22.50%	22.20%	37.10%	26.20%
Poor	25.20%	19.90%	16.60%	17.30%	17.40%

### Bridges

#### Measurement Scale

KYTC maintains information on its 9,033 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.

**COMMONWEALTH OF KENTUCKY**  
**Notes To Required Supplementary Information**  
**June 30, 2019**

Established Minimum Condition Level

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

Assessed Conditions

Prior to May 20, 2017, a bridge coded 4 or less for its deck, superstructure, or substructure, or coded 2 or less for its structural evaluation or waterway adequacy is classified as “structurally deficient.” A structurally deficient bridge is inadequate to carry legal loads, whether caused by structural deterioration, obsolete design standards, or an insufficient waterway opening. A bridge coded 3 or less for its structural evaluation, deck geometry, vertical or horizontal under clearance, water adequacy, or approach roadway alignment is classified as “functionally obsolete.” A functionally obsolete bridge cannot properly accommodate the current traffic. The following table reports the percentage of bridges whose condition was assessed as “structurally deficient” in the corresponding year:

Calendar Year	Structurally Deficient	Deck Area Structurally Deficient
2016	5.9%	4.9%
2015	6.4%	5.6%
2014	6.3%	4.7%

As of May 20, 2017, condition assessments for National Highway System (NHS) bridges were updated by the Federal Highway Administration, Department of Transportation due to the requirement by the Moving Ahead for Progress in the 21st Century Act (MAP-21). Under the new rule, a structurally deficient or a Poor bridge is classified with a deck, superstructure, substructure, or culvert condition rating less than or equal to 4. If any condition rating is below 7, but above 4, they are classified as Fair. Likewise, if any component condition rating is greater than or equal to 7, a bridge is considered Good. The new performance condition assessment measures are based on deck area. Functionally obsolete is a legacy classification that was used to implement the Highway Bridge Program, which was discontinued with the enactment of MAP-21. The following table reports the percentage of bridges meeting ratings of “Good”, “Fair”, and “Poor” for calendar year 2018 under the updated condition assessment requirements:

Condition	Calendar Year 2018	Calendar Year 2017
Good	34.1%	35.8%
Fair	61.0%	59.6%
Poor	4.9%	4.6%

Estimated and Actual Costs to Maintain

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

	Roadways	Bridges	Total
<u>Fiscal Year 2020:</u>			
Estimated	\$ 575.4	\$ 66.7	\$ 642.1
<u>Fiscal Year 2019:</u>			
Estimated	\$ 897.0	\$ 104.8	\$ 1001.8
Actual	\$ 965.5	\$ 111.9	\$ 1077.4
<u>Fiscal Year 2018:</u>			
Estimated	\$ 727.0	\$ 76.1	\$ 803.1
Actual	\$ 903.4	\$ 107.9	\$ 1011.3
<u>Fiscal Year 2017:</u>			
Estimated	\$ 971.9	\$ 75.8	\$ 1047.7
Actual	\$ 834.4	\$ 87.4	\$ 921.8
<u>Fiscal Year 2016:</u>			
Estimated	\$ 1064.9	\$ 55.2	\$ 1120.1
Actual	\$ 916.1	\$ 71.4	\$ 987.5
<u>Fiscal Year 2015:</u>			
Estimated	\$ 1103.0	\$ 57.2	\$ 1160.2
Actual *	\$ 1075.7	\$ 51.2	\$ 1126.9
<u>Fiscal Year 2014:</u>			
Estimated	\$ 1030.6	\$ 84.9	\$ 1115.5
Actual	\$ 1060.7	\$ 55.0	\$ 1115.7

\* Prior year actual expenditures have been restated.

**COMMONWEALTH OF KENTUCKY**  
**Notes To Required Supplementary Information**  
**June 30, 2019**

**Kentucky Public Transportation Infrastructure Authority**

As allowed by GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, the Authority has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the Authority expenses certain maintenance and preservation costs and does not report depreciation expense. The Authority’s assets accounted for, under the modified approach, include approximately 56.1 lane miles of roads and 47 bridge structures.

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

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

**Pavements**

**Measurement Scale**

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

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

**Established Minimum Condition Level**

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

**Assessed Conditions**

The Authority assesses pavement condition on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Good”, “Fair”, and “Poor” for the past three years.

<u>Condition</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Good	90.80%	90.80%	90.30%	90.30%
Fair	9.20%	9.20%	9.70%	9.70%
Poor	0.00%	0.00%	0.00%	0.00%

**Bridges**

**Measurement Scale**

The Authority maintains information on its 48 bridges in compliance with the National Bridge Inspection guidelines established by the Federal Highway Administration. The Authority inspects all bridges at least once every two years and the condition assessment results are coded on a 0-9 scale with 9 being the most desirable. The condition ratings are based on the following scale:

<u>Rating</u>	<u>Description</u>
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling or scour.
4	Poor. Advanced section loss, deterioration, spalling or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed sub-structure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
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, 2019**

**Assessed Conditions**

Prior to May 20, 2017, a bridge coded 4 or less for its deck, superstructure, or substructure, or coded 2 or less for its structural evaluation or waterway adequacy is classified as “structurally deficient.” A structurally deficient bridge is inadequate to carry legal loads, whether caused by structural deterioration, obsolete design standards, or an insufficient waterway opening. A bridge coded 3 or less for its structural evaluation, deck geometry, vertical or horizontal underclearance, water adequacy, or approach roadway alignment is classified as “functionally obsolete.” A functionally obsolete bridge cannot properly accommodate the current traffic.

The bridge condition goals above represent the Cabinet’s goal for all structures located on the Commonwealth’s state maintained highway system. The actual conditions of the bridges for which the Authority is responsible did not meet this stated goal in 2014 and was not reported in 2015. The LSIORBP has required a lengthy planning and development period and in anticipation of the construction activities much of the needed preservation work was postponed. For the 2016 reporting period, the LSIORBP area was under active construction and the condition of the bridges in the area could not be assessed and was the responsibility of the contractor. During construction, however, routine inspections were continued and required maintenance was performed to insure all bridges are safe for traffic. The following table reports the percentage of bridges whose condition was assessed as “structurally deficient” in the corresponding year:

<u>Calendar Year</u>	<u>Structurally Deficient</u>	<u>Deck Area Structurally Deficient</u>
2016	2.1%	10.4%
2015	Not reported due to ongoing construction	
2014	43%	42%

As of May 20, 2017, condition assessments for National Highway System (NHS) bridges were updated by the Federal Highway Administration, Department of Transportation due to the requirement by the Moving Ahead for Progress in the 21st Century Act (MAP-21). Under the new rule, a structurally deficient or a Poor bridge is classified with a deck, superstructure, substructure, or culvert condition rating less than or equal to 4. If any condition rating is below 7, but above 4, they are classified as Fair. Likewise, if any component condition rating is greater than or equal to 7, a bridge is considered Good. The new performance condition assessment measures are based on deck area. Functionally obsolete is a legacy classification that was used to implement the Highway Bridge Program, which was discontinued with the enactment of MAP-21. The following table reports the percentage of bridges meeting ratings of “Good”, “Fair”, and “Poor” for calendar year 2018 and 2017 under the updated condition assessment requirements:

<u>Condition</u>	<u>Calendar Year</u>	<u>Calendar Year</u>
	<u>2018</u>	<u>2017</u>
Good	82.0%	80.2%
Fair	18.0%	19.8%
Poor	0.0%	0.0%

**Estimated and Actual Costs to Maintain**

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

*(Expressed in Thousands)*

	<u>Roadways</u>	<u>Bridges</u>	<u>Total</u>
<u>Fiscal Year 2020:</u>			
Estimated			\$ 1,279.9
<u>Fiscal Year 2019:</u>			
Estimated			\$ 4,069.4
Actual			\$ 1,976.2
<u>Fiscal Year 2018:</u>			
Estimated			\$ 1,139.7
Actual			\$ 3,153.3
<u>Fiscal Year 2017:</u>			
Estimated*	\$	\$	\$
Actual	\$ 16,589.3	\$ 21,951.0	\$ 38,540.3
<u>Fiscal Year 2016:</u>			
Estimated*	\$	\$	\$
Actual	\$ 42,253.0	\$ 17,464.0	\$ 59,717.0
<u>Fiscal Year 2015:</u>			
Estimated*	\$	\$	\$
Actual	\$ 4,913.0	\$	\$ 4,913.0

\*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**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Earned Premiums	\$ 23,666	\$ 22,094	\$ 22,993	\$ 24,500	\$ 24,497	\$ 23,017	\$ 21,074	\$ 25,871	\$ 23,892	\$ 21,880
Administrative Expense	936	1,031	1,013	955	1,038	1,007	976	914	927	918
Incurred Claims as Originally Estimated	19,084	20,372	21,269	23,043	25,619	24,847	22,185	23,536	24,915	21,556
Claims Paid (Cumulative) as of:										
End of Fiscal Year	4,613	5,497	5,245	5,076	7,314	6,221	5,386	6,082	5,829	5,181
One Year Later	8,675	9,233	9,568	7,927	10,235	9,131	8,160	9,098	8,704	
Two Years Later	10,433	11,153	11,806	9,695	12,258	10,994	9,855	11,036		
Three Years Later	11,489	12,309	13,296	10,720	13,170	11,932	10,636			
Four Years Later	12,067	13,390	13,903	11,210	13,631	12,358				
Five Years Later	12,506	14,036	14,405	11,543	14,622					
Six Years Later	12,859	14,457	14,769	11,753						
Seven Years Later	13,215	14,909	15,214							
Eight Years Later	13,513	15,359								
Nine Years Later	13,866									
Re-estimation of Incurred Claims:										
End of Fiscal Year	19,084	20,372	21,269	23,043	25,619	24,847	22,185	23,536	24,915	21,556
One Year Later	20,373	21,613	22,466	20,463	23,517	22,001	20,628	22,247	22,859	
Two Years Later	20,170	21,966	23,455	19,660	23,422	21,866	20,905	22,396		
Three Years Later	21,106	22,550	23,631	19,505	22,971	21,643	19,799			
Four Years Later	21,236	23,060	23,124	18,912	23,606	21,017				
Five Years Later	21,148	22,780	22,891	18,805	23,577					
Six Years Later	20,856	22,872	23,170	18,584						
Seven Years Later	20,449	22,395	23,040							
Eight Years Later	20,493	23,097								
Nine Years Later	20,523									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	1,439	2,725	1,771	(4,460)	(2,042)	(3,830)	(2,387)	(1,140)	(2,056)	

SOURCE: Audited Financial Statements



**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**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Earned Premiums	\$ 1,466,303	\$ 1,571,312	\$ 1,600,787	\$ 1,597,599	\$ 1,606,978	\$ 1,612,540	\$ 1,624,815	\$ 1,627,656	\$ 1,640,342	\$ 1,639,533
Administrative Expense	77,104	81,048	82,088	81,459	87,108	83,049	73,177	75,515	77,296	76,671
Incurred Claims as Originally Estimated	1,391,340	1,475,301	1,531,838	1,530,199	1,460,930	1,347,112	1,348,429	1,402,632	1,479,373	1,593,888
Claims Paid (Cumulative) as of:										
End of Fiscal Year	1,318,824	1,391,375	1,445,035	1,434,661	1,367,500	1,275,354	1,230,810	1,326,155	1,390,162	1,509,462
One Year Later	1,399,923	1,477,129	1,533,569	1,539,862	1,477,144	1,349,674	1,339,032	1,397,381	1,470,797	
Two Years Later	1,396,976	1,466,785	1,532,732	1,537,204	1,476,210	1,353,583	1,327,946	1,396,642		
Three Years Later	1,396,631	1,466,629	1,532,537	1,537,204	1,476,210	1,353,583	1,327,946			
Four Years Later	1,396,631	1,466,629	1,532,537	1,537,204	1,476,210	1,353,583				
Five Years Later	1,396,631	1,466,629	1,532,537	1,537,204	1,476,210					
Six Years Later	1,396,631	1,466,629	1,532,537	1,536,507						
Seven Years Later	1,396,631	1,466,629	1,532,537							
Eight Years Later	1,396,631	1,466,629								
Nine Years Later	1,396,631									
Re-estimation of Incurred Claims:										
End of Fiscal Year	1,391,340	1,475,301	1,531,838	1,530,199	1,460,930	1,347,112	1,348,429	1,402,632	1,479,373	1,593,888
One Year Later	1,398,877	1,474,723	1,532,352	1,537,907	1,474,433	1,351,082	1,339,032	1,396,808	1,469,261	
Two Years Later	1,396,631	1,466,629	1,532,537	1,536,507	1,476,210	1,353,583	1,338,945	1,392,505		
Three Years Later	1,396,631	1,466,629	1,532,537	1,536,507	1,476,210	1,353,583	1,338,945			
Four Years Later	1,396,631	1,466,629	1,532,537	1,536,507	1,476,210	1,353,583				
Five Years Later	1,396,631	1,466,629	1,532,537	1,536,507	1,476,210					
Six Years Later	1,396,631	1,466,629	1,532,537	1,536,507						
Seven Years Later	1,396,631	1,466,629	1,532,537							
Eight Years Later	1,396,631	1,466,629								
Nine Years Later	1,396,631									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	5,291	(8,673)	699	6,308	15,281	6,470	(9,484)	(10,127)	(10,112)	

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**

	2019	2018	2017	2016	2015
<b><i>As of the most recent fiscal year end:</i></b>					
Actuarially determined contribution	\$ 10,185	\$ 11,954	\$ 11,884	\$ 15,171	\$ 15,142
Contributions in relation to the actuarially determined contribution	8,732	11,954	11,884	15,171	15,142
Contribution deficiency (excess)	<u>\$ 1,453</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered-employee payroll	\$ 30,566	\$ 30,624	\$ 27,590	\$ 31,936	\$ 31,936
Contributions as a percentage of covered-employee payroll	28.57%	39.03%	43.00%	48.00%	47.00%

**Notes to Schedule as of the Measurement Date**

Valuation date	July 1, 2017	July 1, 2017	July 1, 2015	July 1, 2015	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	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	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	Market Value
Investment Return	6.24%	6.24%	6.41%	6.41%	6.41%
Inflation	3.00%	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	1% for next 5 years 3.5% thereafter

**Mortality Rates FY 2019; 2018; 2017**

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

**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 morality 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.

2014	2013	2012	2011	2010	2009
\$ 15,220	\$ 15,220	\$ 10,302	\$ 10,302	\$ 4,512	\$ 4,512
10,805	10,399	4,946	4,534	4,470	4,470
<u>\$ 4,415</u>	<u>\$ 4,821</u>	<u>\$ 5,356</u>	<u>\$ 5,768</u>	<u>\$ 42</u>	<u>\$ 42</u>
\$ 32,930	\$ 32,930	\$ 33,175	\$ 33,175	\$ 29,887	\$ 29,887
32.81%	31.58%	14.91%	13.67%	14.96%	14.96%

July 1, 2014

July 1, 2013

July 1, 2012

July 1, 2011

June 30,2009

June 30,2009

Entry Age Normal

Entry Age Normal

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

6.15%

7.00%

7.00%

7.00%

7.00%

7.00%

3.00%

1% for next  
5 years  
3.5% thereafter

1% for next year  
1% the following year  
3.5% thereafter

1% for next year  
1% the following year  
3.5% thereafter

1% for next year  
2% the following year  
4% thereafter

1% for next year  
2% the following year  
4% thereafter

1% for next year  
2% the following year  
4% thereafter

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

**Kentucky Legislators' Retirement Plan**

	2019	2018	2017	2016	2015
<b><i>As of the most recent fiscal year end:</i></b>					
Actuarially determined contribution	\$ 4,430	\$ 2,400	\$ 2,384	\$ 3,415	\$ 3,409
Contributions in relation to the actuarially determined contribution		2,400	2,384	3,415	3,409
Contribution deficiency (excess)	<u>\$ 4,430</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered-employee payroll	\$ 4,324	\$ 4,407	\$ 3,506	\$ 4,919	\$ 4,919
Contributions as a percentage of covered-employee payroll	0.0%	54.5%	68.0%	69%	69%

**Notes to Schedule as of the Measurement Date**

Valuation date	July 1, 2017	July 1, 2017	July 1, 2015	July 1, 2015	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	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	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	Market Value
Investment Return	6.45%	6.45%	6.45%	6.85%	6.50%
Inflation	3.00%	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	1% for next 5 years 3.5% thereafter

**Mortality Rates FY 2019; 2018; 2017**

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

**Mortality Rates FY 2016**

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

**Mortality Rates FY 2015 and Prior**

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

2014	2013	2012	2011	2010	2009
3,215	\$ 3,215	\$ 2,140	\$ 2,140	\$ 320	\$ 320
1,825	1,696	1,027	942	320	320
1,390	\$ 1,519	\$ 1,113	\$ 1,198	\$	\$
4,988	\$ 4,988	\$ 5,193	\$ 5,193	\$ 4,917	\$ 4,917
36.59%	34%	19.78%	18.14%	6.51%	6.51%
July 1, 2014	July 1, 2013	July 1, 2012	July 1, 2011	June 30, 2009	June 30, 2009
Entry Age Normal	Entry Age Normal	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 Open	Interest + 1% Unfunded Past Liability Open	Interest + 1% Unfunded Past Liability Open	Interest + 1% Unfunded Past Liability Open	Interest + 1% Unfunded Past Liability
Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
6.50%	7.00%	7.00%	7.00%	7.00%	7.50%
3.00%					
1% for next 5 years 3.5% thereafter	1% for next year 1% the following year 3.5% thereafter	1% for next year 1% the following year 3.5% thereafter	1% for next year 2% the following year 4% thereafter	1% for next year 2% the following year 4% thereafter	1% for next year 2% the following year 4% thereafter

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

<b>State Police Retirement System</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b><u>As of the most recent fiscal year end:</u></b>					
Actuarially determined contribution	\$ 58,948	\$ 36,033	\$ 35,937	\$ 25,723	\$ 31,444
Contributions in relation to the actuarially determined contribution	60,048	46,877	63,240	25,822	31,990
Contribution deficiency (excess)	<u>\$ (1,100)</u>	<u>\$ (10,844)</u>	<u>\$ (27,303)</u>	<u>\$ (99)</u>	<u>\$ (546)</u>
Covered-employee payroll	\$ 49,515	\$ 50,346	\$ 54,065	\$ 46,685	\$ 45,765
Contributions as a percentage of covered-employee payroll	121.27%	93.11%	116.97%	55.31%	69.90%

**Notes to Schedule as of the Measurement Date:**

Valuation date	June 30, 2016	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2014
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**Methods and assumptions used to determine contributions:**

Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	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	Level percentage of payroll closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	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%	6.75%	7.50%	6.75%	7.50%
Inflation	3.25%	3.25%	3.25%	3.25%	3.25%
Projected Salary Increase	4.00%	4.00%	4.00%	4.00%	4.00%

**Mortality**

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

2014	2013	2012	2011	2010	2009
\$ 25,808	\$ 23,117	\$ 20,498	\$ 18,463	\$ 18,765	\$ 15,952
20,279	18,501	15,362	12,657	9,489	8,186
<u>\$ 5,529</u>	<u>\$ 4,616</u>	<u>\$ 5,136</u>	<u>\$ 5,806</u>	<u>\$ 9,276</u>	<u>\$ 7,766</u>
\$ 44,616	\$ 45,256	\$ 48,373	\$ 48,693	\$ 51,507	\$ 51,660
45.45%	40.88%	31.76%	25.99%	18.42%	15.85%
June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009
Entry age normal	Entry age normal	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%	3.50%	4.50%
4.50%	4.5%-21%	4.5%-21%	4.5%-21%	5%-21%	4.5%-21%

