

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 6, 2023

Book-Entry Only
New Issue – Not Bank Qualified

Rating: Moody’s “[]”
See “RATING” herein

In the opinion of Bond Counsel for the Bonds, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the Corporation, and subject to the conditions and limitations set forth under the caption “TAX TREATMENT” herein, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax; however, interest on any Bonds held by an “applicable corporation” is included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on applicable corporations for tax years beginning after December 31, 2022. Interest on the Bonds is exempt from Kentucky income tax, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

\$22,690,000*
MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023

Dated: Date of Delivery

Due: June 1, as shown below

Interest on the above-captioned bonds (the “Bonds”) will be payable from their dated date, on each June 1 and December 1, commencing December 1, 2023, and the Bonds will mature as to principal on each June 1, as shown below:

Year	Principal Amount*	Interest Rate	Price	Yield	CUSIP []	Year	Principal Amount*	Interest Rate	Price	Yield	CUSIP []
2024	\$ 850,000	___%				2034	\$1,110,000	___%			
2025	805,000					2035	1,150,000				
2026	835,000					2036	1,200,000				
2027	865,000					2037	1,250,000				
2028	895,000					2038	1,300,000				
2029	930,000					2039	1,360,000				
2030	960,000					2040	1,420,000				
2031	995,000					2041	1,485,000				
2032	1,030,000					2042	1,555,000				
2033	1,070,000					2043	1,625,000				

The Bonds are being issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. The principal of and interest on the Bonds are payable at the principal office of U.S. Bank Trust Company, National Association, as the Paying Agent, Registrar, and Trustee (the “Trustee”) for the Bonds. The Bonds will be initially issued in book-entry form, registered in the name of The Depository Trust Company (“DTC”) or its nominee. There will be no distribution of the Bonds to owners of book-entry interests. DTC will receive all payments of principal and interest with respect to the Bonds from the Trustee. DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursement to the owners of book-entry interests. So long as DTC or its nominee is the registered owner of the Bonds, all references herein to the Bondholders or registered owners (other than under the captions “CONTINUING DISCLOSURE” and “TAX TREATMENT”) shall mean DTC or its nominee, and not the owners of book-entry interests in the Bonds.

The Bonds are subject to redemption before maturity as described herein.

The Bonds are special and limited obligations of the Madison County, Kentucky Public Properties Corporation (the “Corporation”), a nonprofit, non-stock public and governmental corporation and an agency, instrumentality, and constituted authority of the County of Madison, Kentucky (the “County”), issued at the request of the County, and do not constitute a debt, liability, or general obligation of the Corporation or the County within the meaning of the Constitution and laws of the Commonwealth of Kentucky, or a pledge of the full faith and credit or the taxing power of the County. The Bonds are being issued by the Corporation for the purposes of (i) refunding, in advance of maturity, a portion of the outstanding County of Madison, Kentucky General Obligation Note, Series 2020N-1, the proceeds of which, among other things, provided interim financing for the renovation of the existing County administration building for future use as a judicial center (the “Project”); (ii) financing additional costs of the Project; and (iii) paying the costs of issuance of the Bonds.

The Corporation, the County, and the Commonwealth of Kentucky Administrative Office of the Courts (“AOC”) have entered into a Contract, Lease Agreement, and Option dated as of June 1, 2023 (the “Lease”), whereby AOC and the County will lease the Project and the Project Site (as described herein) from the Corporation, at an agreed rental, which rental amount will be assigned by the Corporation to the Trustee and is anticipated to be adequate to pay no less than 100% of the principal of and interest on the Bonds. The Lease does not require the County to make any rental payments with respect to the Project, however, the County is obligated to provide for the operation, maintenance, insurance, and repair of the Project. See “THE LEASE” herein.

The Bonds are offered when, as, and if issued, subject to the approval of legality and tax exemption by Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel. The Bonds are expected to be available for delivery on or about June 29, 2023.

The Corporation deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), except for certain information on the cover page hereof and certain pages herein that has been omitted in accordance with the Rule and will be provided with the final Official Statement.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.



* Preliminary, subject to change.

THIS PRELIMINARY OFFICIAL STATEMENT AND INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION, OR AMENDMENT, WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY THESE SECURITIES BE ACCEPTED BEFORE THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF, THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION

Reagan Taylor, President
Brian Combs, Director
Stephen Lochmueller, Director
Billy Ray Hughes, Director
Tom Botkin, Director
Kenny Barger, Secretary

COUNTY OF MADISON, KENTUCKY

Judge/Executive

Reagan Taylor

Magistrates

Brian Combs
Stephen Lochmueller
Billy Ray Hughes
Tom Botkin

County Attorney

Jennie Haymond

County Treasurer

Sarah Stewart

Fiscal Court Clerk

Kenny Barger

ADMINISTRATIVE OFFICE OF THE COURTS

Director

Laurie K. Givens

Deputy Director

Jason McGinnis

Director of Finance and Administration

Jenny Lafferty

Budget Director

Carole Henderson

BOND COUNSEL

Dinsmore & Shohl LLP
Louisville, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

TRUSTEE

U.S. Bank Trust Company, National Association
Louisville, Kentucky

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Madison County, Kentucky Public Properties Corporation identified on the cover page hereof. No person has been authorized by the Corporation to give any information or to make any representation other than that contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been given or authorized by the Corporation. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof.

Upon their issuance, the Bonds will not be registered by the Corporation under any federal or state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal, or other governmental entity or agency, except the Corporation and the County, will have, at the request of the Corporation, (i) passed upon the accuracy or adequacy of this Official Statement or (ii) approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the Corporation, the County, and AOC from their respective records, except for any information expressly attributed to other sources. The presentation of this information is intended to show recent historic information and is not intended to indicate any future or continuing trends in the financial position or other affairs of the County, the Corporation, or AOC. No representation is made that the past experience of the Corporation, the County, or AOC, respectively, as is shown by the financial and other information presented in this Official Statement, will necessarily continue or be repeated in the future. Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such, and not as representations of fact or certainty, and no representation is made that any of such statements have been or will be realized. In addition, such statements should be regarded as suggesting independent investigation or consultation of other sources before making any investment decisions. Certain information set forth in this Official Statement may not be current; however, attempts were made to date and document all sources of information. Neither this Official Statement nor any oral or written representations made by or on behalf of the Corporation, the County, or AOC preliminary to the sale of the Bonds should be regarded as part of the Corporation's contract with the successful bidder or the holders from time to time of the Bonds.

All references in this Official Statement to any provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to any provisions of the Kentucky Constitution or the resolutions of the Corporation, are references to such provisions as they presently exist. Any of these provisions may, from time to time, be amended, repealed, or supplemented.

As used in this Official Statement, "debt service" means the principal of and premium, if any, and interest on the obligations referred to; "Corporation" means the Madison County, Kentucky Public Properties Corporation; "County" means the County of Madison, Kentucky; and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

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\$22,690,000*
MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023

INTRODUCTION

The purpose of this Official Statement, including the cover page and Appendices hereto, is to provide certain information with respect to the \$22,690,000* aggregate principal amount of First Mortgage Revenue Bonds (Judicial Center Project), Series 2023 (the “Bonds”) of the Madison County, Kentucky Public Properties Corporation, as specified on the cover page hereof.

On May 23, 2023, the Board of Directors of the Madison County, Kentucky Public Properties Corporation (the “Corporation”) adopted a resolution authorizing the issuance of the Bonds for the purposes of (i) refunding, in advance of maturity, a portion of the outstanding County of Madison, Kentucky General Obligation Note, Series 2020N-1 dated July 1, 2020, the proceeds of which, among other things, provided interim financing for the renovation of the existing County administration building for future use as a judicial center (the “Project”); (ii) financing additional costs of the Project; and (iii) paying the costs of issuance of the Bonds. The Corporation was established by the County of Madison, Kentucky (the “County”) to act as the agency, instrumentality, and constituted authority of the County in the acquisition, development, and financing of public improvements and public projects.

The Bonds are being issued under a Mortgage Deed of Trust dated as of June 1, 2023 (the “Mortgage”), by and between the Corporation and U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Trustee (the “Trustee”), and are secured by (i) a foreclosable first mortgage lien on the Project and the site on which the Project is located (the “Project Site”), as more particularly described in Exhibit A to the Mortgage, and (ii) the assignment by the Corporation of all of its right, title, and interest to the Contract, Lease Agreement, and Option dated as of June 1, 2023 (the “Lease”), by and among the Corporation, the County, and the Commonwealth of Kentucky Administrative Office of the Courts (“AOC”). For additional information regarding the Mortgage and the Lease, see “THE MORTGAGE” and “THE LEASE” herein.

This Official Statement should be considered in its entirety, and no one subject discussed herein should be considered to be more or less important than any other by reason of its location in the text. Reference should be made to any laws, reports, or other documents referred to in this Official Statement for more complete information regarding their contents. Before the issuance and delivery of the Bonds, copies of the Mortgage and the Lease may be obtained at the office of Dinsmore & Shohl LLP, Louisville, Kentucky.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information that is contained in the entire Official Statement, including the cover page hereof, the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Corporation deems this Preliminary Official Statement to be final for purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule), except for certain information on the cover page hereof and certain pages herein that has been omitted in accordance with the Rule and will be provided with the final Official Statement.

THE COUNTY

The County of Madison, Kentucky, is a public body corporate and politic duly created and existing as a county and political subdivision of the Commonwealth of Kentucky (the “Commonwealth”).

The County is governed by a Fiscal Court consisting of an elected County Judge/Executive and four elected Magistrates. These five members comprise the Fiscal Court and are elected to four year terms. There is no limitation for succession by any member of the Fiscal Court.

* Preliminary, subject to change.

THE CORPORATION

The Madison County, Kentucky Public Properties Corporation is a nonprofit, no-stock public and governmental corporation organized and existing under the laws of the Commonwealth, including, particularly, Section 58.180 and Sections 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes.

The principal purpose of the Corporation is to act as the agency, instrumentality, and constituted authority of the County in the planning, promotion, development, financing, and acquisition by the Corporation, for and on behalf of the County, of public improvements and public projects for the County, which improvements and projects are authorized to be undertaken by the County under the laws of the Commonwealth, including Chapter 58 of the Kentucky Revised Statutes.

Any bonds or other indebtedness issued or contracted by the Corporation for or on behalf of the County shall, before the issuance thereof or incurrence thereby, be specifically approved by the County, acting by and through its Fiscal Court, as its duly authorized and empowered governing body.

The Corporation is governed by a Board of Directors comprised of the County Judge/Executive and the other members of the Fiscal Court of the County. The term of each Director shall expire when such Director ceases to hold office as the County Judge/Executive or as a Magistrate of the Fiscal Court, as applicable. Any successor Magistrate of the Fiscal Court of the County or successor County Judge/Executive shall automatically replace their predecessor as a member of the Board of Directors of the Corporation upon assuming their respective public offices.

ADMINISTRATIVE OFFICE OF THE COURTS

The Court of Justice

In 1975, Kentucky voters approved an amendment to the Kentucky Constitution to unify the Commonwealth's fragmented judicial system by providing for a four-tiered court system referred to as the Kentucky Court of Justice. The four-tiered court system in the Commonwealth consists of two appellate levels and two trial levels. The appellate courts include the Supreme Court (the court of last resort in the Commonwealth and the final interpreter of state law) and the Court of Appeals (an intermediate appellate court). The trial courts are divided into the circuit courts (courts of general jurisdiction) and the district courts (courts with limited jurisdiction).

Supreme Court. The Supreme Court consists of seven justices that are elected from the seven appellate districts in the Commonwealth and serve eight year terms. The members of the Supreme Court choose one justice to serve as the Chief Justice for a four year term. The Chief Justice is the administrative head of the Commonwealth's court system. In addition to hearing appeals, the Supreme Court is also responsible for establishing rules of practice and procedures for the Kentucky Court of Justice.

Court of Appeals. The Court of Appeals is made up of fourteen judges, with two judges elected from each of the seven appellate districts in the Commonwealth. Each member of the Court of Appeals serves for a term of eight years.

Circuit Court. The circuit courts are the courts of general jurisdiction and typically hear civil matters involving more than \$5,000, capital offenses and felonies, and cases involving divorce, adoption, termination of parental rights, land disputes, and contested probates of wills. The circuit courts have the power to issue injunctions, writs of prohibition, and writs of mandamus and to hear appeals from the district courts and administrative agencies in the Commonwealth. Currently, there are 95 circuit court judges serving Kentucky's circuit court system. The circuit court judges serve eight year terms and are assigned to one or more counties, depending upon population and caseload.

District Court. The district courts have limited jurisdiction and are often referred to as the "peoples' court." The district courts hear civil matters involving \$5,000 or less, small claims involving \$2,500 or less, arraignments, felony probable cause hearings, matters involving juvenile offenses, city and county ordinances, misdemeanors, violations, traffic offenses, and probate of wills, and cases involving guardianship, conservatorship, voluntary or involuntary mental commitment, domestic violence, and abuse. Currently, there are 115 district court judges serving Kentucky's district court system. The district court judges serve four year terms and are assigned to one or more counties, depending upon population and caseload.