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

<b>Kentucky Employees Retirement Plan</b>					
<b>Non-Hazardous</b>					
<b>As of the most recent fiscal year end:</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 1,055,402	\$ 432,329	\$ 361,024	\$ 362,122	\$ 355,949
Contributions in relation to the actuarially determined contribution	1,035,462	470,021	361,316	362,639	202,891
Contribution deficiency (excess)	<u>\$ 19,940</u>	<u>\$ (37,692)</u>	<u>\$ (292)</u>	<u>\$ (517)</u>	<u>\$ 153,058</u>
Covered-employee payroll	1,485,854	1,029,846	1,148,574	\$ 1,073,430	\$ 1,078,236
Contributions as a percentage of covered-employee payroll	69.69%	45.64%	31.46%	33.78%	18.82%

**Notes to Schedule as of the Measurement Date:**

Valuation date	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014
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**Methods and assumptions used to determine contributions :**

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

**Mortality**

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

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

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

<b>Kentucky Employees Retirement Plan</b>					
<b>Hazardous</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b><u>As of the most recent fiscal year end:</u></b>					
Actuarially determined contribution	\$ 55,230	\$ 31,321	\$ 23,690	\$ 27,770	\$ 13,289
Contributions in relation to the actuarially determined contribution	55,259	43,661	23,759	27,929	11,428
Contribution deficiency (excess)	<u>\$ (29)</u>	<u>\$ (12,340)</u>	<u>\$ (69)</u>	<u>\$ (159)</u>	<u>\$ 1,861</u>
Covered-employee payroll	\$ 160,600	\$ 152,936	\$ 158,828	\$ 125,942	\$ 126,402
Contributions as a percentage of covered-employee payroll	34.41%	28.55%	14.96%	22.18%	9.04%

**Notes to Schedule as of the Measurement Date:**

Valuation date	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014
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**Methods and assumptions used to determine contributions :**

Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	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	Level percentage of payroll closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Five-year smoothed market	Five-year smoothed market
Investment Return	7.50%	7.50%	7.50%	7.50%	7.75%
Inflation	3.25%	3.25%	3.25%	3.25%	3.50%
Projected Salary Increase	4.0%, average	4.0%, average	4.0%, average, including inflation	4.0%, average, including inflation	1% per annum

**Mortality**

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

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



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

**Kentucky Teachers Retirement System**

	2019	2018	2017	2016	2015
<b><u>As of the most recent fiscal year end:</u></b>					
Actuarially determined contribution	\$	\$	\$	\$	\$
Employer	7,300	7,780	16,540	15,776	14,018
Nonemployer special funding	1,051,722	1,554,267	934,995	852,845	768,088
Contributions in relation to the actuarially determined contribution					
Employer	7,300	8,013	9,359	9,662	9,590
Nonemployer special funding	1,051,722	1,600,895	529,083	522,336	525,455
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ (46,861)</u>	<u>\$ 413,093</u>	<u>\$ 336,623</u>	<u>\$ 247,061</u>
Covered-employee payroll	\$ 3,297,875	\$ 3,605,115	\$ 4,108,000	\$ 3,284,714	\$ 3,150,875 *
Contributions as a percentage of covered-employee payroll	32.11%	44.63%	13.11%	16.20%	16.98%

**Notes to Schedule as of the Measurement Date:**

Valuation date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
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**Methods and assumptions used to determine contributions :**

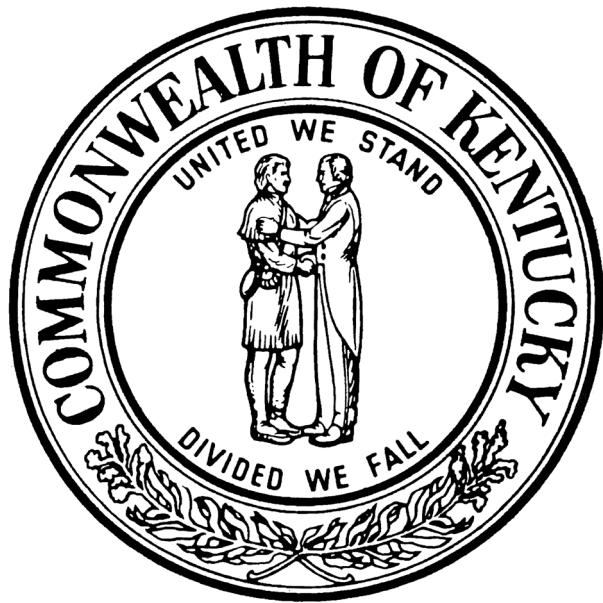
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of payroll, open
Asset Valuation Method	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market
Investment Return	7.5% including inflation	7.5% including inflation	7.5%, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation
Inflation	3.50%	3.00%	3.50%	3.50%	3.50%
Projected Salary Increase	4.00 - 8.2%	3.50 - 7.30%	3.50 - 7.30%	4.0% - 8.20%	4.0% - 8.20%

**Mortality by measurement Date**

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 TEN FISCAL YEARS**  
(Expressed in Thousands)

**Schedule of Changes in Net Pension Liability and Related Ratios**

	2019			2018		
	Kentucky Legislators Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System	Kentucky Legislators Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
Total Pension Liability						
Service Costs	\$ 698	\$ 4,127	\$ 11,890	\$ 701	\$ 4,912	\$ 8,297
Interest	4,639	22,699	47,978	5,280	23,780	51,768
Differences between expected and actual experience			25,126	(6,362)	(8,857)	8,143
Changes in assumptions				(160)	(2,090)	136,602
Benefit payments/refunds	(4,529)	(23,194)	(58,805)	(4,257)	(23,011)	(56,960)
Other			162			
Net change in total pension liability	808	3,632	26,351	(4,798)	(5,266)	147,850
Total pension liability at July 1	73,566	371,505	943,272	78,364	376,771	795,422
Total pension liability at June 30	<u>\$ 74,374</u>	<u>\$ 375,137</u>	<u>\$ 969,623</u>	<u>\$ 73,566</u>	<u>\$ 371,505</u>	<u>\$ 943,272</u>
Pension Plan Fiduciary Net Position						
Contributions - employer	\$ 2,400	\$ 12,529	\$ 46,877	\$ 2,401	\$ 11,954	\$ 63,240
Contributions - member	232	1,977	5,522	311	1,607	5,348
Contributions - Commonwealth of Kentucky						
Contributions - other employers						
Net investment income	6,271	27,067	18,437	7,936	34,713	26,795
Benefit payments/refunds	(4,528)	(23,194)	(58,805)	(4,257)	(23,011)	(56,960)
Administrative expenses			(194)			(182)
Other			(1)	87		(517)
Net change in plan fiduciary net position	4,375	18,379	11,836	6,478	25,263	37,724
Pension plan fiduciary net position at July 1	68,372	292,718	255,737	61,894	267,455	218,013
Pension plan fiduciary net position at June 30	<u>\$ 72,747</u>	<u>\$ 311,097</u>	<u>\$ 267,573</u>	<u>\$ 68,372</u>	<u>\$ 292,718</u>	<u>\$ 255,737</u>
Net pension liability at June 30	<u>\$ 1,627</u>	<u>\$ 64,040</u>	<u>\$ 702,050</u>	<u>\$ 5,194</u>	<u>\$ 78,787</u>	<u>\$ 687,535</u>
Pension plan fiduciary net position as a % of the total pension liability	97.81%	82.93%	27.60%	92.94%	78.79%	27.11%
Covered-employee payroll	\$ 4,413	\$ 30,900	\$ 50,346	\$ 4,404	\$ 30,287	\$ 54,065
Net Pension liability as a % of covered employee payroll	36.9%	207.2%	1394.5%	117.9%	260.1%	1271.7%

This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.  
The column is presented based on the measurement date of the prior period.

2017			2016			2015		
Kentucky Legislators Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System	Kentucky Legislators Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System	Kentucky Legislators Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
\$ 967	\$ 4,913	\$ 8,402	\$ 1,046	\$ 4,952	\$ 7,696	\$ 1,046	\$ 4,952	\$ 7,142
5,161	23,436	52,951	5,077	22,205	50,660	4,923	21,906	50,391
		56,191	(3,421)	4,401	9,331			
(3,999)	(22,868)	(56,279)	(1,547)	(4,401)	40,202	3,722	29,116	
22	85		(3,690)	(22,243)	(54,851)	(3,544)	(21,808)	(53,239)
2,151	5,566	61,265	(2,535)	4,914	53,038	6,147	34,166	4,294
76,213	371,205	734,157	78,748	366,291	681,119	72,601	332,126	676,825
<u>\$ 78,364</u>	<u>\$ 376,771</u>	<u>\$ 795,422</u>	<u>\$ 76,213</u>	<u>\$ 371,205</u>	<u>\$ 734,157</u>	<u>\$ 78,748</u>	<u>\$ 366,292</u>	<u>\$ 681,119</u>
\$ 3,380	\$ 15,294	\$ 25,822	\$ 3,367	\$ 15,362	\$ 31,990	\$ 1,825	\$ 12,404	\$ 20,279
335	1,737	5,262	217	1,863	5,244	273	2,759	5,076
2,067	8,734	(3,841)	5,550	25,614	3,427	7,934	33,174	40,374
(3,999)	(22,867)	(56,279)	(3,690)	(22,243)	(54,851)	(3,544)	(21,808)	(53,239)
		(180)			(201)			(214)
22	91				646			
1,805	2,989	(29,216)	5,444	20,596	(13,745)	6,488	26,529	12,276
60,089	264,466	247,229	54,645	243,870	260,974	48,157	217,341	248,698
<u>\$ 61,894</u>	<u>\$ 267,455</u>	<u>\$ 218,013</u>	<u>\$ 60,089</u>	<u>\$ 264,466</u>	<u>\$ 247,229</u>	<u>\$ 54,645</u>	<u>\$ 243,870</u>	<u>\$ 260,974</u>
<u>\$ 16,470</u>	<u>\$ 109,316</u>	<u>\$ 577,409</u>	<u>\$ 16,124</u>	<u>\$ 106,739</u>	<u>\$ 486,928</u>	<u>\$ 24,103</u>	<u>\$ 122,422</u>	<u>\$ 420,145</u>
78.98%	70.99%	27.41%	78.84%	71.25%	33.68%	69.39%	66.58%	38.32%
\$ 4,500	\$ 30,000	\$ 46,685	\$ 4,500	\$ 30,000	\$ 45,765	\$ 4,988	\$ 32,930	\$ 44,616
366.0%	364.4%	1236.8%	358.3%	355.8%	1,063.97%	483.2%	371.8%	941.7%

**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					
	2019		2018		2017	
	Kentucky Employees Retirement System		Kentucky Employees Retirement System		Kentucky Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Commonwealth's proportionate share of the net pension liability (asset)	74.46%	97.46%	74.01%	97.69%	70.42%	98.04%
Commonwealth's proportionate share of the collective net pension liability (asset)	\$ 10,074,599	\$ 492,281	\$ 9,909,003	\$ 485,596	\$ 8,027,502	\$ 383,971
Other employers' proportionate share of the collective net pension liability (asset)	3,529,176	12,844	3,479,333	11,505	3,207,893	7,667
Total collective net pension liability	<u>\$ 13,603,775</u>	<u>\$ 505,125</u>	<u>\$ 13,388,336</u>	<u>\$ 497,101</u>	<u>\$ 11,235,395</u>	<u>\$ 391,638</u>
Commonwealth's covered-employee payroll	\$ 1,124,380	\$ 149,047	\$ 1,185,969	\$ 174,379	\$ 1,148,568	\$ 155,715
Commonwealth's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	896.01%	330.29%	835.52%	278.47%	698.91%	246.59%
Pension plan fiduciary net position as a percentage of the total pension liability	12.84%	56.10%	13.30%	54.80%	14.80%	57.41%

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

	Fiscal Year		
	2019		2017
	Kentucky Teachers' Retirement System		Kentucky Teachers' Retirement System
Commonwealth's proportionate share of the net pension liability (asset)	97.11%	95.54%	95.22%
Commonwealth's proportionate share of the collective net pension liability (asset)	\$ 13,329,602	\$ 27,474,647	\$ 29,446,825
Other employers' proportionate share of the collective net pension liability (asset)	397,320	1,468,941	1,476,601
Total collective net pension liability	<u>\$ 13,726,922</u>	<u>\$ 28,943,588</u>	<u>\$ 30,923,426</u>
Commonwealth's covered-employee payroll	\$ 3,355,637	\$ 3,263,192	\$ 3,252,174
Commonwealth's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	397%	842%	905%
Pension plan fiduciary net position as a percentage of the total pension liability	59.30%	39.80%	35.20%

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

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

Fiscal Year			
2016		2015 *	
Kentucky Teachers' Retirement System		Kentucky Teachers' Retirement System	
	95.07%		94.98%
\$	23,223,555	\$	20,508,196
	1,476,601		1,084,009
<u>\$</u>	<u>24,700,156</u>	<u>\$</u>	<u>21,592,205</u>
\$	3,284,714	\$	3,150,875
	707%		651%
	42.49%		45.59%

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

**Kentucky Judicial Retirement Plan**

	<b>2019</b>	<b>2018</b>
<b><u>As of the most recent fiscal year end:</u></b>		
Actuarially determined contribution	\$	\$ 1,218
Contributions in relation to the actuarially determined contribution		1,218
Contribution deficiency (excess)	<b>\$</b>	<b>\$</b>
Covered-employee payroll	\$ 30,605	\$ 27,900
Contributions as a percentage of covered-employee payroll	0%	4.30%

**Notes to Schedule as of the Measurement Date**

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

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

**Mortality Table for 2018 and 2017**

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

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

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

**Kentucky Legislators Retirement Plan**

	2019	2018
<b><u>As of the most recent fiscal year end:</u></b>		
Actuarially determined contribution	\$ 12	\$ 2,400
Contributions in relation to the actuarially determined contribution		2,400
Contribution deficiency (excess)	<u>\$ 12</u>	<u>\$</u>
Covered-employee payroll	\$ 4,328	\$ 4,407
Contributions as a percentage of covered-employee payroll	0%	54.5%

**Notes to Schedule as of the Measurement Date**

Valuation date	July 1, 2018	July 1, 2017
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**Methods and assumptions used to determine contributions:**

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

**Mortality Table for 2018 and 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).

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



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

**State Police Retirement System**

	<b>2019</b>	<b>2018</b>
<b><u>As of the most recent fiscal year end:</u></b>		
Actuarially determined contribution	\$ 13,283	\$ 9,062
Contributions in relation to the actuarially determined contribution	13,288	9,397
Contribution deficiency (excess)	<u>\$ (5)</u>	<u>\$ (335)</u>
Covered-employee payroll	\$ 48,780	\$ 50,064
Contributions as a percentage of covered-employee payroll	27.24%	18.77%

**Notes to Schedule as of the Measurement Date**

Valuation date	June 30, 2016	June 30, 2016
----------------	---------------	---------------

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed	27 Years, Closed
Asset Valuation Method	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment Return	7.50%	6.25%
Inflation	3.25%	2.30%
Projected Salary Increase	4.00%, average	0%, average

**Mortality Table for 2018 and 2017**

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

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

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

**Kentucky Employees Retirement Plan**

<b>Non-Hazardous</b>	<b>2019</b>	<b>2018</b>
<b><u>As of the most recent fiscal year end:</u></b>		
Actuarially determined contribution	\$ 187,978	\$ 132,365
Contributions in relation to the actuarially determined contribution	178,964	136,419
Contribution deficiency (excess)	<u>\$ 9,014</u>	<u>\$ (4,054)</u>
Covered-employee payroll	\$ 1,515,953	\$ 1,573,898
Contributions as a percentage of covered-employee payroll	11.81%	8.67%

**Notes to Schedule as of the Measurement Date**

Valuation date	June 30, 2016	June 30, 2016
----------------	---------------	---------------

**Methods and assumptions used to determine contributions :**

Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay
	26 Years, Closed	27 Years, Closed
Asset Valuation Method	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment Return	7.50%	6.25%
Inflation	3.25%	2.30%
Projected Salary Increase	0.00%	0%

**Mortality Table for 2018 and 2017**

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

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

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

**Kentucky Employees Retirement Plan**

	<b>Hazardous</b>	<b>2019</b>	<b>2018</b>
<b><u>As of the most recent fiscal year end:</u></b>			
Actuarially determined contribution		\$ 3,631	\$ 2,550
Contributions in relation to the actuarially determined contribution		4,843	5,288
Contribution deficiency (excess)		<u>\$ (1,212)</u>	<u>\$ (2,738)</u>
Covered-employee payroll		\$ 147,586	\$ 190,317
Contributions as a percentage of covered-employee payroll		3.28%	2.78%

**Notes to Schedule as of the Measurement Date**

Valuation date	June 30, 2016	June 30, 2016
----------------	---------------	---------------

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay
Amortization Period	27 Years, Closed	27 Years, Closed
Asset Valuation Method	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment Return	7.50%	6.25%
Inflation	3.25%	2.30%
Projected Salary Increase	4.00% average	0%

**Mortality Table for 2018 and 2017**

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

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

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

**Kentucky Teachers Retirement System**

	<b>2019</b>	<b>2018</b>
<b><u>As of the most recent fiscal year end:</u></b>		
Actuarially determined contribution	\$	\$
Employer	1,253	30,012
Nonemployer special funding	35,395	795,264
Contributions in relation to the actuarially determined contribution		
Employer	2,974	1,342
Nonemployer special funding	82,899	81,856
Contribution deficiency (excess)	<u>\$ (49,225)</u>	<u>\$ 742,078</u>
Covered-employee payroll	\$ 1,627,143	\$ 1,607,809
Contributions as a percentage of covered-employee payroll	5.28%	5.17%

**Notes to Schedule as of the Measurement Date**

Valuation date

Health	June 30, 2017	June 30, 2016
Life	June 30, 2015	June 30, 2014

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method		Entry Age Normal	Entry Age Normal
Amortization Method		Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method			
	Health	Five-year smoothed value	Five-year smoothed value
	Life	Five-year smoothed value	Market Value
Investment Return	Health	8.00%	8.00%
	Life	7.50%	7.50%
Inflation	Health	3.00%	3.00%
	Life	3.50%	4.00%
Projected Salary Increase	Health	3.50% - 7.20%	3.50% - 7.20%
	Life	4.00% - 8.10%	4.00% - 8.10%

**Mortality Table for 2018 and 2017**

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

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

**COMMONWEALTH OF KENTUCKY**  
**SINGLE EMPLOYER DEFINED BENEFIT OPEB PLANS**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**(Expressed in Thousands)**

	2019		
	Kentucky Legislators Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
Total OPEB Liability			
Service Costs	\$ 290	\$ 927	\$ 6,087
Interest	1,403	3,319	18,432
Changes in benefit terms			34
Differences between expected and actual experience			(23,320)
Changes in assumptions			(358)
Benefit payments/refunds	(758)	(1,962)	(13,097)
Net change in total OPEB liability	935	2,284	(12,222)
Total OPEB liability at July 1	22,085	52,111	313,234
Total OPEB liability at June 30	<u>\$ 23,020</u>	<u>\$ 54,395</u>	<u>\$ 301,012</u>
OPEB Plan Fiduciary Net Position			
Contributions - employer	\$ 5	\$ 1,218	\$ 8,535
Contributions - member	9	218	155
Transfer in payments	3,896	7,610	
Net investment income	(758)	(1,962)	16,470
Benefit payments/refunds			(13,097)
Administrative expenses			(62)
Other		59	8
Net change in plan fiduciary net position	3,152	7,143	12,009
OPEB plan fiduciary net position at July 1	42,030	79,141	178,838
OPEB plan fiduciary net position at June 30	<u>\$ 45,182</u>	<u>\$ 86,284</u>	<u>\$ 190,847</u>
Net OPEB liability at June 30	<u>\$ (22,162)</u>	<u>\$ (31,889)</u>	<u>\$ 110,165</u>
Plan fiduciary net position as a % of the total OPEB liability	196.27%	158.62%	63.40%
Covered-employee payroll	\$ 4,407	\$ 30,624	\$ 50,064
Net OPEB liability as a % of covered employee payroll	-502.9%	-104.1%	220.0%

2018		
Kentucky Legislators Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System
\$ 452	\$ 1,221	\$ 4,147
2,012	4,552	17,993
(10,568)	(22,068)	(572)
2,272	5,640	57,312
(709)	(1,943)	(12,123)
(6,541)	(12,598)	66,757
28,626	64,709	246,477
<u>\$ 22,085</u>	<u>\$ 52,111</u>	<u>\$ 313,234</u>
\$ 6	\$ 1,218	\$ 7,862
7	176	131
4,933	9,385	21,627
(709)	(1,943)	(12,123)
	4	(66)
4,237	8,840	17,431
37,793	70,301	161,407
<u>\$ 42,030</u>	<u>\$ 79,141</u>	<u>\$ 178,838</u>
<u>\$ (19,945)</u>	<u>\$ (27,030)</u>	<u>\$ 134,396</u>
190.31%	151.87%	57.09%
\$ 4,398	\$ 30,297	\$ 48,873
-453.5%	-89.2%	275.0%

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

**Schedule of Commonwealth's Proportionate Share of the Net OPEB Liability**

(Expressed in Thousands)

Fiscal year (measurement date)	Fiscal Year 2019			Fiscal Year 2018		
	Kentucky Employees' OPEB Plan		Kentucky Teachers' OPEB Plan	Kentucky Employees' OPEB Plan		Kentucky Teachers' OPEB Plan
	Non-Hazardous	Hazardous		Non-Hazardous	Hazardous	
Commonwealth's proportionate share of the net OPEB liability (asset)	74.48%	97.46%	46.53%	72.40%	97.64%	45.49%
Commonwealth's proportionate share of the collective net OPEB liability (asset)	\$ 1,765,855	\$ (32,325)	\$ 56,397	\$ 1,835,540	\$ 5,888	\$ 1,632,050
Other employers' proportionate share of the collective net OPEB liability (asset)	605,057	(843)	1,584,263	700,422	143	1,955,691
Total collective net OPEB liability	<u>\$ 2,370,912</u>	<u>\$ (33,168)</u>	<u>\$ 1,640,660</u>	<u>\$ 2,535,962</u>	<u>\$ 6,031</u>	<u>\$ 3,587,741</u>
Commonwealth's covered-employee payroll	\$ 429,989	\$ 185,483	\$ 1,607,919	\$ 1,153,368	\$ 167,046	\$ 1,639,967
Commonwealth's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	410.67%	-17.43%	3.51%	159.15%	3.53%	99.52%
OPEB plan fiduciary net position as a percentage of the total OPEB liability	27.32%	106.83%	18.09%	24.40%	98.80%	22.58%

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

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## **OTHER SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND  
SCHEDULES - NON-MAJOR FUNDS**

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## NON-MAJOR GOVERNMENTAL FUNDS

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### 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, 2019**  
(Expressed in Thousands)

	<b>Debt Service Funds</b>		
	<b>Turnpike Authority of Kentucky</b>	<b>Kentucky School Facilities Construction Commission</b>	<b>Other Special Revenue</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 128,725	\$	\$
Investments, net of amortization			96,466
Invested security collateral			18,500
Receivables, net			70,611
Notes receivable			1,548
Interfund receivables			326
Interfund loan receivable			14,461
Total Assets	<u>\$ 128,725</u>	<u>\$</u>	<u>\$ 201,912</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$	\$	\$ 1,801
Interfund payables			2,831
Interfund loan payable			18,097
Obligations under securities lending			18,500
Unearned revenue			336
Total Liabilities			<u>41,565</u>
Deferred inflows of resources			
Unavailable			54,059
<b>Fund Balances:</b>			
Restricted for:			
General government			10,521
Legislative and judicial			
Commerce			722
Education and humanities			18,000
Human resources			62,159
Justice			
Natural resources and environmental protection			2,121
Public protection and regulation			
Transportation			963
Debt service	128,725		
Committed to:			
General government			7,571
Education and humanities			42
Human resources			1,955
Justice			
Natural resources and environmental protection			
Assigned to:			
General government			2,234
Education and humanities			
Justice			
Transportation			
Total Fund Balances	<u>128,725</u>		<u>106,288</u>
Total Liabilities and Fund Balances	<u>\$ 128,725</u>	<u>\$</u>	<u>\$ 201,912</u>

Special Revenue Funds				
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	KentuckyWired Infrastructure Company, Inc.	Special Benefits	Total Non-Major Governmental Funds
\$ 7,757	\$ 20,637	\$	\$ 264,883	\$ 422,002
59,914		74,359	12,581	243,320
			64,749	83,249
		15,848	64,036	150,495
				1,548
	3,757		9,642	13,725
				14,461
<u>\$ 67,671</u>	<u>\$ 24,394</u>	<u>\$ 90,207</u>	<u>\$ 415,891</u>	<u>\$ 928,800</u>
\$ 393	\$ 36	\$ 31,202	\$ 11,618	\$ 45,050
			11,156	13,987
				18,097
			64,749	83,249
				336
<u>393</u>	<u>36</u>	<u>31,202</u>	<u>87,523</u>	<u>160,719</u>
			59,917	113,976
		59,005	23,406	92,932
			1	1
				722
	24,358		414	42,772
			2,920	65,079
			45	45
			56,170	58,291
			1,097	1,097
				963
67,278				196,003
			64,878	72,449
			3,271	3,313
			12,097	14,052
			3,860	3,860
			27,511	27,511
			65,726	67,960
			4	4
			9	9
			7,042	7,042
<u>67,278</u>	<u>24,358</u>	<u>59,005</u>	<u>268,451</u>	<u>654,105</u>
<u>\$ 67,671</u>	<u>\$ 24,394</u>	<u>\$ 90,207</u>	<u>\$ 415,891</u>	<u>\$ 928,800</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Debt Service Funds</b>		<b>Other Special Revenue</b>
	<b>Turnpike Authority of Kentucky</b>	<b>Kentucky School Facilities Construction Commission</b>	
<b>Revenues</b>			
Taxes	\$	\$	\$
Licenses, fees, and permits			530
Intergovernmental			1
Charges for services			54,735
Fines and forfeits			17,179
Interest and other investment income	43		930
Increase (decrease) in fair value of investments			1,599
Securities lending income			376
Other revenues	3,376		5,148
Total Revenues	3,419		80,498
<b>Expenditures</b>			
Current:			
General government		56,866	102,212
Commerce			516
Education and humanities			42,768
Human resources			3,265
Justice			
Natural resources and environmental protection			1,820
Public protection and regulation			
Transportation			
Debt service:			
Principal retirement	96,760	94,237	
Interest and fiscal charges	60,471	31,513	
Other expenditures		465	
Securities lending expense			346
Total Expenditures	157,231	183,081	150,927
Excess (Deficiency) of Revenues over (under) Expenditures	(153,812)	(183,081)	(70,429)
<b>Other Financing Sources (Uses)</b>			
Transfers in	154,413	125,753	316,192
Transfers out			(300,914)
Capitalized leases			
Issuance of bonds:			
New issues		57,081	
Refunding issues		6,556	
Premiums		400	
Discounts		(536)	
Payments to refunded bond escrow agent		(6,173)	
Total Other Financing Sources (Uses)	154,413	183,081	15,278
Net Change in Fund Balances	601		(55,151)
Fund Balances at July 1	128,124		161,439
Fund Balances at June 30	\$ 128,725	\$	\$ 106,288

Special Revenue Funds				Total Non-Major Governmental Funds
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	KentuckyWired Infrastructure Company, Inc.	Special Benefits	
\$	\$	\$	\$	
			17,940	17,940
			13,480	14,010
				1
			178,210	232,945
			1,599	18,778
2,411	545	845	16,034	20,808
			(3,848)	(2,249)
			1,316	1,692
	9,316	13,313	121,679	152,832
2,411	9,861	14,158	346,410	456,757
		67,438	65,623	292,139
	13,125			516
			17,816	73,709
			23,126	26,391
			3,768	3,768
			4,429	6,249
20,888			2,092	2,092
			104,308	125,196
		687		191,684
				91,984
				465
			1,212	1,558
20,888	13,125	68,125	222,374	815,751
(18,477)	(3,264)	(53,967)	124,036	(358,994)
154,413	19,520		2,340	772,631
(154,413)	(37,328)		(182,990)	(675,645)
			4	4
		8,159		65,240
		(1,125)		6,556
				(725)
				(536)
				(6,173)
	(17,808)	7,034	(180,646)	161,352
(18,477)	(21,072)	(46,933)	(56,610)	(197,642)
85,755	45,430	105,938	325,061	851,747
\$ 67,278	\$ 24,358	\$ 59,005	\$ 268,451	\$ 654,105

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## **SCHEDULE OF FUND ACTIVITIES**

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**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES BY SOURCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed In Thousands)

	June 30, 2019
Revenues by Source	
Taxes:	
Sales and gross receipts	\$ 4,956,225
Income:	
Individual	4,620,958
Corporations	577,020
Property	765,391
Coal severance	115,865
Licenses and privileges	844
Inheritance and estate	42,992
Miscellaneous	3,068
Total Taxes	<u>11,082,363</u>
Licenses, fees, and permits	44,749
Intergovernmental	9,698
Charges for services	273,127
Fines and forfeits	31,453
Interest and other investment income	1,298
Increase (decrease) in fair value of investments	(11,003)
Securities lending income	1,962
Other revenues	101,093
Total Revenues by Source	<u>\$ 11,534,740</u>



**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed In Thousands)

	June 30, 2019
<b>General Government:</b>	
Personal services	\$ 362,242
Utilities, rentals, and other services	72,109
Commodities and supplies	31,323
Grants and subsidies	1,179,256
Capital outlay	560
Claims	21
Travel	2,020
Judgments and contingent liabilities	5,892
Other	4,946
Total General Government	1,658,369
<b>Legislative and Judicial:</b>	
Personal services	281,660
Utilities, rentals, and other services	125,559
Commodities and supplies	23,485
Grants and subsidies	10,184
Capital outlay	1,025
Claims	2
Travel	4,268
Total Legislative and Judicial	446,183
<b>Commerce:</b>	
Personal services	14,902
Utilities, rentals, and other services	1,807
Commodities and supplies	908
Grants and subsidies	13,606
Capital Outlay	10
Travel	241
Total Commerce	31,474
<b>Education and Humanities:</b>	
Personal services	103,877
Utilities, rentals, and other services	28,062
Commodities and supplies	3,297
Grants and subsidies	4,824,396
Capital outlay	61
Claims	5
Travel	1,473
Judgments and contingent liabilities	1
Total Education and Humanities	4,961,172
<b>Human Resources:</b>	
Personal services	312,055
Utilities, rentals, and other services	41,852
Commodities and supplies	2,706
Grants and subsidies	2,363,850
Capital Outlay	258
Claims	57
Travel	6,117
Total Human Resources	2,726,895
<b>Justice:</b>	
Personal services	529,512
Utilities, rentals, and other services	52,605
Commodities and supplies	31,920
Grants and subsidies	286,585
Capital outlay	3,708
Claims	17
Travel	3,867
Judgments and contingent liabilities	129
Total Justice	908,343

	June 30, 2019
<b>Natural Resources and Environmental Protection:</b>	
Personal services	\$ 62,352
Utilities, rentals, and other services	5,983
Commodities and supplies	1,965
Grants and subsidies	284
Capital outlay	1,083
Travel	258
Total Natural Resources and Environmental Protection	71,925
<b>Public Protection and Regulation:</b>	
Personal services	16,352
Utilities, rentals, and other services	1,504
Commodities and supplies	224
Grants and subsidies	165
Capital outlay	145
Travel	128
Judgments and contingent liabilities	391
Total Public Protection and Regulation	18,909
<b>Transportation:</b>	
Personal services	323
Utilities, rentals, and other services	
Commodities and supplies	75
Grants and subsidies	9,826
Travel	
Total Transportation	10,224
Securities lending	1,808
Total Expenditures	\$ 10,835,302

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES AND EXPENDITURES BY TYPE**  
**TRANSPORTATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed In Thousands)

	June 30, 2019
<b>Revenues:</b>	
Taxes	\$ 1,337,996
Licenses, fees and permits	163,341
Intergovernmental	167
Charges for services	8,727
Fines and forfeits	1
Interest and other investment income	5,495
Increase (decrease) in fair value of investments	6,098
Securities lending income	2,369
Other revenues	6,924
Total Revenues	1,531,118
<b>Expenditures:</b>	
Transportation:	
General administration and support	64,611
Motor vehicle regulation	24,376
Justice - state police	106,335
Highways	1,182,287
Aviation	963
Securities lending	2,182
Other	1,721
Total Expenditures	\$ 1,382,475

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## INTERNAL SERVICE FUNDS

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**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, 2019**  
(Expressed in Thousands)

	<b>Fleet Management</b>	<b>Computer Services</b>	<b>Prison Industries</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 9,516	\$ 10,436	\$ 1,177
Cash with fiscal agents			
Receivables, net	11	80	340
Interfund receivables	2	612	41
Inventories	4	474	1,426
Total Current Assets	9,533	11,602	2,984
Noncurrent assets:			
Investments, net		4,004	
Receivables, net			
Land			657
Improvements other than buildings			
Buildings		9,508	5,728
Machinery and equipment	78,739	90,184	6,713
Easements and other intangibles		1,675	
Less: Accumulated depreciation	(64,102)	(52,205)	(7,872)
Construction in progress		1,560	
Total Capital Assets	14,637	50,722	5,226
Total Noncurrent Assets, Net	14,637	54,726	5,226
Total Assets	24,170	66,328	8,210
Deferred outflows of resources	1,260	29,683	431
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	752	4,538	432
Interfund payables	6	186	57
Interfund loans payable			
Claims liability			
Claims adjustment liability			
Capital lease obligations	5	9,278	222
Compensated absences	56	2,992	261
Unearned revenue		2,995	
Total Current Liabilities	819	19,989	972
Noncurrent liabilities:			
Claims liability			
Claims adjustment liability			
Capital lease obligations	2	31,431	156
Compensated absences	38	620	295
Net pension liability	6,660	178,456	2,244
Net OPEB liability	1,492	31,007	310
Total Noncurrent Liabilities	8,192	241,514	3,005
Total Liabilities	9,011	261,503	3,977
Deferred inflows of resources	255	18,497	49
<b>Net Position</b>			
Net investment in capital assets	14,630	10,013	4,848
Unrestricted	1,534	(194,002)	(233)
Total Net Position	\$ 16,164	\$ (183,989)	\$ 4,615

Central Printing	Property Management	Risk Management	Totals June 30, 2019
\$	\$ 6,883	\$ 21,261	\$ 49,273
	12,079		12,079
	92	195	718
	629	151	1,435
31			1,935
31	19,683	21,607	65,440
	6,124		10,128
		38	38
	17,095		17,752
	4,100		4,100
	364,956		380,192
1,479	2,380		179,495
			1,675
(1,093)	(185,553)		(310,825)
	92,621		94,181
386	295,599		366,570
386	301,723	38	376,736
417	321,406	21,645	442,176
633	10,492	1,835	44,334
76	8,656	9,982	24,436
4	109	6	368
856	5,815		6,671
		28,133	28,133
		749	749
134	867		10,506
63	890	136	4,398
	127		3,122
1,133	16,464	39,006	78,383
		197,674	197,674
		5,121	5,121
207	4,563		36,359
13	47	39	1,052
4,161	59,967	9,055	260,543
653	11,618	1,654	46,734
5,034	76,195	213,543	547,483
6,167	92,659	252,549	625,866
859	2,811	347	22,818
45	290,169		319,705
(6,021)	(53,741)	(229,416)	(481,879)
\$ (5,976)	\$ 236,428	\$ (229,416)	\$ (162,174)

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Fleet Management</b>	<b>Computer Services</b>	<b>Prison Industries</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 22,218	\$ 131,374	\$ 10,068
Other revenues	109		235
Total Operating Revenues	<u>22,327</u>	<u>131,374</u>	<u>10,303</u>
<b>Operating Expenses:</b>			
Personal services	1,728	66,348	4,668
Utilities, rentals, and other services	3,642	15,671	1,110
Commodities and supplies	11,606	38,921	4,518
Grants and subsidies		2,836	794
Depreciation and amortization	5,764	9,052	723
Travel		83	27
Reinsurance expense			
Claims expense			
Claims adjustment expense			
Total Operating Expenses	<u>22,740</u>	<u>132,911</u>	<u>11,840</u>
Operating Income (Loss)	<u>(413)</u>	<u>(1,537)</u>	<u>(1,537)</u>
<b>Nonoperating Revenues (Expenses):</b>			
Gain (loss) on sale of capital assets	315	(741)	
Interest and other investment income		2	
Increase (decrease) in fair value of investments			
Interest expense	(15)	(808)	(10)
Other revenues (expenses)		(455)	
Total Nonoperating Revenues and Expenses	<u>300</u>	<u>(2,002)</u>	<u>(10)</u>
Income (Loss) before Transfers	(113)	(3,539)	(1,547)
Transfers in			
Transfers out		(3,300)	(1)
Change in Net Position	(113)	(6,839)	(1,548)
Net Position at July 1, As Restated	16,277	(177,150)	6,163
Net Position at June 30	<u>\$ 16,164</u>	<u>\$ (183,989)</u>	<u>\$ 4,615</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2019
\$ 1,390	\$ 39,444	\$ 33,542	\$ 238,036
	1,060	40,052	41,456
1,390	40,504	73,594	279,492
1,159	23,819	3,462	101,184
158	16,992	13,540	51,113
192	43,614	85	98,936
			3,630
123	10,117		25,779
	12	16	138
		1,018	1,018
		54,502	54,502
		97	97
1,632	94,554	72,720	336,397
(242)	(54,050)	874	(56,905)
	13,681		13,255
	662		664
		9	9
(9)	(218)	(12)	(1,072)
	455		
(9)	14,580	(3)	12,856
(251)	(39,470)	871	(44,049)
	938		938
	(192)	(80)	(3,573)
(251)	(38,724)	791	(46,684)
(5,725)	275,152	(230,207)	(115,490)
\$ (5,976)	\$ 236,428	\$ (229,416)	\$ (162,174)