Administrative Office of the Courts

AOC serves as the staff for the Kentucky Court of Justice, administered by the Chief Justice of the Supreme Court of Kentucky. AOC's primary duties involve:

- (a) Preparing the biennial budget and administering the funds and accounts of the Kentucky Court of Justice;
- (b) Maintaining data processing systems for the purposes of publishing statistical reports, evaluating special projects, and operating case management systems;
- (c) Dispersing and maintaining supplies and equipment;
- (d) Providing offices and court space for the entire court system;
- (e) Supervising the State Law Library; and
- (f) Overseeing the pretrial and juvenile services, drug court, and mediation programs.

The Kentucky Court of Justice is funded through state appropriations from the Kentucky General Assembly. The Court of Justice budget represents approximately 3.4% of the total of the General Fund of the Commonwealth for each biennium. With the exception of certain fees that are dedicated to specific uses and applications, all fines and other revenues collected by the Court of Justice are deposited to the General Fund of the Commonwealth. The Court of Justice is funded by four separate appropriations: (i) Court Operations and Administration; (ii) Judicial Retirement System; (iii) Local Facilities Fund; and (iv) Capital Projects. The Rental Payments to be made by AOC, under and as defined in the Lease, are budgeted each biennium in the Local Facilities Fund of the Court of Justice budget.

In accordance with Supreme Court Rule 1.050 and Sections 26A.090 to 26A.130, inclusive, of the Kentucky Revised Statutes, AOC procures office space and court facilities for the Court of Justice by compensating governmental units that provide space in their local court facilities to the Court of Justice through its "Use Allowance" and "Operating Cost Allowance."

The Use Allowance compensates the governmental unit operating the court facility for the capital costs of such facility based upon the formula set forth in Section 26A.090(2) of the Kentucky Revised Statutes. The application of the formula results in AOC being obligated for 100% of the debt service requirements for the Bonds.

The Operating Costs Allowance compensates the governmental unit for the annual expenses incurred by such governmental unit for utilities, janitorial services, insurance, and ordinary maintenance, repair, and upkeep of the court facility.

THE BONDS

General

The Bonds will be dated their date of delivery and will accrue interest from that date as described herein, at the rates set forth on the cover page hereof. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2023. The Bonds will mature on each June 1, in the years and in the principal amounts set forth on the cover page of this Official Statement.

Book-Entry Only System

The Bonds will initially be issued solely in book-entry form, to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of the Bonds and the beneficial owners of the Bonds will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Mortgage. For additional information about DTC and the book-entry only system see "APPENDIX E – Book-Entry Only System" hereto.

THE INFORMATION SET FORTH IN THIS SECTION AND IN APPENDIX E ATTACHED HERETO CONCERNING DTC AND ITS BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT

THE CORPORATION, THE COUNTY, AND AOC BELIEVE TO BE RELIABLE, BUT THE CORPORATION, THE COUNTY, AND AOC TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Registration, Payment, and Transfer

The Bonds are being issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof.

The Bonds will be registered as to both principal and interest on the registration books to be maintained by the Trustee, acting as the Paying Agent and Registrar for the Bonds. No transfer of any Bond shall be valid unless made on the registration books at the request of the registered owner of the Bond to be transferred, in person or by his or her attorney duly authorized in writing, and similarly noted on such Bond. The Bonds may be exchanged for one or more Bonds of other authorized denominations upon the surrender of the Bonds to be exchanged to the Registrar, together with a written request for such exchange duly executed by the registered owner thereof or by his or her duly authorized attorney. The Trustee, as Registrar, shall not be required to transfer or exchange any Bond on any date after the first day of the month preceding any interest payment date, or during any period beginning fifteen days before the selection by the Trustee of the Bonds to be redeemed before maturity and ending on the date that notice of any such redemption is mailed to the holders of the Bonds to be redeemed. The person in whose name a Bond is registered upon the books of the Corporation shall be deemed the registered owner thereof for all purposes.

Interest on each Bond shall be payable by check or draft mailed to the registered owner thereof as of the first date of the month immediately preceding the date for that payment of interest, at the address shown on the registration books maintained by the Trustee, as Registrar. The principal of and redemption premium, if any, on the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America upon their presentation and surrender, as they respectively become due and payable, whether at maturity or by prior redemption, at the designated corporate trust office of the Trustee; provided, however, that surrender shall not be required for a regularly scheduled sinking fund payment that does not represent the final maturity of the Bonds.

Optional Redemption

The Bonds maturing on and after June 1, 2032 are subject to optional redemption before maturity on any date on or after June 1, 2031, in whole or in part, in such order of maturity as may be selected by the Corporation, and by lot within a maturity, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption

The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption before maturity, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption, on the dates, in the years and in the principal amounts as follows:

<u>Maturing June 1, 20__</u>		<u>Maturing June 1, 20__</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
June 1, 20__	\$	June 1, 20__	\$
June 1, 20__	\$	June 1, 20__	\$
June 1, 20__*	\$	June 1, 20__*	\$
* Maturity		* Maturity	

Notice of Redemption

If less than all Bonds which, by their terms, are payable on the same date are to be called for redemption, the particular Bonds or portions of such Bonds payable on such date and to be redeemed shall be selected by lot, by the Trustee, in such manner as the Trustee, in its discretion, may determine; provided, however, that (i) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof, and (ii) in selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty days before the redemption date of any Bonds, the Trustee shall cause a notice of such redemption, either in whole or in part, signed by the Trustee, to be mailed, postage prepaid, to all registered owners of the Bonds

to be redeemed in whole or in part, at their addresses as they appear on the registration books maintained by the Trustee; provided, however, that failure to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding are called for redemption, the distinctive numbers or letters, if any, of the Bonds to be redeemed, and, in the case of any Bonds to be redeemed in part only, the portion of the principal amount thereof that will be redeemed. With respect to any Bond to be redeemed in part only, the notice of redemption relating to such Bond shall also state that on or after the redemption date, upon the surrender of such Bonds, a new Bond in principal amount equal to the unredeemed portion of such Bonds will be issued.

On the date so designated for redemption, notice thereof having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Trustee for the benefit of the holders of the Bonds or portions thereof to be redeemed, (i) the Bonds or portions thereof so called for redemption shall become and be due and payable, at the redemption price provided for the redemption of such Bonds or portions thereof on such date, (ii) interest on the Bonds or portions thereof called for redemption shall cease to accrue, and (iii) the holders or registered owners of the Bonds or portions thereof to be redeemed shall have no rights in respect thereof, except to receive payment of the redemption price thereof and to receive new Bonds for any unredeemed portions of their Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof, or his or her attorney or legal representative, shall present and surrender such Bond to the Trustee for payment of the principal amount thereof so called for redemption, and the Corporation shall execute and the Trustee shall authenticate and deliver, to or upon the order of such registered owner or his or her legal representative, and without charge therefor, a new Bond for the unredeemed portion of the principal amount of the Bond so surrendered, of the same series and maturity and bearing interest at the same rate as the Bond so surrendered.

Defeasance

The Corporation reserves the right, at all times during the term of the Lease, to make provision for the discharge of all of the Bonds by depositing into the Sinking Fund established under the Mortgage and administered by the Trustee (the “Sinking Fund”), moneys sufficient to pay all of the principal and interest requirements on the Bonds to and on the first or next redemption date, or to the maturity date, together with sufficient additional moneys to redeem and discharge all Bonds outstanding on such date, or by depositing into the Sinking Fund a principal amount of permissible Investment Obligations (as defined herein) as shall, together with the earnings thereon, produce the identical result.

PLAN OF FINANCE

The Corporation is issuing the Bonds for the purposes of (i) refunding, in advance of maturity, a portion of the outstanding County of Madison, Kentucky General Obligation Note, Series 2020N-1 dated July 1, 2020 (the “Prior Note”), the proceeds of which, among other things, provided interim financing for the renovation of the existing County administration building for future use as a judicial center (the “Project”); (ii) financing additional costs of the Project; and (iii) paying the costs of issuance of the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of proceeds of the Bonds:

Sources:

Bond Proceeds	\$ _____
[Plus Original Issue Premium][Less Original Issue Discount]	_____
Total Sources	\$ _____

Uses:

Underwriter’s Discount	\$ _____
Deposit to Construction Fund	_____
Refund the Prior Note	_____
Costs of Issuance	_____
Total Uses	\$ _____

SECURITY AND SOURCES OF PAYMENT

Security

Upon their issuance, the Bonds will be secured by a foreclosable first mortgage lien on the Project and the Project Site (as more particularly set forth in Exhibit A to the Mortgage and Exhibit A to the Lease). The Bonds will also be secured by the assignment by the Corporation of all of its right, title, and interest in and to the Lease providing for the lease of the Project and the Project Site to AOC and the County on an automatically renewable biennial and annual basis, respectively, at agreed upon Rental Payments adequate to meet the maturing principal and interest payments for the Bonds through the final maturity date of the Bonds. For additional information regarding such Rental Payments, see "THE LEASE" herein.

Sources of Payment

THE PRIMARY SOURCE OF PAYMENT FOR THE BONDS IS THE ASSIGNMENT BY THE CORPORATION TO THE TRUSTEE OF ALL OF THE CORPORATION'S RIGHT, TITLE, AND INTEREST IN AND TO THE BIENNIALLY RENEWABLE LEASE WITH AOC, WHICH PROVIDES FOR RENTAL PAYMENTS ADEQUATE TO MEET THE MATURING PRINCIPAL AND INTEREST PAYMENTS FOR THE BONDS AS AND WHEN DUE.

THE ONLY SOURCE OF FUNDS EXPECTED BY THE CORPORATION TO MEET THE DEBT SERVICE ON THE BONDS IS THE RENTAL PAYMENTS TO BE RECEIVED FROM AOC UNDER THE LEASE FOR ITS USE OF THE PROJECT. AOC is required to appropriate certain available revenues from its budget each biennium in an amount sufficient to meet the Rental Payments for its leasing of the Project under the Lease, which Rental Payments are then assigned to pay 100% of the net debt service of the Bonds. Although AOC is legally obligated only for the rental period ending on June 30 of each even numbered year as long as any Bonds remain outstanding, AOC has covenanted that it will request a biennial appropriation, in an amount at least equal to the hereinafter described Use Allowance and Operating Costs Allowance, from the Kentucky General Assembly in order to continue to pay the Rental Payments under the Lease and to pay for the insurance, utilities, repair, and upkeep of the Project and the Project Site.

The Bonds are special and limited obligations of the Corporation and do not constitute a pledge of the full faith and credit of the Corporation, the County, or any taxing authority or political subdivision thereof for the payment of the principal or interest thereon. The Corporation has no taxing authority. The Bonds are payable solely and only from, and are secured by, the receipts and revenues of the Corporation under the Lease. For additional information regarding such payments, see "THE LEASE" herein.

Use Allowance Payment

The County and the Corporation are acting as an agent for AOC in the management and maintenance of the Project. The Corporation and the County expect the annual Rentals for use of the Project (the "Use Allowance") to be in an amount equal to cover the full amount of the principal and interest requirements on the Bonds for each year in which the Lease is renewed. The County and the Corporation have entered into the Lease in reliance upon the receipt of such Use Allowance to pay the debt service for the Bonds. Under the terms of the Lease, AOC has agreed to pay, directly to the Trustee, the Use Allowance in semiannual payments, as provided therein, subject to the constitutional restrictions limiting the commitment of state agencies to the then current biennial period; provided, however, that the Use Allowance will only be applied to the principal of and interest on the Bonds so long as AOC renews the Lease as provided therein. Further, under the Lease, the Corporation and County have pledged and assigned all Use Allowance payments received from AOC to the Trustee in order to secure the Bonds.

By its execution of the Lease, AOC will express its intention to continue to pay the full Use Allowance payment in each successive biennial budget period until June 1, 2043, but the terms of the Lease do not legally obligate AOC to do so. Instead, AOC will covenant that it intends to request funding from the Kentucky General Assembly each biennium and to use the proceeds of such funding, or its revenues from other sources, to pay such Use Allowance payment.

Operating Costs Allowance Payment

In addition to the Use Allowance payment, AOC will advance monies to the County each year to pay for the expenses attributable to the maintenance, operation, and insurance of the portion of the Project used by AOC. The County

expects to receive such an operating cost allowance each year from AOC for insuring, maintaining, and operating the Project (the “Operating Costs Allowance”).

ADDITIONAL BONDS

The Corporation reserves the right and authority, but only upon the specific direction of the County, to issue additional bonds which shall rank on a basis of parity and equality as to security and source of payment with the Bonds, but only for the purposes of (i) completing the Project, (ii) making necessary repairs to the Project, or (iii) reconstructing the Project if insurance proceeds are insufficient to make repairs or reconstruct portions of the Project which have been damaged.