**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Fleet Management</b>	<b>Computer Services</b>	<b>Prison Industries</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers - public	\$	\$ 532	\$ 4,264
Cash received from customers - state	22,206	135,671	6,023
Cash payments to suppliers for goods and services	(14,597)	(55,293)	(5,444)
Cash payments for employee salaries and benefits	(1,879)	(66,662)	(4,407)
Cash payments for claims expense			
Cash payments from other sources	109		235
Cash payments to other sources			(794)
Net Cash Provided (Used) by Operating Activities	<u>5,839</u>	<u>14,248</u>	<u>(123)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers from other funds			
Transfers to other funds		(3,300)	(1)
Net Cash Provided (Used) by Noncapital Financing Activities		<u>(3,300)</u>	<u>(1)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(6,558)	(812)	(312)
Principal paid on revenue bond maturities and equipment contracts	(1,899)	(6,815)	(218)
Interest paid on revenue bonds and equipment contracts	(15)	(808)	(10)
Proceeds from the sale of capital assets	319	130	46
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(8,153)</u>	<u>(8,305)</u>	<u>(494)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of investment securities		(384)	
Proceeds from the sale of investment securities			
Interest and dividends on investments		2	
Net Cash Provided (Used) in Investing Activities		<u>(382)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (2,314)	\$ 2,261	\$ (618)
Cash and Cash Equivalents at July 1	11,830	8,630	1,795
Cash and Cash Equivalents at June 30	<u>\$ 9,516</u>	<u>\$ 10,891</u>	<u>\$ 1,177</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income (loss)	\$ (413)	\$ (1,537)	\$ (1,537)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	5,764	9,052	723
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	(10)	(3)	180
Interfund receivables	(2)	1,838	37
Inventories	9	54	144
(Increase) decrease in deferred outflows	411	12,359	102
Increase (decrease) in liabilities:			
Accounts payable	648	2,141	97
Interfund payables	(6)	(63)	(56)
Claims liability			
Claims adjustment liability			
Compensated absences	5	(159)	(28)
Unearned revenue		2,995	
Pension liability	(385)	(10,918)	204
OPEB liability	(144)	(4,529)	(3)
Increase (decrease) in deferred inflows	(38)	3,018	14
Net Cash Provided by Operating Activities	<u>\$ 5,839</u>	<u>\$ 14,248</u>	<u>\$ (123)</u>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Capital assets acquired through leases		(46,497)	
Total Noncash Investing, Capital, and Financing Activities	<u>\$</u>	<u>(46,497)</u>	<u>\$</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2019
\$	\$	\$	\$
	209	60,455	65,460
1,390	38,994	9,603	213,887
(412)	(53,659)	(10,031)	(139,436)
(838)	(19,753)	(1,807)	(95,346)
		(55,863)	(55,863)
	1,067	1,309	2,720
			(794)
140	(33,142)	3,666	(9,372)
	938		938
	(192)	(80)	(3,573)
	746	(80)	(2,635)
	(28,237)		(35,919)
(131)	(836)		(9,899)
(9)	(218)	(2)	(1,062)
	6		501
(140)	(29,285)	(2)	(46,379)
	4,762		(384)
	663		4,762
	5,425		665
			5,043
\$	\$	\$	\$
	(56,256)	3,584	(53,343)
	75,218	17,678	115,151
\$	\$	\$	\$
	18,962	21,262	61,808
\$	\$	\$	\$
(242)	(54,050)	874	(56,905)
123	10,117		25,779
	(68)	50	149
	(174)	174	1,873
1			208
336		707	13,915
18	3,903	(279)	6,528
(81)	2,543	4,389	6,726
	4,412	(2,406)	2,006
		97	97
(24)	(61)	(53)	(320)
			2,995
(367)	903	192	(10,371)
(184)	(841)	(255)	(5,956)
560	174	176	3,904
\$	\$	\$	\$
140	(33,142)	3,666	(9,372)
			(46,497)
\$	\$	\$	\$
			(46,497)

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## CAPITAL ASSETS

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**COMMONWEALTH OF KENTUCKY**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY SOURCE**  
**JUNE 30, 2019**  
(Expressed In Thousands)

	<b>June 30, 2019</b>
<b>Governmental Funds Capital Assets</b>	
Land	\$ 226,465
Improvements other than buildings	27,450
Buildings	1,210,221
Machinery and equipment	605,395
Software/other intangibles	99,125
Easements	100,329
Construction in progress	2,515,563
Infrastructure	21,256,929
Total Governmental Funds Capital Assets	<b>\$ 26,041,477</b>
 <b>Investments in Governmental Funds Capital Assets by Source</b>	
General Fund	\$ 126,765
Special Revenue Funds	723,074
Donations	167,934
Other	2,286,602
Capital Projects Fund:	
State appropriations	56,006
Revenue bonds	611,122
Federal grants	399,236
Other	242,503
Infrastructure (A)	21,256,929
Capital assets acquired prior to July 1, 1984 (A)	135,915
Capital assets acquired after July 1, 1984 (A)	35,391
Total Governmental Funds Capital Assets by Source	<b>\$ 26,041,477</b>

(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, 2019**  
(Expressed in Thousands)

	<u>Land</u>	<u>Improvements Other Than Buildings</u>	<u>Buildings</u>
General Government	\$ 34,103	\$ 12,376	\$ 320,657
Legislative & Judicial	2,032		10,453
Commerce	124,608	6,585	17,120
Education & Humanities	1,146	664	45,788
Human Resources	1,471	2,112	84,574
Justice	4,535	5,478	513,367
Natural Resources and Environmental Protection	40,665	235	1,685
Public Protection and Regulation			
Transportation	17,905		216,577
Total Governmental Funds Capital Assets by Function	<u>\$ 226,465</u>	<u>\$ 27,450</u>	<u>\$ 1,210,221</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.

<b>Machinery and Equipment</b>	<b>Software / Other Intangibles</b>	<b>Easements</b>	<b>Construction in Progress</b>	<b>Infrastructure</b>	<b>Totals June 30, 2019</b>
\$ 32,608	\$ 36,605	\$ 62,048	\$ 74,133	\$	\$ 572,530
16,364			2,347		31,196
32,267		113	2,988		183,681
27,123		12,474	10,953		98,148
20,434	57,293		197,469		363,353
107,918	5,227		12,926		649,451
41,186		20,571			104,342
6,157					6,157
321,338		5,123	2,214,747	21,256,929	24,032,619
<u>\$ 605,395</u>	<u>\$ 99,125</u>	<u>\$ 100,329</u>	<u>\$ 2,515,563</u>	<u>\$ 21,256,929</u>	<u>\$ 26,041,477</u>

**COMMONWEALTH OF KENTUCKY**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2019</b>
General Government	\$ 562,204	\$ 12,332	\$ (2,006)	\$ 572,530
Legislative & Judicial	29,509	1,781	(94)	31,196
Commerce	180,410	4,426	(1,155)	183,681
Education & Humanities	92,787	7,467	(2,106)	98,148
Human Resources	344,943	23,758	(5,348)	363,353
Justice	633,897	25,725	(10,171)	649,451
Natural Resources and Environmental Protection	99,043	7,835	(2,536)	104,342
Public Protection and Regulation	5,706	1,249	(798)	6,157
Transportation	23,677,564	1,141,452	(786,397)	24,032,619
Total Governmental Funds Capital Assets by Function	<u>\$ 25,626,063</u>	<u>\$ 1,226,025</u>	<u>\$ (810,611)</u>	<u>\$ 26,041,477</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.

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## PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS

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**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, 2019**  
(Expressed in Thousands)

	<b>Pension Funds</b>	<b>Insurance Funds</b>	<b>Totals June 30, 2019</b>
<b>Assets</b>			
Cash and Short-Term Investments:			
Cash	\$ 96,875	\$ 36,178	\$ 133,053
Short-term investments	1,306,563	380,871	1,687,434
Total Cash and Short-Term Investments	1,403,438	417,049	1,820,487
Receivables:			
Investments - accounts receivable	335,064	108,815	443,879
Interest receivable	1,130	395	1,525
Accounts receivable	284,139	89,027	373,166
Total Receivables	620,333	198,237	818,570
Investments at Fair Value:			
Corporate and government bonds	13,096,540	3,965,821	17,062,361
Common stocks	16,348,870	1,582,260	17,931,130
Alternatives	1,359,374	102,202	1,461,576
Derivatives	(912)	(368)	(1,280)
Real estate	1,694,511	274,447	1,968,958
Other	2,638,694	722,769	3,361,463
Total Investments at Fair Value	35,137,077	6,647,131	41,784,208
Invested security collateral	339,779	160,115	499,894
Capital assets, net	16,764		16,764
Prepaid expenses	67		67
Total Assets	37,517,458	7,422,532	44,939,990
<b>Liabilities</b>			
Investments - accounts payable	352,484	127,863	480,347
Accounts payable	19,915	8,604	28,519
Obligations under securities lending	339,779	160,115	499,894
Total Liabilities	712,178	296,582	1,008,760
<b>Net Position Restricted for Pensions and Other Post Employment Benefits</b>	<b>\$ 36,805,280</b>	<b>\$ 7,125,950</b>	<b>\$ 43,931,230</b>

**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, 2019**  
(Expressed in Thousands)

	<b>Pension Funds</b>	<b>Insurance Funds</b>	<b>Totals June 30, 2019</b>
<b>Additions</b>			
Contributions:			
Employer	\$ 2,726,043	\$ 571,825	\$ 3,297,868
Member	788,354	131,733	920,087
Non-Employer		9	9
Total Contributions	<u>3,514,397</u>	<u>703,567</u>	<u>4,217,964</u>
Other Contributions:			
Participant fees	8,003		8,003
Other receipts	110,539	20,455	130,994
Total Other Contributions	<u>118,542</u>	<u>20,455</u>	<u>138,997</u>
Investment Income:			
Net increase (decrease) in fair value of investments	1,357,533	277,073	1,634,606
Interest	472,732	142,591	615,323
Dividends	310,227	9,598	319,825
Real estate operating income, net	28,403		28,403
Securities lending income, net	25,889	4,266	30,155
Total Investment Income	<u>2,194,784</u>	<u>433,528</u>	<u>2,628,312</u>
Less: Investment expense	153,851	45,832	199,683
Less: Securities lending expense	21,215	3,340	24,555
Net Investment Income	<u>2,019,718</u>	<u>384,356</u>	<u>2,404,074</u>
Total Additions	<u>5,652,657</u>	<u>1,108,378</u>	<u>6,761,035</u>
<b>Deductions</b>			
Benefit payments	4,475,348	5,153	4,480,501
Refunds	65,163		65,163
Administrative expenses	58,308	4,440	62,748
Self funding insurance cost		6,224	6,224
Healthcare premium subsidies		374,372	374,372
Other deductions, net		163,674	163,674
Total Deductions	<u>4,598,819</u>	<u>553,863</u>	<u>5,152,682</u>
Change in Net Position	1,053,838	554,515	1,608,353
<b>Net Position - Restricted for Pension and Other Post Employment Benefits</b>			
Net Position at July 1	35,751,442	6,571,435	42,322,877
Net Position at June 30	<u>\$ 36,805,280</u>	<u>\$ 7,125,950</u>	<u>\$ 43,931,230</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Kentucky Employees Retirement System</b>		<b>County Employees Retirement System</b>	
	<b>Non-Hazardous</b>	<b>Hazardous</b>	<b>Non-Hazardous</b>	<b>Hazardous</b>
<b>Assets</b>				
Cash and Short-Term Investments:				
Cash	\$ 674	\$ 50	\$ 626	\$ 247
Short-term investments	204,981	41,553	251,806	103,445
Total Cash and Short-Term Investments	<u>205,655</u>	<u>41,603</u>	<u>252,432</u>	<u>103,692</u>
Receivables:				
Investments - accounts receivable	49,827	14,168	150,043	50,111
Interest receivable				
Contributions/Accounts receivable	109,878	4,993	57,879	16,520
Total Receivables	<u>159,705</u>	<u>19,161</u>	<u>207,922</u>	<u>66,631</u>
Investments at Fair Value:				
Corporate and government bonds	1,483,479	485,378	5,204,371	1,728,510
Common stocks	241,317	72,047	794,203	268,412
Alternatives				
Derivatives	(108)	(48)	(551)	(184)
Real estate	78,615	25,583	270,036	86,620
Other	183,112	62,507	691,281	234,789
Total Investments at Fair Value	<u>1,986,415</u>	<u>645,467</u>	<u>6,959,340</u>	<u>2,318,147</u>
Invested security collateral	58,078	18,230	191,613	64,393
Capital assets, net	953	76	1,537	112
Prepaid expenses				
Total Assets	<u>2,410,806</u>	<u>724,537</u>	<u>7,612,844</u>	<u>2,552,975</u>
<b>Liabilities</b>				
Investments - accounts payable	62,740	16,332	172,472	57,585
Accounts payable	3,363	2,098	5,784	1,384
Obligations under securities lending	58,078	18,230	191,613	64,393
Total Liabilities	<u>124,181</u>	<u>36,660</u>	<u>369,869</u>	<u>123,362</u>
<b>Net Position Restricted for Pensions and Other Post Employment Benefits</b>	<u>\$ 2,286,625</u>	<u>\$ 687,877</u>	<u>\$ 7,242,975</u>	<u>\$ 2,429,613</u>

State Police Retirement System	Kentucky Teachers Retirement System	Judicial Retirement Plan	Legislators Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2019
\$ 143	\$ 86,226	\$ 98	\$ 64	\$ 8,747	\$ 96,875
22,069	678,617			4,092	1,306,563
22,212	764,843	98	64	12,839	1,403,438
6,648	64,070	161	36		335,064
		929	201		1,130
8,154	40,276	106	8	46,325	284,139
14,802	104,346	1,196	245	46,325	620,333
200,353	3,227,944	82,580	19,295	664,630	13,096,540
23,368	12,288,884	251,923	57,339	2,351,377	16,348,870
	1,359,374				1,359,374
(21)					(912)
10,595	1,223,062				1,694,511
24,863	1,432,019	11	119	9,993	2,638,694
259,158	19,531,283	334,514	76,753	3,026,000	35,137,077
7,465					339,779
(1)	14,087				16,764
	67				67
303,636	20,414,626	335,808	77,062	3,085,164	37,517,458
8,315	35,040				352,484
614	6,476			196	19,915
7,465					339,779
16,394	41,516			196	712,178
\$ 287,242	\$ 20,373,110	\$ 335,808	\$ 77,062	\$ 3,084,968	\$ 36,805,280

**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, 2019**  
(Expressed in Thousands)

	<b>Kentucky Employees Retirement System</b>		<b>County Employees Retirement System</b>	
	<b>Non-Hazardous</b>	<b>Hazardous</b>	<b>Non-Hazardous</b>	<b>Hazardous</b>
<b>Additions</b>				
Contributions:				
Employer	\$ 948,866	\$ 55,229	\$ 393,302	\$ 137,664
Member	93,759	17,118	159,064	58,661
Total Contributions	1,042,625	72,347	552,366	196,325
Other Contributions:				
Participant fees				
Other receipts	92,596	967	11,996	2,859
Total Other Contributions	92,596	967	11,996	2,859
Investment Income:				
Net increase (decrease) in fair value of investments	82,408	25,279	274,803	92,245
Interest	45,566	15,903	168,631	56,881
Dividends				
Real estate operating income, net				
Securities lending income, net	1,531	546	5,908	1,986
Total Investment Income	129,505	41,728	449,342	151,112
Less: Investment expense	13,377	4,589	50,068	16,559
Less: Securities lending expense	1,210	435	4,716	1,583
Net Investment Income	114,918	36,704	394,558	132,970
Total Additions	1,250,139	110,018	958,920	332,154
<b>Deductions</b>				
Benefit payments	988,349	69,527	766,221	259,008
Refunds	12,342	2,684	14,387	2,854
Administrative expenses	11,712	1,103	21,659	1,726
Total Deductions	1,012,403	73,314	802,267	263,588
Change in Net Position	237,736	36,704	156,653	68,566
<b>Net Position - Restricted for Pension and Other Post Employment Benefits</b>				
Net Position at July 1	2,048,889	651,173	7,086,322	2,361,047
Net Position at June 30	\$ 2,286,625	\$ 687,877	\$ 7,242,975	\$ 2,429,613

State Police Retirement System	Kentucky Teachers Retirement System	Judicial Retirement Plan	Legislators Retirement Plan	Kentucky Public Employees Deferred Compensation Authority	Totals June 30, 2019
\$ 58,947	\$ 1,123,303	\$ 8,732	\$	\$	\$ 2,726,043
5,062	321,172	1,550	198	131,770	788,354
64,009	1,444,475	10,282	198	131,770	3,514,397
				8,003	8,003
1,280		650	191		110,539
1,280		650	191	8,003	118,542
9,983	651,530	31,438	7,086	182,761	1,357,533
6,523	159,763	2,114	460	16,891	472,732
	304,126	4,976	1,125		310,227
	28,403				28,403
219	15,699				25,889
16,725	1,159,521	38,528	8,671	199,652	2,194,784
1,686	61,182	1		6,389	153,851
176	13,095				21,215
14,863	1,085,244	38,527	8,671	193,263	2,019,718
80,152	2,529,719	49,459	9,060	333,036	5,652,657
60,948	2,094,608	23,909	4,729	208,049	4,475,348
162	32,403	331			65,163
225	12,353	658	79	8,793	58,308
61,335	2,139,364	24,898	4,808	216,842	4,598,819
18,817	390,355	24,561	4,252	116,194	1,053,838
268,425	19,982,755	311,247	72,810	2,968,774	35,751,442
\$ 287,242	\$ 20,373,110	\$ 335,808	\$ 77,062	\$ 3,084,968	\$ 36,805,280

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
<b>Assets</b>				
Cash and Short-Term Investments:				
Cash	\$ 178	\$ 19	\$ 109	\$ 22
Short-term investments	83,000	18,489	125,262	56,236
Total Cash and Short-Term Investments	83,178	18,508	125,371	56,258
Receivables:				
Investments - accounts receivable	18,374	10,185	47,335	25,259
Interest receivable				
Contributions/Accounts receivable	16,200	615	14,944	4,655
Total Receivables	34,574	10,800	62,279	29,914
Investments at Fair Value:				
Corporate and government bonds	671,559	376,604	1,701,666	911,399
Common stocks	61,948	62,130	323,306	182,101
Alternatives				
Derivatives	(59)	(37)	(168)	(91)
Real estate	28,406	20,821	90,370	49,497
Other	84,327	50,317	239,996	125,561
Total Investments at Fair Value	846,181	509,835	2,355,170	1,268,467
Invested security collateral	27,151	15,532	72,695	38,886
Total Assets	991,084	554,675	2,615,515	1,393,525
<b>Liabilities</b>				
Investments - accounts payable	21,579	12,026	55,797	29,793
Accounts payable	218	9	565	37
Obligations under securities lending	27,151	15,532	72,695	38,886
Total Liabilities	48,948	27,567	129,057	68,716
<b>Net Position Restricted for Pensions and Other Post Employment Benefits</b>	<b>\$ 942,136</b>	<b>\$ 527,108</b>	<b>\$ 2,486,458</b>	<b>\$ 1,324,809</b>

State Police Retirement System	Kentucky Teachers Retirement System	Judicial Retirement Plan	Legislators Retirement Plan	Totals June 30, 2019
\$ 20	\$ 35,760	\$ 28	\$ 42	\$ 36,178
10,328	87,556			380,871
10,348	123,316	28	42	417,049
3,765	3,827	46	24	108,815
		264	131	395
1,206	51,376	25	6	89,027
4,971	55,203	335	161	198,237
136,087	132,490	23,449	12,567	3,965,821
27,637	816,268	71,535	37,335	1,582,260
	102,202			102,202
(13)				(368)
7,950	77,403			274,447
17,611	204,876	3	78	722,769
189,272	1,333,239	94,987	49,980	6,647,131
5,851				160,115
210,442	1,511,758	95,350	50,183	7,422,532
4,461	4,207			127,863
2	7,773			8,604
5,851				160,115
10,314	11,980			296,582
\$ 200,128	\$ 1,499,778	\$ 95,350	\$ 50,183	\$ 7,125,950



**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, 2019**  
(Expressed in Thousands)

	Kentucky Employees Retirement System		County Employees Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
<b>Additions</b>				
Contributions:				
Employer	\$ 173,576	\$ 3,725	\$ 135,570	\$ 61,106
Member				
Non-Employer	3		6	
Total Contributions	173,579	3,725	135,576	61,106
Other Contributions:				
Other Receipts	8,654	1,441	8,284	1,624
Total Other Contributions	8,654	1,441	8,284	1,624
Investment Income:				
Net increase (decrease) in fair value of investments	26,541	19,154	92,027	50,693
Interest	21,935	12,789	60,153	32,141
Dividends				
Securities lending income, net	690	384	1,752	944
Total Investment Income	49,166	32,327	153,932	83,778
Less: Investment expense	5,431	3,981	18,886	10,469
Less: Securities lending expense	533	297	1,349	729
Net Investment Income	43,202	28,049	133,697	72,580
Total Additions	225,435	33,215	277,557	135,310
<b>Deductions</b>				
Benefit payments				
Administrative expenses	875	117	877	434
Self funding insurance cost	1,962	94	3,979	149
Healthcare Premiums Subsidies	127,221	19,280	133,005	78,190
Other deductions, net	3		5	
Total Deductions	130,061	19,491	137,866	78,773
Change in Net Position	95,374	13,724	139,691	56,537
<b>Net Position - Restricted for Pension and Other Post Employment Benefits</b>				
Net Position at July 1	846,762	513,384	2,346,767	1,268,272
Net Position at June 30	\$ 942,136	\$ 527,108	\$ 2,486,458	\$ 1,324,809

State Police Retirement System	Kentucky Teachers Retirement System	Judicial Retirement Plan	Legislators Retirement Plan	Totals June 30, 2019
\$ 13,281	\$ 184,567 131,677	\$ 43	\$ 13	\$ 571,825 131,733 9
13,281	316,244	43	13	703,567
138		191	123	20,455
138		191	123	20,455
7,542	67,543	8,933	4,640	277,073
4,789	9,884	600	300	142,591
	7,452	1,413	733	9,598
143	353			4,266
12,474	85,232	10,946	5,673	433,528
1,597	5,468			45,832
111	321			3,340
10,766	79,443	10,946	5,673	384,356
24,185	395,687	11,180	5,809	1,108,378
	5,153			5,153
69	1,833	176	59	4,440
40				6,224
13,942		1,967	767	374,372
	163,666			163,674
14,051	170,652	2,143	826	553,863
10,134	225,035	9,037	4,983	554,515
189,994	1,274,743	86,313	45,200	6,571,435
\$ 200,128	\$ 1,499,778	\$ 95,350	\$ 50,183	\$ 7,125,950

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## AGENCY FUNDS

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

**Commonwealth Choice Program** - accounts for flexible benefits spending accounts.

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

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

**Coal Workers' Pneumoconiosis Fund** - accounts for monies held for coal workers pneumoconiosis claims incurred after December 12, 1996 which are filed on or before June 30, 2017.