The Corporation further reserves the right to issue additional bonds which may be on a parity as to security with the Bonds in order to refund a portion of the Bonds then outstanding under the Mortgage; provided, however, that any additional bonds for such purpose may only be issued (i) if the annual principal and interest payments on the Bonds after the issuance of the additional bonds would be no greater in any fiscal year than the annual principal and interest payments on the Bonds before the issuance of such additional bonds and (ii) if the final maturity date of the Bonds, after the issuance of the additional bonds, would be no later than their original final maturity date of the Bonds.

Notwithstanding the foregoing, no additional bonds on a parity as to security with the Bonds and issued for the specific purposes set forth above may be issued unless, at the time of the issuance of such additional bonds, the Corporation is in compliance with all of the provisions with respect to the payment of the principal of and interest on the Bonds and with all of the covenants made by it in connection with the issuance of the Bonds. If any additional bonds are issued on a parity as to security with the Bonds, the Lease shall provide for increased Rentals sufficient to pay the principal of and interest on such additional parity bonds.

No other additional bonds may be issued by the Corporation at any time and secured by a pledge of the specific revenues of the Project, except and unless such pledge is made subject and subordinate to the priority of the pledges made to secure the Bonds authorized and issued under the Mortgage, and the additional parity bonds authorized to be issued under the Mortgage.

STATE SUPERVISION

Budget Process

The Department for Local Government (the “DLG”) is an independent agency of the Commonwealth under the office of the Governor. A principal function of the DLG is to provide technical support, monitoring, and evaluation of local units of government in the Commonwealth, including cities, counties, and special districts.

The Division of County and Municipal Accounting of the DLG has established a uniform system of accounting that all counties in the Commonwealth must use in reporting their revenues and expenditures. In addition, all counties are required to prepare and submit an annual budget for each fiscal year.

Bond Issue Approval/Notice

Section 66.310 of the Kentucky Revised Statutes stipulates that if the total indebtedness of a county is in excess of 0.5% of the value of all of the taxable property therein, then such county may not lease a public facility that is to be financed at the county’s request through the issuance of bonds by another public body or a nonprofit corporation serving as an agency, instrumentality, and constituted authority of such county, without first securing the written approval of the State Local Debt Officer of the DLG. **NO SUCH APPROVAL WILL BE REQUESTED WITH RESPECT TO THE ISSUANCE OF THE BONDS BECAUSE THE OBLIGATION EVIDENCED BY THE BONDS IS NOT AN INDEBTEDNESS OF THE COUNTY OR THE CORPORATION WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH.** Accordingly, only notice of the issuance of the Bonds will be provided to the DLG by the Corporation under Section 65.117 of the Kentucky Revised Statutes.

THE LEASE

The following is a summary of certain terms and provisions of the Lease. All capitalized words and terms used but not otherwise defined herein will have the meanings given to such words and terms in the Lease. See “INTRODUCTION” herein as to availability of copies of the Lease.

Lease Period and Amount

The Lease provides that the County and AOC will lease the Project and the Project Site, together with all of the improvements thereon, from the Corporation at an agreed and stipulated Rental equal to (i) the aggregate total of the principal of and interest on the Bonds (and any additional bonds issued on a parity therewith) which will become due and payable during such biennial period, and (ii) the cost of operating, maintaining, and insuring the leased premises. Rental Payments will be wired approximately two days preceding any date on which a payment of principal or interest is due on the Bonds. The biennial obligations of AOC under the Lease will be for an initial period ending June 30, 2024.

Following the initial term of the Lease, nothing in the Lease will be construed as binding AOC for the payment of annual rentals beyond the Rental Payments for the current biennial period, but AOC has covenanted that it will, in each biennium, become indebted to the Corporation for the Rentals stipulated for such biennial period under the Lease, but only upon the exercise of AOC's option to renew the Lease, as more fully described herein.

Option to Renew

The Lease may be renewed by AOC at the end of each biennial period for another biennial period of two years and by the County at the end of each fiscal year for another fiscal year; provided, however, that if the Lease is so renewed, the Rentals for each period during which the Lease remains in effect shall be a sum equal to (i) the amount of the principal and interest payments which will become due and payable on the Bonds during such biennial period, and (ii) the cost of operating, maintaining, and insuring the Project and the Project Site, together with all of the improvements thereon. The option to renew the Lease will automatically be considered to have been affirmatively exercised for each biennial period by AOC and for each fiscal year by the County, unless written notice of the election not to exercise the option to renew the Lease for the succeeding period is given to the Corporation and the Trustee by AOC or County, as the case may be, at least sixty days before the applicable renewal date.

Intent to Renew

In the Lease, the County and AOC each express their present intention to renew the Lease in accordance with its terms and the options to renew as set forth therein, for each succeeding fiscal period or biennial period, as the case may be, until all of the Bonds issued by the Corporation at the direction of the County are fully paid, canceled, and retired, whether at maturity, by call for redemption, or otherwise, but such expression of intention will not be construed as a present election on either the part of the County or AOC to extend the Lease beyond the original term thereof.

Operation, Maintenance, and Repair

As provided by the Lease, the County has agreed (i) to maintain and repair, in good order, the Project and the Project Site, together with all improvements thereon, at the expense of the County, (ii) to keep all of the leased premises and improvements thereon in good repair, working order, and first-class condition, and (iii) to return the same in as good condition as it was when received by the County, ordinary wear and tear, accident, damage by fire and the elements, and other unavoidable casualties excepted.

Insurance

The Lease also provides that the County will, during the original term of the Lease and during each extended term of two years, apply such portion of the Operating Cost Allowance as may be necessary to provide that all of the insurable improvements presently existing, and all of the insurable improvements to be constructed, on the Project Site, are insured to the greater of the amount of (i) the outstanding Bonds or (ii) the full insurable value thereof, against fire, flood, tornado, windstorm, and other casualties in good and solvent insurance companies (with standard comprehensive coverage endorsement, including rental interruption insurance, in an amount sufficient to pay the maximum principal of and interest coming due on the Bonds during any twenty-four month period upon damage or destruction to the Project that renders the Project unusable by AOC for its intended purposes during a maximum reconstruction or repair period of twenty-four months). The County will make such insurance policies payable to the County, AOC, the Corporation, and the Trustee, as their respective interests may appear, or cause said policies to be endorsed in an appropriate manner so that upon loss, the proceeds of such insurance policies will be payable to the County, the Corporation, and the Trustee, as their interests may appear.