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Commonwealth Choice Program</b>	<b>County Fees Trust Fund</b>	<b>Special Deposit Trust Fund</b>	<b>Coal Workers' Pneumoconiosis Fund</b>	<b>Totals June 30, 2019</b>
<b>Assets</b>					
Cash and cash equivalents	\$	\$ 415	\$ 263,873	\$ 5,027	\$ 269,315
Investments, net of amortization			13,982		13,982
Invested security collateral			349,450		349,450
Receivables, net	4,913	70,290	15,671	1,663	92,537
Total Assets	<u>\$ 4,913</u>	<u>\$ 70,705</u>	<u>\$ 642,976</u>	<u>\$ 6,690</u>	<u>\$ 725,284</u>
<b>Liabilities</b>					
Accounts payable	\$ 4,913	\$	\$ 162,863	\$	\$ 167,776
Amounts held in custody for others		70,705	130,663	6,690	208,058
Obligations under securities lending			349,450		349,450
Total Liabilities	<u>\$ 4,913</u>	<u>\$ 70,705</u>	<u>\$ 642,976</u>	<u>\$ 6,690</u>	<u>\$ 725,284</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Balances June 30, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances June 30, 2019</b>
<b><u>COMMONWEALTH CHOICE PROGRAM</u></b>				
<b><u>Assets</u></b>				
Accounts receivable	\$ 4,352	\$ 561	\$	\$ 4,913
Total Assets	<u>\$ 4,352</u>	<u>\$ 561</u>	<u>\$</u>	<u>\$ 4,913</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 4,352	\$ 561	\$	\$ 4,913
Total Liabilities	<u>\$ 4,352</u>	<u>\$ 561</u>	<u>\$</u>	<u>\$ 4,913</u>
<b><u>COUNTY FEES TRUST FUND</u></b>				
<b><u>Assets</u></b>				
Cash & cash equivalents	\$ 415	\$	\$	\$ 415
Accounts receivable	61,172	175,655	166,537	70,290
Total Assets	<u>\$ 61,587</u>	<u>\$ 175,655</u>	<u>\$ 166,537</u>	<u>\$ 70,705</u>
<b><u>Liabilities</u></b>				
Amounts held in custody for others	\$ 61,587	\$ 9,118	\$	\$ 70,705
Total Liabilities	<u>\$ 61,587</u>	<u>\$ 9,118</u>	<u>\$</u>	<u>\$ 70,705</u>
<b><u>SPECIAL DEPOSIT TRUST FUND</u></b>				
<b><u>Assets</u></b>				
Cash & cash equivalents	\$ 111,520	\$ 815,221	\$ 662,868	\$ 263,873
Investments	161,817	5,445	153,280	13,982
Invested security collateral	237,371	112,079		349,450
Accounts receivable	7,616	8,055		15,671
Total Assets	<u>\$ 518,324</u>	<u>\$ 940,800</u>	<u>\$ 816,148</u>	<u>\$ 642,976</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 147,180	\$ 15,683	\$	\$ 162,863
Amounts held in custody for others	133,773	9,669	12,779	130,663
Obligations under securities lending	237,371	112,079		349,450
Total Liabilities	<u>\$ 518,324</u>	<u>\$ 137,431</u>	<u>\$ 12,779</u>	<u>\$ 642,976</u>
<b><u>COAL WORKERS' PNEUMOCONIOSIS FUND</u></b>				
<b><u>Assets</u></b>				
Cash & cash equivalents	\$ 1,710	\$ 3,317	\$	\$ 5,027
Investments	290		290	
Accounts receivable	3,986		2,323	1,663
Total Assets	<u>\$ 5,986</u>	<u>\$ 3,317</u>	<u>\$ 2,613</u>	<u>\$ 6,690</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 958	\$	\$ 958	\$
Amounts held in custody for others	5,028	1,662		6,690
Total Liabilities	<u>\$ 5,986</u>	<u>\$ 1,662</u>	<u>\$ 958</u>	<u>\$ 6,690</u>
<b><u>ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash & cash equivalents	\$ 113,645	\$ 818,538	\$ 662,868	\$ 269,315
Investments	162,107	5,445	153,570	13,982
Invested security collateral	237,371	112,079		349,450
Accounts receivable	77,126	184,271	168,860	92,537
Total Assets	<u>\$ 590,249</u>	<u>\$ 1,120,333</u>	<u>\$ 985,298</u>	<u>\$ 725,284</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 152,490	\$ 16,244	\$ 958	\$ 167,776
Amounts held in custody for others	200,388	20,449	12,779	208,058
Obligations under securities lending	237,371	112,079		349,450
Total Liabilities	<u>\$ 590,249</u>	<u>\$ 148,772</u>	<u>\$ 13,737</u>	<u>\$ 725,284</u>

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## **NON-MAJOR COMPONENT UNITS - COMBINING**

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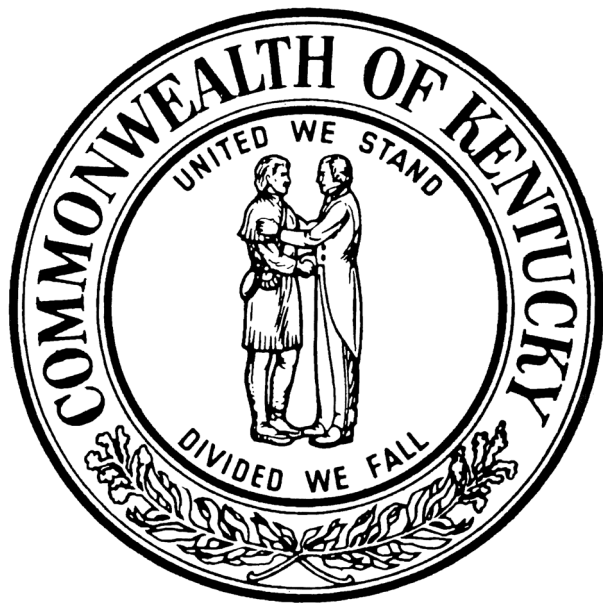
**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF NET POSITION**  
**NON-MAJOR COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2019
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 96,923	\$ 412,782	\$ 509,705
Restricted cash	11,668	11,206	22,874
Investments, net of amortization	316,257		316,257
Accounts receivable, net	140,367	84,037	224,404
Interest receivable	2,032	91	2,123
Inventories	546	6,049	6,595
Prepaid expenses	1,868	11,087	12,955
Other current assets	71,304	3,560	74,864
Total Current Assets	640,965	528,812	1,169,777
Noncurrent assets:			
Restricted cash	62,660	121,708	184,368
Long-term investments	23,645	206,264	229,909
Restricted long-term investments	110,276	347,242	457,518
Long-term receivables, net	1,086,716	19,200	1,105,916
Land	121,359	81,953	203,312
Improvements other than buildings	77,506	195,875	273,381
Buildings	923,582	2,822,645	3,746,227
Machinery and equipment	151,008	390,930	541,938
Other capital assets	9,734	111,331	121,065
Less: Accumulated depreciation and amortization	(421,342)	(1,641,197)	(2,062,539)
Construction in progress	36,427	102,551	138,978
Total Capital Assets	898,274	2,064,088	2,962,362
Other assets	4,648	13,765	18,413
Total Noncurrent Assets	2,186,219	2,772,267	4,958,486
Total Assets	2,827,184	3,301,079	6,128,263
Deferred outflows of resources	40,213	252,507	292,720
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accruals	30,002	77,061	107,063
Current portion of long-term debt:			
Notes payable	3,672	1,328	5,000
Bonds payable	27,729	40,359	68,088
Capital lease obligations	6,491	3,345	9,836
Compensated absences	1,623	19,832	21,455
Unearned revenues	13,970	48,187	62,157
Payable from restricted assets		3,784	3,784
Other current liabilities	10,092	14,929	25,021
Total Current Liabilities	93,579	208,825	302,404
Noncurrent liabilities:			
Notes payable	4,856	9,070	13,926
Bonds payable	233,238	539,680	772,918
Capital lease obligations	445,089	59,237	504,326
Compensated absences	540	277	817
Net pension liability	172,254	1,280,186	1,452,440
Net OPEB liability	29,995	248,728	278,723
Other long-term liabilities	7,200	70,764	77,964
Total Noncurrent Liabilities	893,172	2,207,942	3,101,114
Total Liabilities	986,751	2,416,767	3,403,518
Deferred inflows of resources	9,996	698,635	708,631
<b>Net Position</b>			
Net investment in capital assets	471,956	1,276,483	1,748,439
Restricted for:			
Debt service		573	573
Capital projects	35,972	80,433	116,405
Other purposes	1,292,125	572,817	1,864,942
Unrestricted	70,597	(1,492,122)	(1,421,525)
Total Net Position	\$ 1,870,650	\$ 438,184	\$ 2,308,834

COMMONWEALTH OF KENTUCKY  
COMBINING STATEMENT OF ACTIVITIES  
NON-MAJOR COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2019
<b>Expenses:</b>			
Operating and other expenses	\$ 446,512	\$ 1,180,482	\$ 1,626,994
Total expenses	446,512	1,180,482	1,626,994
<b>Program Revenues:</b>			
Charges for services	149,960	649,519	799,479
Operating grants and contributions	275,396	102,966	378,362
Capital grants and contributions		8,332	8,332
Total Program Revenues	425,356	760,817	1,186,173
<b>Net Program (Expense) Revenue</b>	<b>(21,156)</b>	<b>(419,665)</b>	<b>(440,821)</b>
<b>General Revenues:</b>			
Unrestricted grants and contributions	67,932	526,852	594,784
Unrestricted investment earnings	8,153	19,210	27,363
Gain on sale of capital assets		(2,089)	(2,089)
Miscellaneous general	15,964	(9,571)	6,393
Transfers	5,786		5,786
Total General Revenues	97,835	534,402	632,237
Change in Net Position	76,679	114,737	191,416
Net Position at July 1, As Restated	1,793,971	323,447	2,117,418
Net Position at June 30	<b>\$ 1,870,650</b>	<b>\$ 438,184</b>	<b>\$ 2,308,834</b>





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## NON-MAJOR COMPONENT UNITS - AUTHORITIES

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**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, 2019**  
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 599	\$ 30,068	\$ 156	\$ 6,553
Restricted cash	8,331	3,337		
Investments, net of amortization				
Accounts receivable, net	1,642	43,148	474	3,729
Interest receivable		460		
Inventories				
Prepaid expenses				842
Other current assets		450		
Total Current Assets	10,572	77,463	630	11,124
Noncurrent assets:				
Restricted cash				40
Long-term investments	20		1,211	
Restricted long-term investments	18,012	82,002		
Long-term receivables, net		8,630		
Land	546			27,835
Improvements other than buildings	71,397			6,109
Buildings	371	12,075		566,800
Machinery and equipment	348	4,151		45,089
Other capital assets				3,443
Less: Accumulated depreciation and amortization	(17,936)	(10,198)		(207,052)
Construction in progress	10,934			13,570
Total Capital Assets	65,660	6,028		455,794
Other assets				
Total Noncurrent Assets, Net	83,692	96,660	1,211	455,834
Total Assets	94,264	174,123	1,841	466,958
Deferred outflows of resources	521	1,459		15,203
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accruals	536	1,368	835	5,259
Current portion of long-term debt:				
Notes payable				
Bonds payable				3,695
Capital lease obligations	2,126	710		3,621
Compensated absences	94	336		
Unearned revenues				3,835
Other current liabilities		6		1,431
Total Current Liabilities	2,756	2,420	835	17,841
Noncurrent liabilities:				
Notes payable				
Bonds payable				15,323
Capital lease obligations	46,476			20,251
Compensated absences	3			
Net pension liability	3,102	9,423		73,092
Net OPEB liability	540	1,641		12,728
Other long-term liabilities		173		6,778
Total Noncurrent Liabilities	50,121	11,237		128,172
Total Liabilities	52,877	13,657	835	146,013
Deferred inflows of resources	155	2,006		2,215
<b>Net Position</b>				
Net investment in capital assets	17,058	5,318		406,126
Restricted for:				
Capital projects	26,343			40
Other purposes		154,601	1,006	(72,233)
Unrestricted	(1,648)			
Total Net Position	\$ 41,753	\$ 159,919	\$ 1,006	\$ 333,933

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
\$ 1,712	\$ 4,950	\$ 21,457	\$ 80	\$ 3,836	\$ 18,132
(990)	17,502		366	299,379	
628	11,667	1	13	8,185	69,709
13	32	73		1,454	
93			453		
307	562				
	115	2,031		68,705	
1,763	34,828	23,562	912	381,559	87,841
	1,547				
15,756	9,831	367		431	
63		17,341		1,060,682	
129	76		1,167		
36,485	16,919		6,706		
39,596	37,244		979	16	
(54,964)	(47,580)		(2,226)		
2,601	9,322				
23,847	15,981		6,626	16	
4,623	25				
44,289	27,384	17,708	6,626	1,061,129	
46,052	62,212	41,270	7,538	1,442,688	87,841
	13,702	2,349	752	6,227	
1,811	10,991	192	158	4,064	
3,038	134			24,034	
34					
253	739	112	89		
1,062	7,639			8,632	
23				36,730	
6,221	19,503	304	247		
1,203	778			217,915	
97					
	484	48	5		
	67,911	9,481	4,562	4,683	
	11,825	1,651	794	816	
200				49	
1,500	80,998	11,180	5,361	223,463	
7,721	100,501	11,484	5,608	260,193	
	4,461	279	193	687	
21,563	15,070		6,627	16	
	9,589				
4,917	10,028	3,352		1,188,019	
11,851	(63,735)	28,504	(4,138)		87,841
\$ 38,331	\$ (29,048)	\$ 31,856	\$ 2,489	\$ 1,188,035	\$ 87,841

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF NET POSITION**  
**NON-MAJOR COMPONENT UNITS - AUTHORITIES**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Louisville Arena Authority, Inc.	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2019
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 5,004	\$ 3,126	\$ 1,250	\$ 96,923
Restricted cash				11,668
Investments, net of amortization				316,257
Accounts receivable, net		1,171		140,367
Interest receivable				2,032
Inventories				546
Prepaid expenses		135	22	1,868
Other current assets			3	71,304
Total Current Assets	5,004	4,432	1,275	640,965
Noncurrent assets:				
Restricted cash		59,493	1,580	62,660
Long-term investments			6,291	23,645
Restricted long-term investments				110,276
Long-term receivables, net				1,086,716
Land		91,606		121,359
Improvements other than buildings				77,506
Buildings		284,210	16	923,582
Machinery and equipment		22,098	1,487	151,008
Other capital assets		6,291		9,734
Less: Accumulated depreciation and amortization		(80,061)	(1,325)	(421,342)
Construction in progress				36,427
Total Capital Assets		324,144	178	898,274
Other assets				4,648
Total Noncurrent Assets, Net		383,637	8,049	2,186,219
Total Assets	5,004	388,069	9,324	2,827,184
Deferred outflows of resources				40,213
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accruals		4,341	447	30,002
Current portion of long-term debt:				
Notes payable		500		3,672
Bonds payable				27,729
Capital lease obligations				6,491
Compensated absences				1,623
Unearned revenues		1,426	8	13,970
Other current liabilities				10,092
Total Current Liabilities		6,267	455	93,579
Noncurrent liabilities:				
Notes payable		2,875		4,856
Bonds payable				233,238
Capital lease obligations		378,265		445,089
Compensated absences				540
Net pension liability				172,254
				29,995
Other long-term liabilities				7,200
Total Noncurrent Liabilities		381,140		893,172
Total Liabilities		387,407	455	986,751
Deferred inflows of resources				9,996
<b>Net Position</b>				
Net investment in capital assets			178	471,956
Restricted for:				
Capital projects				35,972
Other purposes			2,435	1,292,125
Unrestricted	5,004	662	6,256	70,597
Total Net Position	\$ 5,004	\$ 662	\$ 8,869	\$ 1,870,650



**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NON-MAJOR COMPONENT UNITS - AUTHORITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
<b>Expenses:</b>				
Operating and other expenses	\$ 3,425	\$ 278,927	\$ 2,420	\$ 70,047
Total expenses	3,425	278,927	2,420	70,047
<b>Program Revenues:</b>				
Charges for services	6,418	26,748		46,726
Operating grants and contributions	282	258,850		
Total Program Revenues	6,700	285,598		46,726
<b>Net Program (Expense) Revenue</b>	3,275	6,671	(2,420)	(23,321)
<b>General Revenues:</b>				
Unrestricted grants and contributions			1,944	2,928
Unrestricted investment earnings	(1,216)			34
Miscellaneous general				9,414
Transfers				
Total General Revenues	(1,216)		1,944	12,376
Change in Net Position	2,059	6,671	(476)	(10,945)
Net Position at July 1, As Restated	39,694	153,248	1,482	344,878
Net Position at June 30	\$ 41,753	\$ 159,919	\$ 1,006	\$ 333,933

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
\$ 19,805	\$ 34,696	\$ 4,270	\$ 2,874	\$ 16,344	\$ 27
19,805	34,696	4,270	2,874	16,344	27
11,806	2,112	694	1,596	19,502	
2,559	10,522		544		1,650
14,365	12,634	694	2,140	19,502	1,650
(5,440)	(22,062)	(3,576)	(734)	3,158	1,623
3,641	17,448		478	40,843	
371	2,011	353		6,485	
809	5,250	482			
					5,786
4,821	24,709	835	478	47,328	5,786
(619)	2,647	(2,741)	(256)	50,486	7,409
38,950	(31,695)	34,597	2,745	1,137,549	80,432
\$ 38,331	\$ (29,048)	\$ 31,856	\$ 2,489	\$ 1,188,035	\$ 87,841



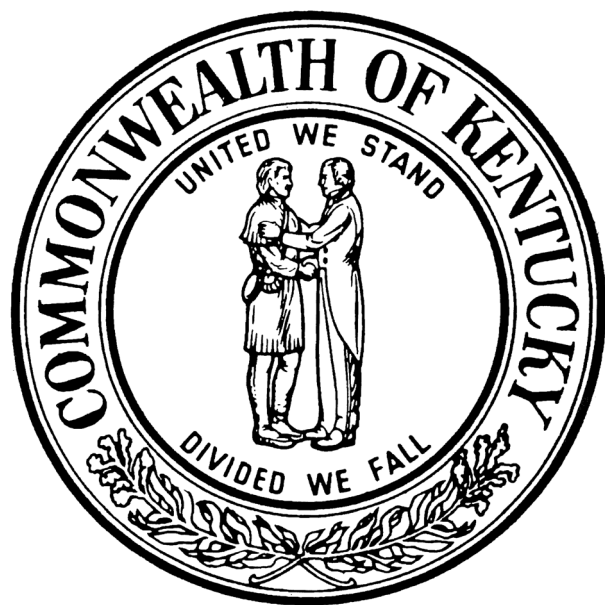
**COMMONWEALTH OF KENTUCKY  
COMBINING STATEMENT OF ACTIVITIES  
NON-MAJOR COMPONENT UNITS - AUTHORITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Louisville Arena Authority, Inc.	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2019
<b>Expenses:</b>				
Operating and other expenses	\$ 2	\$ 11,837	\$ 1,838	\$ 446,512
Total expenses	2	11,837	1,838	446,512
<b>Program Revenues:</b>				
Charges for services		33,490	868	149,960
Operating grants and contributions			989	275,396
Total Program Revenues		33,490	1,857	425,356
<b>Net Program (Expense) Revenue</b>	(2)	21,653	19	(21,156)
<b>General Revenues:</b>				
Unrestricted grants and contributions		650		67,932
Unrestricted investment earnings	115			8,153
Miscellaneous general		129	(120)	15,964
Transfers				5,786
Total General Revenues	115	779	(120)	97,835
Change in Net Position	113	22,432	(101)	76,679
Net Position at July 1, As Restated	4,891	(21,770)	8,970	1,793,971
Net Position at June 30	\$ 5,004	\$ 662	\$ 8,869	\$ 1,870,650

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR COMPONENT UNITS-AUTHORITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Kentucky Agricultural Finance Corporation</b>	<b>Kentucky Grain Insurance Corporation</b>	<b>Totals June 30, 2019</b>
<b>Cash Flows from Operating Activities</b>			
Cash payments to suppliers for goods and services	\$ (13)	\$ (2)	\$ (15)
Cash payments for employee salaries and benefits	(14)		(14)
Cash payments to other sources	(9,218)		(9,218)
Cash payments from other sources	7,436		7,436
Net Cash Provided (Used) by Operating Activities	(1,809)	(2)	(1,811)
<b>Cash Flows from Investing Activities</b>			
Proceeds from the sale of investment securities	2,898	711	3,609
Interest and dividends on investments		115	115
Net Cash Provided (Used) in Investing Activities	2,898	826	3,724
Net Increase (Decrease) in Cash and Cash Equivalents	1,089	824	1,913
Cash and Cash Equivalents at July 1	17,043	4,180	21,223
Cash and Cash Equivalents at June 30	<u>\$ 18,132</u>	<u>\$ 5,004</u>	<u>\$ 23,136</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 1,623	\$ (2)	\$ 1,621
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	(3,432)		(3,432)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,809)</u>	<u>\$ (2)</u>	<u>\$ (1,811)</u>



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## **NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES**

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### **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, 2019**  
(Expressed in Thousands)

	<b>Eastern Kentucky University</b>	<b>Western Kentucky University</b>	<b>Morehead State University</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 47,816	\$ 119,261	\$ 29,404
Restricted cash			3,792
Accounts receivable, net	28,691	15,248	8,600
Interest receivable		68	
Inventories	273	702	1,963
Prepaid expenses	1,395	4,122	16
Other current assets	173	274	1,547
Total Current Assets	78,348	139,675	45,322
Noncurrent assets:			
Restricted cash	40,482	282	
Long-term investments	77,692	41,036	52,753
Restricted long-term investments		116,246	
Long-term receivables, net	4,463	7,353	3,387
Land	8,436	18,132	23,721
Improvements other than buildings	62,823	71,127	
Buildings	599,892	775,235	378,254
Machinery and equipment	31,023	168,258	33,152
Other capital assets	50,337		34,711
Less: Accumulated depreciation and amortization	(287,992)	(468,206)	(205,247)
Construction in progress	49,374	18,261	92
Total Capital Assets	513,893	582,807	264,683
Other assets	50	5,606	5,267
Total Noncurrent Assets, Net	636,580	753,330	326,090
Total Assets	714,928	893,005	371,412
Deferred outflows of resources	60,343	58,320	28,594
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accruals	19,758	19,685	4,588
Current portion of long-term debt:			
Notes payable		913	
Bonds payable	9,055	15,096	3,646
Capital lease obligations		606	1,796
Compensated absences	2,911	2,793	2,584
Unearned revenues	12,264	18,976	4,439
Payable from restricted assets			121
Other current liabilities		6,245	1,333
Total Current Liabilities	43,988	64,314	18,507
Noncurrent liabilities:			
Notes payable		2,490	
Bonds payable	107,330	202,780	69,394
Capital lease obligations	25,500	14,521	14,824
Compensated absences			
Net pension liability	297,710	279,540	126,216
Net OPEB liability	59,910	55,312	27,879
Other long-term liabilities	26,893	18,939	5,631
Total Noncurrent Liabilities	517,343	573,582	243,944
Total Liabilities	561,331	637,896	262,451
Deferred inflows of resources	261,926	177,937	96,345
<b>Net Position</b>			
Net investment in capital assets	264,327	320,296	173,088
Restricted for:			
Debt service			
Capital projects	51,536	13,140	
Other purposes	78,139	163,784	61,434
Unrestricted	(441,988)	(361,728)	(193,312)
Total Net Position	\$ (47,986)	\$ 135,492	\$ 41,210

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2019
\$ 96,812	\$ 114,031	\$ 3,709	\$ 1,749	\$ 412,782
	5,136		2,278	11,206
9,589	14,602	6,631	676	84,037
	23			91
2,743	368			6,049
2,263	2,919		372	11,087
1,566				3,560
112,973	137,079	10,340	5,075	528,812
62,691	18,253			121,708
	3,281	28,243	3,259	206,264
124,977	105,816		203	347,242
2,245	1,670	82		19,200
15,420	9,969	6,275		81,953
19,027	42,898			195,875
374,821	538,531	155,912		2,822,645
36,336	91,837	30,234	90	390,930
13,977		12,306		111,331
(232,312)	(307,192)	(140,169)	(79)	(1,641,197)
18,831	5,311	10,682		102,551
246,100	381,354	75,240	11	2,064,088
2,553	251	38		13,765
438,566	510,625	103,603	3,473	2,772,267
551,539	647,704	113,943	8,548	3,301,079
42,402	43,545	15,180	4,123	252,507
11,576	12,742	7,414	1,298	77,061
415				1,328
4,246	8,070	246		40,359
24	346	573		3,345
6,277	3,111	1,727	429	19,832
2,978	9,346	184		48,187
	3,663			3,784
3,782	1,359	2,210		14,929
29,298	38,637	12,354	1,727	208,825
6,580				9,070
61,934	96,234	2,008		539,680
51	3,744	597		59,237
			277	277
181,970	315,412	54,556	24,782	1,280,186
35,705	54,454	10,962	4,506	248,728
5,104	13,639	558		70,764
291,344	483,483	68,681	29,565	2,207,942
320,642	522,120	81,035	31,292	2,416,767
104,773	13,622	40,522	3,510	698,635
170,682	278,342	69,737	11	1,276,483
365	208			573
14,567	1,190			80,433
137,597	112,005	17,407	2,451	572,817
(154,685)	(236,238)	(79,578)	(24,593)	(1,492,122)
\$ 168,526	\$ 155,507	\$ 7,566	\$ (22,131)	\$ 438,184

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<b>Eastern Kentucky University</b>	<b>Western Kentucky University</b>	<b>Morehead State University</b>
<b>Expenses:</b>			
Operating and other expenses	<b>\$</b> 242,799	<b>\$</b> 305,007	<b>\$</b> 118,906
Total Expenses	<u>242,799</u>	<u>305,007</u>	<u>118,906</u>
<b>Program Revenues:</b>			
Charges for services	131,506	197,490	59,478
Operating grants and contributions	40,864	10,497	11,683
Capital grants and contributions			
Total Program Revenues	<u>172,370</u>	<u>207,987</u>	<u>71,161</u>
<b>Net Program (Expense) Revenue</b>	<u>(70,429)</u>	<u>(97,020)</u>	<u>(47,745)</u>
<b>General Revenues:</b>			
Unrestricted grants and contributions	111,113	143,359	68,457
Unrestricted investment earnings	4,804	(7,174)	2,633
Gain on sale of capital assets		(52)	
Miscellaneous general	272	1,656	7,059
Total General Revenues	<u>116,189</u>	<u>137,789</u>	<u>78,149</u>
Change in Net Position	<u>45,760</u>	<u>40,769</u>	<u>30,404</u>
Net Position at July 1, As Restated	(93,746)	94,723	10,806
Net Position at June 30	<b>\$</b> <u>(47,986)</u>	<b>\$</b> <u>135,492</u>	<b>\$</b> <u>41,210</u>

<b>Murray State University</b>	<b>Northern Kentucky University</b>	<b>Kentucky State University</b>	<b>Kentucky Council on Postsecondary Education</b>	<b>Totals June 30, 2019</b>
<b>\$</b> 168,948	<b>\$</b> 251,150	<b>\$</b> 70,720	<b>\$</b> 22,952	<b>\$</b> 1,180,482
168,948	251,150	70,720	22,952	1,180,482
103,399	140,655	14,137	2,854	649,519
6,887	8,484	20,836	3,715	102,966
	7,534	151	647	8,332
110,286	156,673	35,124	7,216	760,817
(58,662)	(94,477)	(35,596)	(15,736)	(419,665)
74,259	85,434	29,715	14,515	526,852
10,454	7,071	1,422		19,210
(508)	(1,529)			(2,089)
(2,425)	(16,133)			(9,571)
81,780	74,843	31,137	14,515	534,402
23,118	(19,634)	(4,459)	(1,221)	114,737
145,408	175,141	12,025	(20,910)	323,447
<b>\$</b> 168,526	<b>\$</b> 155,507	<b>\$</b> 7,566	<b>\$</b> (22,131)	<b>\$</b> 438,184





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## STATISTICAL SECTION

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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)

	2019	2018	2017	2016
<b>General Fund</b>				
Nonspendable:				
Inventories	\$ 7,373	\$ 5,769	\$ 6,219	\$ 5,465
Assigned	74,258		55	30,765
Unassigned	151,129	(64,909)		318,790
Total General Fund	<u>232,760</u>	<u>(59,140)</u>	<u>6,274</u>	<u>355,020</u>
<b>All Other Governmental Funds</b>				
Nonspendable:				
Inventories	64,767	59,340	75,234	75,254
Cash with Fiscal Agents		47,367	15,576	16,136
Restricted	1,924,119	2,218,345	1,901,478	1,822,185
Committed	140,030	177,916	74,876	133,075
Assigned	95,113	21,442	17,039	18,014
Unassigned	(33,102)	(50,026)	(765)	(98,045)
Total All Other Governmental Funds	<u>2,190,927</u>	<u>2,474,384</u>	<u>2,083,438</u>	<u>1,966,619</u>
 Total Fund Balances - Governmental Funds	 <u>\$ 2,423,687</u>	 <u>\$ 2,415,244</u>	 <u>\$ 2,089,712</u>	 <u>\$ 2,321,639</u>

2015	2014	2013	2012	2011	2010
\$ 6,230	\$ 6,505	\$ 7,299	\$ 5,515	\$ 6,099	\$ 5,079
27,069		34,700	35,563	57,456	71,975
71,060	(137,295)	159,198	54,035	249,482	9,150
104,359	(130,790)	201,197	95,113	313,037	86,204
74,105	54,006	81,264	86,240	49,078	54,290
18,954	13,503	17,918	29,045	67,469	80,576
1,706,764	2,068,293	2,373,349	2,452,952	2,165,308	1,833,356
160,804	188,706	175,676	183,414	148,636	161,548
15,033	13,054	7,019	13,157	27,034	15,641
(56,950)	(2,582)	(596,756)	(420,183)	(120,235)	(65,628)
1,918,710	2,334,980	2,058,470	2,344,625	2,337,290	2,079,783
\$ 2,023,069	\$ 2,204,190	\$ 2,259,667	\$ 2,439,738	\$ 2,650,327	\$ 2,165,987

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

(Expressed in Thousands)

	2019	2018	2017	2016
<b>Revenues</b>				
Taxes	\$ 12,888,613	\$ 12,345,610	\$ 11,888,139	\$ 11,730,500
Licenses, fees, and permits	444,403	391,615	382,398	380,075
Intergovernmental	11,592,569	11,004,224	10,792,470	10,824,674
Charges for services	1,343,980	1,257,259	1,272,133	1,302,541
Fines and forfeits	58,366	54,469	52,338	61,660
Interest and other investment income	43,378	32,557	21,463	31,501
Increase (decrease) in fair value of investments	17,550	(13,980)	(6,037)	(6,140)
Securities lending income	10,540	11,158	6,616	3,470
Other revenues	692,070	609,703	634,834	584,782
Total Revenues	<u>27,091,469</u>	<u>25,692,615</u>	<u>25,044,354</u>	<u>24,913,063</u>
<b>Expenditures</b>				
Current:				
General government	2,263,964	2,269,763	2,341,583	2,263,041
Legislative and judicial	480,405	445,112	442,646	444,087
Commerce	106,165	93,765	111,080	110,490
Education and humanities	6,183,644	6,020,339	6,016,531	5,558,814
Human resources	13,043,316	12,506,650	12,227,415	12,095,613
Justice	1,089,196	1,009,506	967,790	874,867
Natural resources and environmental protection	195,068	170,995	181,889	182,296
Public protection and regulation	129,569	110,748	106,215	101,590
Transportation	2,395,765	2,290,599	2,339,776	2,566,675
Debt Service:				
Principal retirement	739,455	726,825	611,066	616,543
Interest and fiscal charges	350,972	313,291	330,631	336,567
Other expenditures	(4,683)	6,242	6,672	14,683
Securities lending expense	9,710	9,359	4,792	2,421
Capital outlay:				
Buildings	289,598	338,373	353,165	477,916
Total Expenditures	<u>27,272,144</u>	<u>26,311,567</u>	<u>26,041,251</u>	<u>25,645,603</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(180,675)</u>	<u>(618,952)</u>	<u>(996,897)</u>	<u>(732,540)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,213,843	2,263,303	2,120,376	1,922,969
Transfers out	(2,096,464)	(2,075,678)	(1,912,607)	(1,907,707)
Capitalized leases	2,132	17,311	1,861	2,634
Issuance of bonds:				
New issues	80,354	644,402	513,545	826,325
Refunding issues	6,556	301,786	56,689	988,677
Premiums	(725)	112,180	36,078	231,610
Discounts	(536)		(1,161)	(2,420)
Certificates of participation				
Premiums				
Issuance of notes:				
New issues				106,850
Refunding issues				
Payments to refunded bond escrow agent	(21,162)	(306,257)	(50,494)	(1,116,316)
Total Other Financing Sources (Uses)	<u>183,998</u>	<u>957,047</u>	<u>764,287</u>	<u>1,052,622</u>
Net Change in Fund Balances	<u>\$ 3,323</u>	<u>\$ 338,095</u>	<u>\$ (232,610)</u>	<u>\$ 320,082</u>
Debt service as a percentage of noncapital expenditures	<u>4.05%</u>	<u>3.94%</u>	<u>3.71%</u>	<u>3.71%</u>

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

2015	2014	2013	2012	2011	2010
\$ 11,492,919	\$ 10,954,839	\$ 10,813,909	\$ 10,403,782	\$ 10,113,502	\$ 9,366,175
386,757	350,454	337,431	339,642	330,263	330,387
10,135,711	9,008,083	7,143,403	7,098,675	8,016,458	8,381,546
1,173,174	1,276,821	1,175,388	1,117,177	911,202	803,961
64,755	69,531	80,227	80,132	82,856	86,980
30,590	26,785	13,403	30,822	29,092	45,214
(13,544)	(9,410)	(7,661)	(18,705)	795	(150)
2,664	2,696	4,198	3,121	1,966	1,711
520,001	627,647	678,358	562,394	822,936	492,508
23,793,027	22,307,446	20,238,656	19,617,040	20,309,070	19,508,332
2,107,483	2,067,170	2,282,198	2,390,204	2,302,228	2,592,283
437,109	419,461	406,800	409,685	392,791	378,475
98,826	97,811	92,312	112,139	86,506	92,437
5,347,187	5,317,501	5,384,681	5,322,439	6,125,603	5,104,048
11,437,873	10,399,966	7,963,372	7,984,895	8,088,667	8,124,836
839,455	804,747	825,194	802,108	789,602	782,443
186,641	185,547	201,048	213,283	200,899	193,111
103,448	92,600	158,617	157,846	163,438	115,857
2,661,224	2,566,382	2,263,175	2,109,125	1,959,030	2,014,490
571,281	547,610	534,078	306,504	308,484	386,212
352,558	355,438	354,688	367,966	351,539	306,139
20,431	9,858	12,763	55,983	8,002	27,335
1,190	1,058	2,362	1,593	1,163	933
231,483	203,514	330,795	253,894	466,335	609,309
24,396,189	23,068,663	20,812,083	20,487,664	21,244,287	20,727,908
(603,162)	(761,217)	(573,427)	(870,624)	(935,217)	(1,219,576)
2,058,253	2,021,428	1,810,448	1,539,696	1,852,945	1,955,274
(2,009,118)	(2,013,769)	(1,833,096)	(1,530,423)	(1,675,200)	(1,776,171)
17,070	27	10,007	9,546	6,864	10,182
222,922	256,887	221,310	419,700	472,123	873,326
373,712	141,631	127,644	527,118	240,590	347,835
76,777	80,769	27,295	74,049	34,035	37,442
(972)	(689)	(408)	(927)	(2,022)	(2,619)
68,575					
1,621					
	383,000	163,290	82,717	737,370	89,710
	39,765				
(409,405)	(189,883)	(127,035)	(455,473)	(233,642)	(186,602)
399,435	719,166	399,455	666,003	1,433,063	1,358,253
\$ (203,727)	\$ (42,051)	\$ (173,972)	\$ (204,621)	\$ 497,846	\$ 138,677
3.78%	3.91%	4.29%	3.31%	3.11%	3.34%

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

	2019	2018	2017	2016
<b>Governmental Activities:</b>				
Invested in capital assets, net of related debt	\$ 23,433,119	\$ 23,354,312	\$ 22,688,638	\$ 21,955,878
Restricted	1,487,313	1,208,350	954,449	847,543
Unrestricted	(40,050,216)	(42,257,250)	(40,157,358)	(37,867,160)
Total Governmental Activities Net Position	(15,129,784)	(17,694,588)	(16,514,271)	(15,063,739)
<b>Business-Type Activities:</b>				
Invested in Capital Assets, net of related debt	261,109	274,521	287,610	293,958
Restricted	779,736	688,144	562,392	369,431
Unrestricted	(133,396)	(116,858)	(100,405)	(190,882)
Total Business-Type Activities Net Position	907,449	845,807	749,597	472,507
<b>Primary Government:</b>				
Invested in capital assets, net of related debt	23,694,228	23,628,833	22,976,248	22,249,836
Restricted	2,267,049	1,896,494	1,516,841	1,216,974
Unrestricted	(40,183,612)	(42,374,108)	(40,257,763)	(38,058,042)
Total Primary Government Net Position	\$ (14,222,335)	\$ (16,848,781)	\$ (15,764,674)	\$ (14,591,232)

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

2015	2014	2013	2012	2011	2010
\$ 21,288,572	\$ 20,986,040	\$ 20,195,976	\$ 19,616,044	\$ 19,153,511	\$ 18,418,874
984,229	1,099,649	1,167,435	1,480,299	1,286,431	1,206,293
(36,414,312)	(11,812,580)	(10,315,863)	(9,731,379)	(8,071,118)	(6,803,987)
(14,141,511)	10,273,109	11,047,548	11,364,964	12,368,824	12,821,180
303,571	315,131	328,382	334,611	350,505	341,172
212,629	63,847	913	729	326	9,646
(403,957)	(594,125)	(876,277)	(1,014,186)	(1,199,294)	(1,151,091)
112,243	(215,147)	(546,982)	(678,846)	(848,463)	(800,273)
21,592,143	21,301,171	20,524,358	19,950,655	19,504,016	18,760,046
1,196,858	1,163,496	1,168,348	1,481,028	1,286,757	1,215,939
(36,818,269)	(12,406,705)	(11,192,140)	(10,745,565)	(9,270,412)	(7,955,078)
\$ (14,029,268)	\$ 10,057,962	\$ 10,500,566	\$ 10,686,118	\$ 11,520,361	\$ 12,020,907