Rights of the County Survive Events of Default

If AOC fails to pay the stipulated Rentals due under the Lease, or due during any biennial period for which it is renewed, all rights of AOC and all future options granted to AOC or the County with respect to payments in whole of the Bonds will, in any event, remain in full force and effect; provided, however, that in accordance with the Mortgage, the Trustee will, upon the occurrence of an Event of Default under and as defined in the Mortgage, be entitled to take certain actions for the benefit of the holders of the Bonds, including, but not limited to, foreclosure of the mortgage lien on the Project and Project Site and decretal sale thereof, but no such decretal sale will result or give rise to a deficiency judgment of any type or in any amount against AOC, the County, or the Corporation, and until such decretal sale, AOC or the County may, at any time, by the discharge of the Bonds and the interest thereon, receive an unencumbered fee simple title to the Project Site and the Project.

Conveyance of the Project

In the Lease, the Corporation has covenanted and agreed (i) that if AOC and the County renew the Lease for each period and pay the Rentals for such period as provided in the Lease, then the Corporation will use such Rentals to fully pay and retire all of the Outstanding Bonds, (ii) that upon such payment in full and retirement of the Bonds, the Corporation will immediately procure the release, on the records of the clerk of the County, of the Mortgage securing the Bonds, and (iii) that upon such release of the Mortgage, the Corporation will convey the Project and the Project Site to the County free and clear of all liens and encumbrances created by and under the Mortgage, such steps to be taken at the expense of the County.

Assignment of Rights to Trustee

In order to secure the Bonds, the Corporation has assigned (i) all right, title, and interest of the Corporation arising under the Lease, (ii) AOC's proportionate share of the annual principal and interest costs under the Lease, and (iii) all rights, title, and interest of the Corporation to (a) the proceeds of the Bonds (other than amounts deposited in the Note Payment Fund to retire the Prior Note), (b) the Project and the Project Site, and (c) the Pledged Receipts due from AOC to the Trustee for the benefit of the Bondholders. Under the Lease, AOC has agreed to make its Rental Payments, in the amounts stipulated therein, directly to the Trustee for application in strict accordance with the terms and provisions of the Mortgage.

THE MORTGAGE

The following is a summary of certain terms and provisions of the Mortgage entered into by and between the Corporation, as Trustor, and the Trustee in order to secure the payment of the principal of and interest on the Bonds, by, among other things, imposing a foreclosable first mortgage lien on the Project and the Project Site. All capitalized words and terms used but not otherwise defined herein will have the meanings given to such words and terms in the Mortgage. See "INTRODUCTION" herein as to availability of copies of the Mortgage.

Funds and Accounts

Upon the delivery of the Bonds to the purchaser or purchasers thereof and receipt of the purchase price therefor, the purchase price will forthwith, in each case, be deposited with the Trustee as trust funds, and the Trustee will hold, treat, and disburse the same as follows:

Cost of Issuance Fund. There will be deposited in the Cost of Issuance Fund from the proceeds of the Bonds, the amount of moneys necessary to pay the Costs of Issuance of the Bonds, as specified and determined in the resolution of the Corporation authorizing the issuance of the Bonds or in the written instructions of an Authorized Officer of the Corporation delivered to the Trustee.

The Costs of Issuance of the Bonds shall be paid only from the moneys so credited to such Cost of Issuance Fund. Upon receipt of a Certificate of an Authorized Officer of the Corporation stating that the Costs of Issuance of the Bonds have been paid in full, or on the date which is one year from the date of issuance of the Bonds, whichever occurs first, the Trustee shall transfer all amounts remaining in the Cost of Issuance Fund to the Sinking Fund.

Note Payment Fund. A portion of the proceeds of the Bonds will be deposited in the Prior Note Account of the Note Payment Fund, in the amount necessary to refund the applicable portion of the Prior Note in advance of maturity,

as specified and determined in the resolution of the Corporation authorizing the issuance of the Bonds or in the written instructions of an Authorized Officer of the Corporation delivered to the Trustee.

Sinking Fund. In accordance with the Mortgage, the Trustee will establish and maintain a special fund to be designated as the “Sinking Fund,” and upon the issuance of the Bonds, the Trustee will set aside into the Sinking Fund all sums received from the purchaser or purchaser of the Bonds as representing accrued interest from the date of issuance of the Bonds to the date of delivery and payment.

The Sinking Fund will be held and maintained by the Trustee as the primary source of payment of the principal of and interest on the Bonds. All moneys, from any source, at any time deposited in the Sinking Fund shall constitute Pledged Receipts for the benefit of the holders of the Bonds.

All moneys on deposit in the Sinking Fund from time to time will be continuously invested by the Trustee, at the written direction of the Corporation, in Investment Obligations, as more fully described under the heading “THE MORTGAGE – Investment of Funds” herein. The Trustee will sell or present for redemption any Investment Obligations purchased by it as an investment whenever such sale or redemption shall be necessary in order to provide moneys to effectuate the purposes of the Sinking Fund.

All Rentals at any time becoming due and payable to the Corporation by AOC under the Lease and all Pledged Receipts have been assigned by the Corporation to the Trustee, and so long as the Bonds are Outstanding, the Trustee will, upon receipt thereof, immediately deposit such Rentals and Pledged Receipts in the Sinking Fund and treat the same as Pledged Receipts, to be used and applied to the payment of the Bonds and the interest thereon as and when such amounts become due and payable from time to time.

Rebate Fund. From and after the issuance of the Bonds, the Rebate Fund will be held and maintained by the Trustee as a trust fund. There will be deposited in the Rebate Fund such amounts as are required to be deposited therein under a federal tax certificate to be executed by the Corporation at the time of the issuance and delivery of the Bonds (the “Federal Tax Certificate”). Subject to the transfer provisions set forth in Section 5.02 of the Mortgage, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Payments (as defined in the Federal Tax Certificate), for payment to the federal government of the United States of America, and neither the Corporation nor the holder of any Bonds shall have any rights in or claim to such money.