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

	2019	2018	2017	2016	2015
<b>Function/Program Revenues</b>					
<b>Primary Government:</b>					
Governmental Activities:					
Charges for Services:					
General government	\$ 770,183	\$ 799,460	\$ 805,329	\$ 818,313	\$ 626,337
Legislative and judicial	46,607	27,852	28,079	27,802	25,866
Commerce	83,983	73,820	52,894	51,991	58,617
Education and humanities	53,789	59,137	58,831	59,712	64,776
Human Resources	199,566	221,671	166,820	208,967	164,793
Justice	28,603	27,348	26,185	30,880	22,755
Natural resources and					
environmental protection	44,249	40,587	38,673	41,941	17,014
Public protection and regulation	97,604	93,860	92,734	92,908	87,134
Transportation	313,715	297,202	283,545	288,126	299,446
Operating Grants and Contributions	10,704,976	10,211,396	9,956,021	9,956,639	9,270,753
Capital Grants and Contributions	914,965	825,730	837,491	872,127	865,320
Total Governmental Activities	13,258,240	12,678,063	12,346,602	12,449,406	11,502,811
Business-Type Activities:					
Charges for Services:					
State Parks	52,503	53,320	52,526	51,424	47,931
Kentucky Lottery Corporation					
Kentucky Horse Park	11,488	9,542	12,416	12,930	12,407
Insurance Administration	118,189	116,676	125,299	130,825	124,106
Kentucky Public Employees' Health Plan	1,822,296	1,795,381	1,759,562	1,739,913	1,712,136
Unemployment Compensation	359,080	395,464	545,335	598,144	743,369
Operating Grants and Contributions	13,106	9,946	5,578	954	
Capital Grants and Contributions					149
Total Business-Type Activities	2,376,662	2,380,329	2,500,716	2,534,190	2,640,098
Total Primary Government	\$ 15,634,902	\$ 15,058,392	\$ 14,847,318	\$ 14,983,596	\$ 14,142,909
<b>Expenses</b>					
<b>Primary Government:</b>					
Governmental Activities:					
General government	\$ 363,782	\$ 3,112,212	\$ 2,771,326	\$ 4,544,453	\$ 2,557,827
Legislative and judicial	468,775	489,661	489,343	446,233	433,354
Commerce	152,031	151,184	299,840	122,430	110,041
Education and humanities	6,213,059	7,138,207	7,328,124	4,970,560	5,822,980
Human Resources	12,938,155	12,488,174	11,988,867	12,088,721	11,098,078
Justice	1,426,465	1,360,214	1,216,143	1,006,195	952,071
Natural resources and					
environmental protection	229,066	232,219	191,666	190,919	190,532
Public protection and regulation	155,311	148,967	150,344	97,921	107,258
Transportation	1,932,570	1,864,030	1,674,300	1,602,621	1,819,570
Interest expense	287,577	306,124	210,456	372,787	341,922
Total Governmental Activities	24,166,791	27,290,992	26,320,409	25,442,840	23,433,633
Business-Type Activities:					
State Parks	140,307	153,913	124,685	113,679	110,220
Kentucky Lottery Corporation					
Kentucky Horse Park	19,538	20,310	21,143	21,049	19,278
Insurance Administration	(6,593)	(85,034)	39,370	189,476	116,723
Kentucky Public Employees' Health Plan	1,812,826	1,614,792	1,510,884	1,498,925	1,420,292
Unemployment Compensation	288,755	282,583	345,909	343,857	340,223
Total Business-Type Activities	2,254,833	1,986,564	2,041,991	2,166,986	2,006,736
Total Primary Government	\$ 26,421,624	\$ 29,277,556	\$ 28,362,400	\$ 27,609,826	\$ 25,440,369
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (10,908,551)	\$ (14,612,929)	\$ (13,973,807)	\$ (12,993,434)	\$ (11,930,822)
Business-Type Activities	121,829	393,765	458,725	367,204	633,362
Total Primary Government Net Expense	\$ (10,786,722)	\$ (14,219,164)	\$ (13,515,082)	\$ (12,626,230)	\$ (11,297,460)

2014	2013	2012	2011	2010
\$ 699,518	\$ 681,819	\$ 668,709	\$ 438,993	\$ 384,050
25,584	25,676	21,750	21,177	20,226
44,538	41,337	53,375	36,774	40,657
43,192	67,290	66,246	78,996	55,926
230,057		16,593	484,958	103,025
23,434	27,369	21,500	22,121	21,641
45,334	308,890	12,451	43,338	41,123
83,516	93,172	92,806	83,816	73,066
269,701	238,296	249,231	218,846	230,918
8,211,316	6,294,292	6,381,991	7,071,327	7,621,275
801,353	806,675	836,370	697,927	773,661
10,477,543	8,584,816	8,421,022	9,198,273	9,365,568
49,016	48,774	50,064	49,437	50,802
10,679	9,981	9,161	7,798	6,880
113,248	112,177	122,962	110,829	121,445
1,692,801	1,680,011	1,681,642	1,752,908	1,548,458
561,692	532,298	521,893	471,876	1,556,290
174,235	408,125	705,465	953,112	3,849
378	155	1,032	2,326	
2,602,049	2,791,521	3,092,219	4,120,635	4,060,221
\$ 13,079,592	\$ 11,376,337	\$ 11,513,241	\$ 13,318,908	\$ 13,425,789
\$ 2,840,370	\$ 3,333,535	\$ 3,002,882	\$ 3,212,093	\$ 4,377,373
420,929	406,949	411,579	400,786	376,743
112,067	112,296	132,078	113,156	124,263
5,539,119	5,214,551	5,818,383	6,036,864	5,148,482
10,000,356	7,618,717	7,623,348	7,652,130	7,725,161
933,126	936,118	923,628	887,611	876,065
192,059	229,245	221,822	198,067	192,518
92,798	160,071	156,755	164,052	113,558
2,127,851	1,720,513	1,496,753	1,340,012	1,175,210
355,842	369,773	403,534	377,725	332,639
22,614,517	20,101,768	20,190,762	20,382,496	20,442,012
96,587	92,724	93,925	92,777	101,861
19,511	15,856	13,970	566,117	568,183
86,063	93,876	38,081	14,804	13,521
1,642,048	1,677,143	1,687,322	232,100	107,286
1,092,231	1,287,408	1,193,572	1,624,444	1,497,656
2,936,440	3,167,007	3,026,870	1,521,994	1,958,414
\$ 25,550,957	\$ 23,268,775	\$ 23,217,632	\$ 24,434,732	\$ 24,688,933
\$ (12,136,974)	\$ (11,516,952)	\$ (11,769,740)	\$ (11,184,223)	\$ (11,076,444)
(334,391)	(375,486)	65,349	68,399	(186,700)
\$ (12,471,365)	\$ (11,892,438)	\$ (11,704,391)	\$ (11,115,824)	\$ (11,263,144)

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

	2019	2018	2017	2016	2015
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes:					
Sales and gross receipt	\$ 6,543,315	\$ 6,062,029	\$ 5,905,042	\$ 5,787,853	\$ 5,714,300
Individual income	4,561,557	4,604,710	4,405,457	4,311,015	4,064,705
Corporate income	580,131	500,315	458,227	490,033	540,132
Property	648,739	628,810	596,752	584,823	570,998
License and privilege	54,022	38,001	29,310	39,563	13,742
Severance	149,852	142,095	145,487	156,245	235,068
Inheritance and estate	42,903	50,093	45,827	48,789	52,616
Miscellaneous taxes	194,494	208,344	202,836	196,941	190,700
Unrestricted grants and contributions	12,221	9,798	11,449	10,403	10,348
Unrestricted investment earnings				1,650	4,264
Gain on sale of capital assets	22,007	16,562	8,318	7,689	7,259
Miscellaneous general	548,567	505,243	522,299	403,065	413,140
Transfers		271,843	192,425	41,497	108,470
Total General Revenues and Transfers	<u>13,357,808</u>	<u>13,037,843</u>	<u>12,523,429</u>	<u>12,079,566</u>	<u>11,925,742</u>
Change in Net Position	2,563,819	(1,575,086)	(1,450,378)	(913,868)	(5,080)
Net Position at July 1, as Restated	<u>(17,693,603)</u>	<u>(16,119,502)</u>	<u>(15,063,893)</u>	<u>(14,149,871)</u>	<u>(14,136,431)</u>
Net Position at June 30	<u>\$ (15,129,784)</u>	<u>\$ (17,694,588)</u>	<u>\$ (16,514,271)</u>	<u>\$ (15,063,739)</u>	<u>\$ (14,141,511)</u>
Business-Type Activities:					
Unrestricted grants and contributions	\$ 54,938	\$ 20,086	\$ 5,534	\$ 29,381	\$ 14,971
Unrestricted investment earnings			(1,329)		
Gain on sale of capital assets					
Miscellaneous general	1,751	6,943	6,075	5,176	5,693
Transfers	(115,891)	(271,848)	(192,425)	(41,497)	(108,470)
Total General Revenues and Transfers	<u>(59,202)</u>	<u>(244,819)</u>	<u>(182,145)</u>	<u>(6,940)</u>	<u>(87,806)</u>
Change in Net Position	62,627	148,946	276,580	360,264	545,556
Net Position at July 1, as Restated	<u>844,822</u>	<u>696,861</u>	<u>473,017</u>	<u>112,243</u>	<u>(433,313)</u>
Net Position at June 30	<u>\$ 907,449</u>	<u>\$ 845,807</u>	<u>\$ 749,597</u>	<u>\$ 472,507</u>	<u>\$ 112,243</u>
<b>Change in Net Position</b>					
Governmental Activities	\$ 2,563,819	\$ (1,575,086)	\$ (1,450,378)	\$ (913,868)	\$ (5,080)
Business-Type Activities	62,627	148,946	276,580	360,264	545,556
Total Primary Government Changes in Net Position	<u>\$ 2,626,446</u>	<u>\$ (1,426,140)</u>	<u>\$ (1,173,798)</u>	<u>\$ (553,604)</u>	<u>\$ 540,476</u>

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

2014	2013	2012	2011	2010
\$ 5,575,312	\$ 5,292,465	\$ 5,505,336	\$ 5,152,345	\$ 4,880,831
3,752,868	3,748,008	3,474,027	3,451,268	3,125,824
456,601	423,093	370,485	317,578	235,654
553,339	556,986	534,189	509,961	504,189
21,170	21,091	26,792	29,690	29,198
251,231	461,866	170,980	366,633	325,077
51,513	20,503	68,119	45,144	38,058
184,605	203,467	148,305	168,847	152,016
12,663	16,332	14,640	14,071	9,365
(37)	2,179	(21,439)	7,146	9,531
10,969	8,885	10,363	9,727	22,682
496,504	544,186	493,133	444,309	388,144
(4,214)	(22,093)	(12,293)	206,078	172,007
11,362,524	11,276,968	10,782,637	10,722,797	9,892,576
(774,450)	(239,984)	(987,103)	(461,426)	(1,183,868)
11,047,559	11,287,532	12,352,067	12,830,250	14,005,048
<u>\$ 10,273,109</u>	<u>\$ 11,047,548</u>	<u>\$ 11,364,964</u>	<u>\$ 12,368,824</u>	<u>\$ 12,821,180</u>
\$ 13,546	\$ (16,154)	\$ 55,123	\$ 208	\$ 47,657
32			56,203	1,844
648,434	501,411		597	35,792
4,214	22,093		21,902	(172,007)
666,226	507,350	55,123	(206,078)	(86,714)
331,835	131,864	192,756	(127,168)	(273,414)
(546,982)	(678,846)	(871,602)	(58,769)	(526,859)
<u>\$ (215,147)</u>	<u>\$ (546,982)</u>	<u>\$ (678,846)</u>	<u>\$ (848,463)</u>	<u>\$ (800,273)</u>
\$ (774,450)	\$ (239,984)	\$ (987,103)	\$ (461,426)	\$ (1,183,868)
331,835	131,864	192,756	(58,769)	(273,414)
<u>\$ (442,615)</u>	<u>\$ (108,120)</u>	<u>\$ (794,347)</u>	<u>\$ (520,195)</u>	<u>\$ (1,457,282)</u>

**COMMONWEALTH OF KENTUCKY  
PERSONAL INCOME TAX INFORMATION  
CALENDAR YEARS 2008 and 2017**

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

Ky Federal AGI ( from Ky Form 740) Income Level	Calendar Year 2017			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
<b>Resident Taxpayer</b>				
Less than \$25,001	679,697	37.75%	\$ 126,601,727	3.13%
\$25,001-\$50,000	450,899	25.05%	591,973,790	14.64%
\$50,001-\$100,000	415,804	23.10%	1,084,765,847	26.82%
\$100,001-\$200,000	199,436	11.07%	1,058,966,332	26.19%
\$200,001-\$500,000	44,957	2.50%	607,727,128	15.03%
Greater than \$500,000	9,562	0.53%	573,934,537	14.19%
<b>Total Resident</b>	<b>1,800,355</b>	<b>100.00%</b>	<b>4,043,969,361</b>	<b>100.00%</b>
<b>Non-Resident Taxpayer</b>				
Less than \$25,001	59,266	32.60%	7,011,862	3.15%
\$25,001-\$50,000	34,736	19.10%	17,886,532	8.03%
\$50,001-\$100,000	34,941	19.22%	32,245,157	14.47%
\$100,001-\$200,000	23,527	12.94%	36,046,490	16.18%
\$200,001-\$500,000	14,575	8.01%	35,201,825	15.80%
Greater than \$500,000	14,777	8.13%	94,400,496	42.37%
<b>Total Non-Resident</b>	<b>181,822</b>	<b>100.00%</b>	<b>222,792,362</b>	<b>100.00%</b>
<b>Totals</b>	<b>1,982,177</b>		<b>\$ 4,266,761,723</b>	

**Personal Income Tax Rates**

**Tax Years 2008 - 2017**

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

	2017		2008	
Personal Income Tax Revenue	\$ 4,266,761,723	(A)	\$ 3,330,317,552	
Personal Income	124,551,000,000	(B)	101,288,250,000	
Average Effective Rate	2.9%		3.0%	

**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 2008**

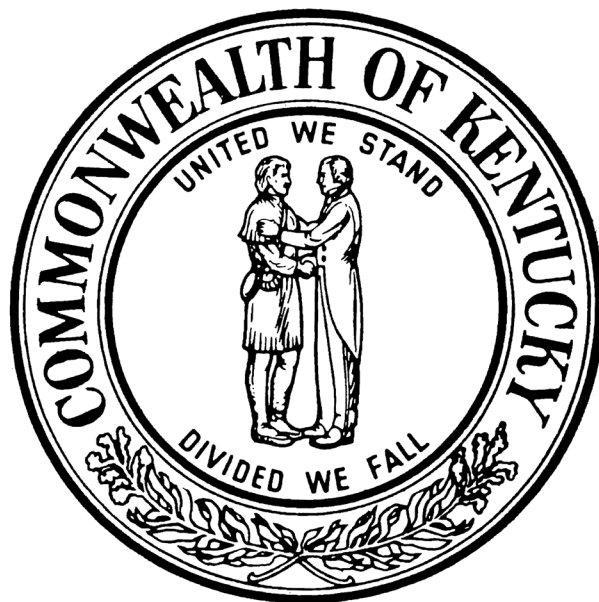
<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Personal Income Tax Liability</b>	<b>Percentage of Total</b>
761,355	43.92%	\$ 232,408,458	7.35%
424,732	24.51%	540,503,162	17.10%
387,313	22.34%	1,004,755,017	31.79%
128,450	7.41%	678,208,736	21.46%
25,578	1.48%	349,569,002	11.06%
5,934	0.34%	355,036,647	11.23%
<b>1,733,362</b>	<b>100.00%</b>	<b>3,160,481,022</b>	<b>100.00%</b>
47,981	36.08%	12,042,116	7.09%
23,333	17.54%	12,151,840	7.16%
25,424	19.11%	22,361,246	13.17%
16,045	12.06%	23,895,478	14.07%
9,737	7.32%	21,738,606	12.80%
10,501	7.89%	77,647,244	45.71%
<b>133,021</b>	<b>100.01%</b>	<b>169,836,530</b>	<b>100.00%</b>
<b>1,866,383</b>		<b>\$ 3,330,317,552</b>	

5.8%

\$8,001 -75,000

6.0%

\$75,001 and Up



**COMMONWEALTH OF KENTUCKY**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**FOR CALENDAR YEARS 2009-2018**  
(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	
2009	\$ 226,213,765	\$ 240,652,941	\$ 160,898,648	\$ 160,898,648	\$ 387,112,413	\$ 401,551,589	96.4%
2010	226,833,829	241,312,584	169,307,231	169,307,231	396,141,060	410,619,815	96.5%
2011	229,344,568	243,983,583	169,933,206	169,933,206	399,277,774	413,916,789	96.5%
2012	232,286,735	247,113,548	176,724,331	176,724,331	409,011,066	423,837,879	96.5%
2013	233,534,113	248,440,546	173,138,368	173,138,368	406,672,481	421,578,914	96.5%
2014	237,120,455	252,255,803	174,481,430	174,481,430	411,601,885	426,737,233	96.5%
2015	243,570,236	259,117,272	182,300,234	182,300,234	425,870,470	441,417,506	96.5%
2016	251,467,439	267,518,552	189,581,582	189,581,582	441,049,021	457,100,134	96.5%
2017	260,311,049	276,926,647	195,483,003	195,483,003	455,794,052	472,409,650	96.5%
2018	268,267,507	285,390,965	202,736,591	202,736,591	471,004,098	488,127,556	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 2009-2018**  
(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 **
2009	\$ 530,822	\$ 491,218	92.5%	\$ 24,952	\$ 516,170	97.2%	64.26
2010	536,828	486,675	90.7%	28,141	514,816	95.9%	65.35
2011	545,501	512,879	94.0%	16,688	529,567	97.1%	66.27
2012	561,041	531,406	94.7%	26,972	558,378	99.5%	66.01
2013	566,500	541,152	95.5%	21,277	562,429	99.3%	64.98
2014	575,958	547,198	95.0%	16,237	563,435	97.8%	64.37
2015	600,161	565,557	94.2%	11,991	577,548	96.2%	64.32
2016	624,237	586,129	93.9%	15,966	602,095	96.5%	65.71
2017	641,169	604,986	94.4%	16,274	621,260	96.9%	64.10
2018	654,251	626,911	95.8%	20,098	647,009	98.9%	63.95

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)