Investment of Funds

All moneys in any of the aforementioned funds may be invested, until such moneys are required to be applied for the intended purposes of the fund in which they are held, by the Trustee, at the written direction of the Corporation, in one or more of the following “Investment Obligations:”

- (a) Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of such obligations is taken either directly or through an authorized custodian. These particular investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including, but not limited to:
 - (i) United States Treasury;
 - (ii) Export-Import Bank of the United States;
 - (iii) Farmers Home Administration;
 - (iv) Governmental National Mortgage corporation; and
 - (v) Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including, but not limited to:
 - (i) Federal Home Loan Mortgage Corporation;
 - (ii) Federal Farm Credit Banks;
 - (iii) Bank for Cooperatives;
 - (iv) Federal Intermediate Credit Banks;

- (v) Federal Land Banks;
- (vi) Federal Home Loan Banks;
- (vii) Federal National Mortgage Association; and
- (viii) Tennessee Valley Authority;

(d) Certificates of deposit or other interest-bearing accounts issued through a bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240(4) of the Kentucky Revised Statutes;

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution with a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;

(f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;

(g) Commercial paper rated in the highest category by a competent rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;

(j) Shares of mutual funds, each of which shall have the following characteristics:

- (i) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
- (ii) The management company of the investment company shall have been in operation for at least five years; and
- (iii) All securities in the mutual fund shall be eligible investments under (a) through (l);

(k) Individual equity securities, if the funds being invested will be managed by a professional investment manager that is regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed 25% of the equity allocation; and

(l) Individual high-quality corporate bonds that are managed by a professional investment manager and that:

- (i) Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
- (ii) Have a standard maturity of no more than ten years; and
- (iii) Are rated in the three highest rating categories by at least two competent credit rating agencies.

Additional Covenants

In the Mortgage, the Corporation, among other things, has covenanted as follows:

Payments. To punctually pay, from the funds pledged under the Mortgage, the principal of and interest on the Bonds when due, at the place and in the manner prescribed in the Mortgage. The Bonds and the interest thereon are payable from the "Pledged Receipts" under the Mortgage, which means and includes:

(i) all Rental Payments paid to or upon the order of the Corporation under the Lease, including both timely and delinquent payments with late charges, if any;

(ii) all appropriations made to the Corporation by the County, AOC (except the Operating Cost Allowance), or other governmental entity, to the extent that such appropriations are not otherwise required to be applied or otherwise committed and budgeted by the Corporation during any fiscal year of the Corporation;

(iii) all interest earned and gains realized on Investment Obligations, unless the terms of the Mortgage specifically require that such interest earned and gains realized remain in or to be transferred to the Rebate Fund;

(iv) all rights arising under the Lease, including, but not limited to, the obligation of the County to continuously construct, operate, maintain, insure, replace, and renew the Project during the term of the Lease and during any renewal terms thereof;

(v) all amounts in all funds and accounts created under the Mortgage, including any amounts on deposit in any such funds and accounts to pay capitalized interest; provided, however, that any amounts on deposit in the Rebate Fund shall not constitute Pledged Receipts; and

(vi) any amounts realized from the foreclosure and decretal sale of the Project.

Maintenance and Operation Costs of the Project. In accordance with the Lease, the Corporation has covenanted in the Mortgage to cause the County, at all times during which the Lease is in effect, to keep and maintain the Project in thorough repair, working order, and first class condition, and to cause the County to make all necessary repairs and replacements so that the use and operation of the Project shall be properly enjoyed at all times.

Tax Covenant. In the Mortgage, the Corporation covenants that it will not take any action, or fail to take any action, if such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103(a) of the Code. The Corporation will not, directly or indirectly, (i) use or permit the use of any proceeds of the Bonds or any other funds of the Corporation, or (ii) take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 103(b)(2) and Section 148 of the Code. To that end, the Corporation will comply with all requirements of Section 103(b)(2) and Section 148 of the Code to the extent applicable to the Bonds. If, at any time, the Corporation is of the opinion that, for purposes of the Mortgage, it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Mortgage, the Corporation will so instruct the Trustee in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

Insurance of Project. The Corporation further covenants and agrees in the Mortgage that it will, at all times from the date of issuance and delivery of the Bonds until the Bonds shall be fully paid, require the County (to the extent such insurance is obtainable) to keep all insurable improvements presently existing, and all insurable improvements to be constructed, and located upon the Project Site insured to the greater of the amount of (i) the Outstanding Bonds or (ii) the full insurable value thereof, with standard comprehensive coverage endorsement, and the Corporation will cause all such insurance policies to be made payable, in case of loss, to the Trustee.

Accounts and Reports. In accordance with the Mortgage, the Corporation will keep, or cause to be kept, proper books of record and account in which complete and accurate entries will be made of all transactions relating to the Project and all Funds established under the Mortgage, which records will, at all reasonable times, be subject to inspection by the Trustee and the Holder of not less than 5% in aggregate principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

Enforcement of the Lease. In the Mortgage, the Corporation also covenants to enforce the Lease and all other contracts and agreements with respect to the Project to which the Corporation is or will be a party, to the fullest extent provided and permitted by law.

Release of Land

The Corporation and the Trustee have reserved the right, by mutual written consent, at any time and from time to time, to amend the Mortgage for the purpose of effectuating (i) the release of one or more parcels of or interests in land constituting a part of the Project Site and (ii) the removal of such parcel or parcels of or interest or interests in land from the lien of the Mortgage, subject to the following conditions:

(a) the parcel or parcels of or interest or interests in land so released and removed shall be used (i) to construct public improvements, (ii) for the granting of an easement or any other interest or title to a public

utility, public or private carrier, or public body to provide or improve utility services or transportation facilities, or (iii) for the acquisition or construction of any "public project" within the meaning of Section 58.010 of the Kentucky Revised Statutes;

(b) there shall be filed with the Trustee a copy of the instrument providing for such release, together with (i) a Certificate of an Authorized Officer of the Corporation describing the improvements or other facilities which will be constructed thereon or the utility or other facilities and services which will be provided or improved thereby and stating that, in the opinion of such Authorized Officer, such parcel or parcels of land are not otherwise needed for the operation of the Project and that the release will not materially impair the efficiency or utilitarian value of the Project or the Project Site and will not materially impede the means of ingress thereto or egress therefrom, and (ii) a Certificate of an Authorized Officer of the Corporation stating that the value of the project following such release shall not be less than the principal amount of Bonds then Outstanding; and

(c) the Corporation at the written direction of the County shall (i) sell a portion of the Project Site not needed for public purposes, as provided by law, so long as the Rentals payable under the Lease are not diminished by reason of such sale and release of such portion of the Project Site from the lien created by the Mortgage; provided that the Corporation shall have furnished the Trustee with a Certificate of an Authorized Officer of the Corporation stating that the value of the Project following such release shall be not less than the principal amount of the Bonds then Outstanding.

Amendments

Notwithstanding any provisions of the Mortgage to the contrary, the Corporation and the Trustee may, at any time and from time to time, supplement or make any amendment or change to the Mortgage:

(a) to cure any formal defect or ambiguity in the Mortgage if, in the opinion of the Trustee, such supplement, amendment, or other change is not adverse to the interests of the Holders of the Bonds;

(b) to grant to or confer upon the Trustee, for the benefit of the Holders of the Bonds, any additional rights, remedies, powers, authority, or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Mortgage;

(c) to make necessary or advisable amendments in connection with the issuance of additional bonds in accordance with the terms of the Mortgage;

(d) to permit the Trustee to comply with any obligations imposed on it by law;

(e) to achieve compliance with any federal tax law; or

(f) to provide for the release of land under and subject to the conditions specified in the Mortgage.