	2019	2018	2017	2016
<b>Governmental Activities Debt</b>				
Revenue Bonds (2)	\$ 5,820,641	\$ 6,310,244	\$ 6,276,003	\$ 6,227,678
Unamortized premiums (2) (3)	473,786	526,979	513,879	534,099
Unamortized discounts (2) (3)	(8,078)	(8,401)	(9,492)	(10,330)
Notes (2)	835,109	1,008,140	1,196,130	1,399,140
Capital Leases (2)	82,647	51,002	46,256	58,064
Certificate of Participation (2) (4)	175,735	176,940	67,425	68,575
KWIC (2) (5)	304,488	297,016	283,870	267,494
Total Government Activities Debt	<u>7,684,328</u>	<u>8,361,920</u>	<u>8,374,071</u>	<u>8,544,720</u>
<b>Business-Type Activities Debt</b>				
Notes (2)				
Capital Leases (2)	21,766	23,881	10,219	7,730
Total Business-Type Activities Debt	<u>21,766</u>	<u>23,881</u>	<u>10,219</u>	<u>7,730</u>
<b>Total Primary Government Debt</b>	<u>\$ 7,706,094</u>	<u>\$ 8,385,801</u>	<u>\$ 8,384,290</u>	<u>\$ 8,552,450</u>
<b>Total Debt Ratios</b>				
Ratio of Total Debt to Personal Income	<u>5.96%</u>	<u>6.73%</u>	<u>7.00%</u>	<u>7.15%</u>
Total Debt Per Capita (1)	<u>\$ 1,724.57</u>	<u>\$ 1,882.68</u>	<u>\$ 1,889.64</u>	<u>\$ 1,932.50</u>
<b>Net Bonded Debt</b>				
Net General Bonded Debt	\$ 6,286,349	\$ 6,828,822	\$ 6,780,390	\$ 6,751,447
Less: Debt Service Funds	156,295	175,892	140,670	136,673
Net Bonded Debt	<u>\$ 6,130,054</u>	<u>\$ 6,652,930</u>	<u>\$ 6,639,720</u>	<u>\$ 6,614,774</u>
<b>Net Bonded Debt Ratios</b>				
Ratio of Net Bonded Debt to Governmental Funds Revenues	<u>22.63%</u>	<u>25.92%</u>	<u>29.76%</u>	<u>26.55%</u>
Net Bonded Debt Per Capita (1)	<u>\$ 1,371.87</u>	<u>\$ 1,493.63</u>	<u>\$ 1,496.45</u>	<u>\$ 1,494.66</u>

(1) Per Capita calculations are based on the population figures for the prior year. (See Demographics Schedule on page 274)

(2) See Note 16 for Debt Amounts

(3) Reflection of unamortized bond premiums/discounts for revenue bonds

(4) Inclusion of Certificate of Participation for debt incurred beginning fiscal year 2015

(5) Inclusion of KWIC for debt incurred beginning fiscal year 2016

2015	2014	2013	2012	2011	2010
\$ 6,154,942	\$ 6,291,646	\$ 6,427,591	\$ 6,555,730	\$ 6,241,628	\$ 5,959,846
369,790	355,817	309,708	311,222	264,392	253,509
(10,875)	(11,577)	(12,792)	(13,830)	(15,820)	(14,988)
1,467,573	1,868,377	1,648,642	1,669,372	1,715,915	1,089,740
71,493	55,444	58,311	46,069	30,877	32,341
68,575					
<u>8,121,498</u>	<u>8,559,707</u>	<u>8,431,460</u>	<u>8,568,563</u>	<u>8,236,992</u>	<u>7,320,448</u>
<u>12,262</u>	<u>13,065</u>	<u>13,748</u>	<u>1,172</u>	<u>3,542</u>	<u>127</u>
<u>12,262</u>	<u>13,065</u>	<u>13,748</u>	<u>14,119</u>	<u>3,542</u>	<u>127</u>
<u>\$ 8,133,760</u>	<u>\$ 8,572,772</u>	<u>\$ 8,445,208</u>	<u>\$ 8,583,854</u>	<u>\$ 8,240,534</u>	<u>\$ 7,320,575</u>
<u>7.04%</u>	<u>7.65%</u>	<u>7.82%</u>	<u>8.25%</u>	<u>8.05%</u>	<u>7.33%</u>
<u>\$ 1,842.95</u>	<u>\$ 1,950.44</u>	<u>\$ 1,927.95</u>	<u>\$ 1,964.56</u>	<u>\$ 1,896.00</u>	<u>\$ 1,696.89</u>
\$ 6,513,857	\$ 6,635,886	\$ 6,724,507	\$ 6,853,122	\$ 6,490,200	\$ 6,198,367
138,192	125,732	124,951	120,304	137,921	197,802
<u>\$ 6,375,665</u>	<u>\$ 6,510,154</u>	<u>\$ 6,599,556</u>	<u>\$ 6,732,818</u>	<u>\$ 6,352,279</u>	<u>\$ 6,000,565</u>
<u>26.80%</u>	<u>29.18%</u>	<u>32.61%</u>	<u>34.32%</u>	<u>31.28%</u>	<u>30.76%</u>
<u>\$ 1,444.60</u>	<u>\$ 1,481.16</u>	<u>\$ 1,506.61</u>	<u>\$ 1,540.92</u>	<u>\$ 1,461.55</u>	<u>\$ 1,390.92</u>

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

<b>Fiscal Year Ending June 30</b>	<b>Revenue Stream Available For Debt Service</b>	<b>Debt Service Requirement</b>	<b>Coverage Ratio</b>
2010	\$ 308,774 *	\$ 61,448	5.02
2011	418,370 *	56,920	7.35
2012	3,930,749 **	1,531,031	2.57
2013	4,031,429 **	1,485,309	2.71
2014	4,235,184 **	1,777,303	2.38
2015	4,598,823 **	1,958,552	2.35
2016	4,793,559 **	2,020,476	2.37
2017	4,913,519 **	2,003,912	2.45
2018	5,014,700 **	2,136,250	2.35
2019	5,249,807 **	2,031,070	2.58

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 and capital lease liabilities

**TOP 10 MANUFACTURERS/SUPPORTIVE SERVICE FIRMS  
(Ranked by Number of Employees)  
CURRENT YEAR AND NINE YEARS AGO**

<b>Company</b>	<b>2018</b>			<b>2009</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
Ford Motor Company	12,960	1	0.66%	5,600	5	0.29%
United Parcel Service, Inc.	12,907	2	0.65%	7,584	3	0.40%
Amazon.com	12,250	3	0.62%			
Humana Inc.	10,293	4	0.52%	9,342	2	0.49%
Toyota Motor Corp	9,819	5	0.50%	9,879	1	0.52%
Haier US Appliances Solutions, Inc.	6,300	6	0.32%			
FMR LLC	4,500	7	0.23%	4,673	6	0.25%
Conduent, Inc.	3,488	8	0.18%			
Deutsche Post AG	3,109	9	0.16%			
Citigroup	2,840	10	0.14%	4,257	7	0.23%
General Electric Co				6,816	4	0.36%
Johnson Controls, Inc.				3,718	8	0.20%
Affiliated Computer Services, Inc.				3,360	9	0.18%
Delta Air Lines, Inc				3,290	10	0.17%
	<b>78,466</b>		<b>3.98%</b>	<b>58,519</b>		<b>3.08%</b>

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

**DEMOGRAPHIC STATISTICS  
FOR CALENDAR YEARS 2009-2018**

<b>For the Year Ended December 31</b>	<b>Estimated Population</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
2009	4,314,113	\$ 32,306	10.3%
2010	4,346,266	32,376	10.2%
2011	4,369,356	33,667	9.4%
2012	4,380,415	35,041	8.2%
2013	4,395,295	36,214	8.0%
2014	4,413,457	37,654	6.5%
2015	4,425,592	39,181	5.4%
2016	4,436,974	38,926	5.1%
2017	4,454,189	40,597	4.9%
2018	4,468,402	42,458	4.4%

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

**COMMONWEALTH OF KENTUCKY**  
**SOURCES OF PERSONAL INCOME**  
**FOR CALENDAR YEARS 2009-2018**  
(Expressed in Thousands, Except Percent Data)

Source	2009*		2010*		2011*		2012*		2013*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,364,000	1.4%	\$ 1,208,000	1.2%	\$ 811,000	0.8%	\$ 1,062,000	1.0%	\$ 1,954,000	1.7%
Agriculture services, forestry, fisheries and others	319,250	0.3%	316,000	0.3%	280,000	0.3%	330,000	0.3%	346,000	0.3%
Mining	2,121,000	2.1%	2,353,000	2.3%	2,256,000	2.2%	2,224,000	2.1%	1,853,000	1.7%
Manufacturing	13,446,500	13.5%	14,293,000	14.0%	12,563,000	12.1%	15,736,000	14.6%	15,937,000	14.2%
Construction	5,045,000	5.1%	4,726,000	4.6%	5,101,000	4.9%	5,568,000	5.2%	5,938,000	5.3%
Wholesale and retail trade	11,548,500	11.6%	11,456,000	11.3%	12,021,000	11.6%	12,306,000	11.4%	12,328,000	11.0%
Finance, insurance and real estate	5,979,500	6.0%	5,956,000	5.8%	6,507,000	6.3%	6,931,000	6.4%	7,269,000	6.5%
Transportation and public utilities	6,062,250	6.1%	6,130,000	6.0%	6,199,000	6.0%	6,529,000	6.0%	6,402,000	5.7%
Services	31,714,500	29.4%	32,939,000	32.3%	34,521,000	31.6%	34,471,000	32.1%	36,784,000	32.8%
Government and government enterprises	22,249,500	22.3%	23,014,000	22.5%	23,727,000	22.8%	22,879,000	21.2%	23,180,000	20.8%
Earnings by Place of Work	\$ 99,850,000	100.0%	\$ 102,391,000	100.0%	\$ 103,986,000	100.0%	\$ 108,036,000	100.0%	\$ 111,991,000	100.0%

Source	2014*		2015**		2016**		2017**		2018***	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,790,000	1.5%	\$ 1,490,000	1.2%	\$ 106,000	0.1%	\$ 1,049,000	0.8%	\$ 1,153,000	0.9%
Agriculture services, forestry, fisheries and others	399,000	0.3%	397,000	0.3%	525,000	0.4%	504,000	0.4%	542,000	0.4%
Mining	1,809,000	1.6%	1,570,000	1.3%	698,000	0.6%	531,000	0.4%	791,000	0.6%
Manufacturing	16,682,000	14.4%	17,371,000	14.5%	18,019,000	15.1%	18,397,000	14.8%	19,236,000	14.9%
Construction	6,662,000	5.8%	6,864,000	5.7%	7,062,000	5.9%	7,432,000	6.0%	7,668,000	5.9%
Wholesale and retail trade	12,727,000	11.0%	13,181,000	11.0%	13,271,000	11.1%	13,436,000	10.8%	13,760,000	10.6%
Finance, insurance and real estate	7,567,000	6.6%	10,020,000	8.4%	10,009,000	8.4%	10,802,000	8.7%	11,072,000	8.6%
Transportation and public utilities	6,745,000	5.8%	7,220,000	6.0%	7,847,000	6.6%	8,387,000	6.7%	8,923,000	6.9%
Services	38,138,000	33.0%	38,121,000	31.9%	39,312,000	32.8%	41,157,000	33.0%	43,013,000	33.3%
Government and government enterprises	22,994,000	20.0%	23,432,000	19.6%	22,856,000	19.1%	22,856,000	18.4%	23,078,000	17.9%
Earnings by Place of Work	\$ 115,513,000	100.0%	\$ 119,666,000	100.0%	\$ 119,705,000	100.0%	\$ 124,551,000	100.0%	\$ 129,236,000	100.0%

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

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

\* Annual estimates computed with BEA table SQ5 by adding 4 quarters of each year and dividing by 4. Quarterly charts show each quarter as an annualized amount based on amounts to date.

\*\* Starting in 2015 Annual estimates computed with BEA table SA5N.

\*\*\* Starting in 2018 Annual estimates computed with BEA table SAINC5N.

Industrial classifications are based on the North American Industry Classification System (NAICS).

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Personnel</b>										
Number of Full Time Employees- Executive Branch	28,913	30,216	31,104	31,977	32,547	31,819	31,961	32,270	32,365	32,309
Health Insurance Expenditures - Percentage Increase/(decrease)	0.00%	0.42%	1.1%	2.0%	2.5%	2.0%	7.4%	(3.5%)	4.5%	18.7%
<b>Education</b>										
K-12 Enrollment	669,449	671,899	655,475	679,686	680,519	678,884	677,394	647,827	644,963	636,188
K-12 Attendance Rate	94.20%	94.40%	94.50%	94.50%	94.50%	94.60%	94.52%	94.05%	94.05%	94.18%
K-12 Graduation Rate	90.60%	89.70%	89.50%	88.60%	87.90%	87.40%	86.10%	76.68%	80.5%**	83.91%
Average ACT Score	19.8	20.2	20.1	20	20	19.9	19.6	19.8	19.6	19.4
GED Graduates	3,332	3,404	3,299	3,091	1,663	7,083	8,890	9,469	10,294	9,357
College Going Rate for 9th Graders	NA	NA	NA	NA	NA	47%	39%	42%	42%	42%
Postsecondary Education Enrollment	202,076	204,506	207,671	208,251	215,509	220,963	225,415	235,833	232,318	223,893
Bachelor's and Higher Degrees Awarded	37,621	35,880	34,326	34,110	32,706	32,374	32,237	30,034	29,911	28,798
<b>Justice and Public Safety</b>										
Incarcerated Population-Daily Average	23,888	23,585	23,168	22,012	21,106	20,446	21,542	21,471	20,785	20,798
Probation and Parole Population - Daily Average	49,421	47,540	46,046	45,956	46,008	45,755	43,196	41,790	41,534	39,364
<b>Health and Family Services</b>										
Medicaid Enrollment-Average	1,383,929	1,427,523	1,404,625	1,375,071	1,243,432	997,556	829,826	825,648	815,460	788,236
Food Stamp Recipients-Monthly Average	515,918	631,686	685,771	686,773	788,485	843,164	869,035	843,939	814,176	761,654
Temporary Assistance for Needy Families (TANF)-Monthly Average	38,047	41,298	45,874	38,823	42,995	47,996	49,148	48,817	50,583	48,894
Children with substantiated incidences	21,752	24,783	22,526	20,031	19,858	15,193	17,884	15,699	15,721	15,092
<b>Environmental and Public Protection</b>										
Air Pollution Source Inspections	3,270	3,647	3,724	3,652	3,448	3,939	3,919	3,355	3,390	5,910
Waste Management Inspections	6,706	7,178	6,394	6,761	6,866	6,484	6,239	6,062	6,155	7,060
Acres of Land Reforested	8,748	1,565	6,081	2,626	5,472	3,573	8,309	10,396	4,827	4,520
Mine Permits Issued	334	317	170	381	446	515	606	719	691	608
Mine Reclamation and Enforcement Inspections	17,988	16,803	16,682	18,551	20,011	21,450	23,003	26,942	25,392	25,686
Mine Safety-Completed Inspections	514	509	924	1,529	2,651	3,023	3,546	3,203	3,102	4,611
<b>Transportation</b>										
Percentage of Total Road System Needing Improvement	25.10%	19.6%	17%	17%	17%	19%	19%	19%	15%	18%
Statewide Road Maintainance Rating (Target Score = 80)	81.0	84.5	82.6	84	83.7	82.5	80.5	80.1	81.5	79.7
Daily Miles Traveled-Percentage Changed (as compared to 2005 Data)	4.46%	3.90%	3.82%	1.52%	(0.31%)	(2.09%)	(1.98%)	0.17%	0.20%	(0.1%)
State-Maintained Lane Miles- Annual Percent Change	0.07%	0.25%	0.25%	0.08%	0.13%	0.33%	0.03%	0.10%	0.30%	0.10%
Kentucky Road Construction Cost Index-Percent Increase (1987 Base Year)	81.3%	64.0%	47.9%	49.5%	45.4%	43.6%	34.9%	10.7%	35.2%	13.9%

\* 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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b><u>General Government</u></b>										
Number of Buildings	313	367	367	324	312	312	313	310	292	326
Number of Vehicles	328	295	321	341	299	303	305	377	394	365
Land (Acres)	15,304	15,313	15,307	15,307	15,264	15,263	15,251	15,041	14,968	14,614
<b><u>Commerce</u></b>										
Number of Resort Parks	17	17	17	17	17	17	17	17	17	17
Number of Recreation Parks	23	23	23	23	23	21	21	21	23	23
Number of Historic Sites	8	11	11	11	11	11	11	9	10	10
Area of State Parks (Acres)	45,370	45,464	45,426	45,409	45,409	45,180	45,180	45,180	42,397	42,035
<b><u>Education and Humanities</u></b>										
Number of Buildings	60	61	77	64	65	65	65	65	66	73
Number of Vehicles	56	56	58	65	64	68	83	89	105	101
Land (Acres)	383	384	385	385	385	387	387	387	388	388
<b><u>Human Resources</u></b>										
Number of Buildings	136	139	163	167	160	182	182	182	182	200
Number of Vehicles	19	19	17	17	19	18	24	23	45	46
Land (Acres)	1,166	1,167	1,192	1,206	1,206	1,206	1,206	1,206	1,206	1,206
<b><u>Justice</u></b>										
Number of Buildings	438	443	517	455	447	449	452	459	465	508
Number of Vehicles	1,937	1,878	1,760	1,803	1,720	1,715	1,753	2,043	2,102	1,863
Land (Acres)	8,735	8,735	8,735	8,735	8,735	8,735	8,735	8,685	8,865	8,867
<b><u>Natural Resources and Environmental Protection</u></b>										
Number of Buildings	25	25	30	30	22	20	20	20	21	26
Number of Vehicles	840	815	825	832	807	797	793	847	827	916
Land (Acres)	67,142	66,473	66,401	66,187	66,187	65,609	64,585	62,661	60,003	59,149
<b><u>Public Protection and Regulation</u></b>										
Number of Vehicles	220	183	179	157	146	140	149	132	118	121
<b><u>Transportation</u></b>										
Number of Lane Miles -State Maintained Highways	63,836	63,836	63,753	63,586	64,187	63,407	63,196	63,175	63,135	62,913
Number of State maintained Bridges	9,033	9,027	8,928	9,016	9,011	9,000	8,976	8,972	8,957	8,933
Land (Acres)	1,665	1,656	1,656	1,656	1,656	1,700	1,653	1,653	1,653	1,981

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

	2019	2018	2017	2016
<b><u>FULL-TIME EMPLOYEES</u></b>				
<b>FUNCTION</b>				
General government	4,552	4,771	4,565	4,570
Legislative and judicial	3,651	4,038	3,772	3,553
Commerce	1,478	1,684	1,685	1,696
Education and humanities	1,910	2,192	2,392	2,363
Human resources	6,389	7,142	7,197	7,176
Justice	7,457	7,755	7,784	7,735
Natural resources and environmental protection	1,225	1,329	1,396	1,383
Public protection and regulation	947	982	1,019	1,005
Transportation	4,153	4,528	4,571	4,551
<b>Total full-time employees</b>	<b>31,762</b>	<b>34,421</b>	<b>34,381</b>	<b>34,032</b>
<b><u>PART-TIME and TEMPORARY EMPLOYEES</u></b>				
<b>FUNCTION</b>				
General government	683	657	666	665
Legislative and judicial	379	542	422	404
Commerce	645	578	518	538
Education and humanities	191	154	153	156
Human resources	401	138	158	197
Justice	61	30	12	13
Natural resources and environmental protection	169	18	15	14
Public protection and regulation	29	24	15	16
Transportation	71	104	124	138
<b>Total part-time and temporary employees</b>	<b>2,629</b>	<b>2,245</b>	<b>2,083</b>	<b>2,141</b>
 <b>Total Employees</b>	 <b>34,391</b>	 <b>36,666</b>	 <b>36,464</b>	 <b>36,173</b>

2015	2014	2013	2012	2011	2010
4,671	4,775	5,089	4,669	4,738	4,841
3,578	3,540	4,159	3,503	3,502	3,597
1,633	1,699	1,520	1,914	1,972	2,023
2,613	2,671	2,671	2,701	2,696	2,712
7,466	7,523	7,470	7,481	7,517	7,482
7,832	7,896	8,054	8,070	8,016	7,938
1,387	1,445	1,608	1,614	1,648	1,675
1,124	1,120	1,034	1,097	1,113	1,127
4,629	4,650	4,690	4,682	4,670	4,713
34,933	35,319	36,295	35,731	35,872	36,108
650	662	649	663	657	662
421	445	426	484	476	483
479	494	488	498	384	1,376
200	212	211	227	198	306
123	137	126	119	108	124
16	19	21	24	26	39
13	13	18	26	31	56
17	14	18	20	30	31
77	68	88	40	138	133
1,996	2,064	2,045	2,101	2,048	3,210
36,929	37,383	38,340	37,832	37,920	39,318



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