Any other amendment or change to the Mortgage will be subject to the written consent of the Holders of at least two-thirds in aggregate principal amount of the Bonds outstanding at the time such consent is given, or, in case less than all of the Bonds then outstanding are affected by such modifications or amendment, of the Holders of at least two-thirds in aggregate principal amount of the Bonds so affected.

Nothing will permit, however, or be construed as permitting, without the consent of the Holder of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest or premium thereon, or (iii) a reduction in the aggregate principal amount of the Bonds required for consent to amendments or other modifications to the Mortgage.

An amended or supplemental Mortgage for the purposes described in the Mortgage will be effective upon the execution thereof by the Corporation and the Trustee and the delivery thereof to the Trustee, together with any necessary consent of the Holders of the Bonds.

Events and Remedies of Default

Events of Default. Each of the following events is an “Event of Default” under the Mortgage:

- (a) default by the Corporation in the payment of the principal of any Bond as and when due, whether at maturity, upon call for redemption, or otherwise, or default by AOC or the County in the payment of any Rentals related thereto;
- (b) payment of any installment of interest on any of the Bonds is not made as and when due, or default by AOC or the County in the payment of any Rentals related thereto; or
- (c) the Corporation, the County, or AOC fail or refuse to comply with the provisions of law, or default in the performance or observance of any other applicable covenants, agreements, or conditions on their part contained in the Mortgage, the Lease, any authorizing resolution of the Corporation, the County, or AOC, or the Bonds, and such failure, refusal, or default continues for a period of forty-five days after written notice thereof is given to the Corporation, the County, or AOC, as the case may be, by the Trustee or the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding.

Remedies. Upon the happening and continuance of any Event of Default described in paragraph (a) or (b) above or upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding, the Trustee shall proceed, or upon the happening and continuance of any Event of Default described in paragraph (c) above, the Trustee may proceed, subject to the provisions of the Mortgage, to protect and enforce its rights and the rights of the Holders of the Bonds by such of the following remedies as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights:

- (a) by enforcement of the foreclosable mortgage lien on the Project Site and the improvements granted by the Mortgage, and in such event, the Trustee will take over possession, custody, and control of the Project Site and will, with due regard to state and federal law and the covenants contained in the Lease, operate or carry out a decretal sale of the Project Site for the benefit of the Holders of the Bonds; provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the County, or the Corporation, and until such sale, the County may, at any time, by the discharge of the Bonds and the interest thereon, receive unencumbered fee simple title to the mortgaged facilities; provided, further, that upon any such enforcement of the lien by the Trustee, there will first be paid all expenses incident to such enforcement, and thereafter, the Bonds then Outstanding will be paid and retired;
- (b) by mandamus or other suit, action, or proceeding at law or in equity, to enforce the rights of the Holders of the Bonds, including the right of the Holders (i) to require the Corporation to fully enforce the Lease, (ii) to charge, collect, and fully account for the Pledged Receipts, and (iii) to require the Corporation to carry out any other covenants or agreements with the Bondholders and to perform its duties under the Act;
- (c) by bringing suit upon the Bonds;
- (d) by action or suit in equity, require the Corporation to account as if it were the trustee of an express trust for the Holders of the Bonds;
- (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds;
- (f) by declaring all Bonds due and payable, and if all defaults will be made good, then, with the written consent of the Holders of not less than 50% in aggregate principal amount of Bonds then Outstanding, by annulling such declaration and its consequences; and
- (g) if all of the Bonds are declared due and payable, by selling the Investment Obligations of the Corporation (to the extent such Investment Obligations are not required to be set aside for the redemption of any Bonds for which call for redemption has been made), and enforcing all choses in action of the Corporation to the fullest legal extent in the name of the Corporation for the use and benefit of the Holders of the Bonds.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”), and so long as the Bonds are outstanding, the Corporation, the County, and AOC will agree, under a continuing disclosure agreement to be dated as of the date of issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

- (a) AOC shall provide to the Municipal Securities Rulemaking Board (the “MSRB”), or to any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic Municipal Market Access (“EMMA”) system, as described in 1934 Act Release No. 59062, or any similar system acceptable to the SEC, for each fiscal year of the Commonwealth, the annual comprehensive financial report of the Commonwealth set forth in Appendix B hereto (the “Annual Financial Information”). The Annual Financial Information shall be provided within nine months after the end of each fiscal year ending June 30, commencing with the fiscal year ending on June 30, 2023; provided, however, that if the Annual Financial Information is not available by such date, it will be made available immediately upon the delivery thereof to the Commonwealth by the auditors for the Commonwealth; and
- (b) Except as otherwise provided below, the Corporation, the County, and AOC (each, an “Obligated Person” and, together, the “Obligated Persons”), to the extent applicable to each Obligated Person with respect to the Bonds, shall provide to the MSRB, through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (i) Principal and interest payment delinquencies;
 - (ii) Non-payment related defaults, if material;
 - (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (v) Substitution of credit or liquidity providers, or their failure to perform;
 - (vi) Adverse tax opinions, issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
 - (vii) Modifications to the rights of security holders, if material;
 - (viii) Bond calls, if material, and tender offers (except for any mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (ix) Defeasances;
 - (x) Release, substitution, or sale of property securing repayment of the securities, if material;
 - (xi) Rating changes;
 - (xii) Bankruptcy, insolvency, receivership, or similar event of such Obligated Person (Note – This event shall be considered to occur upon the occurrence of any of the following: The appointment of a receiver, fiscal agent, or similar officer for such Obligated Person in any proceeding under the U.S. Bankruptcy Code or under any other state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of such Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of such Obligated Person in possession of the assets or business of such Obligated Person, but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of such Obligated Person);
 - (xiii) The consummation of any merger, consolidation, or acquisition involving such Obligated Person or the sale of all or substantially all of the assets of such Obligated

- Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than under its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (xv) Incurrence of a financial obligation of an Obligated Person, if material, or any agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an Obligated Person, any of which affect security holders, if material; and
 - (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an Obligated Person, any of which reflect financial difficulties.

Notwithstanding the foregoing, to the extent a required notice relates directly to the Bonds and not a condition particular to the County or AOC, such notice shall be provided by the Corporation on behalf of each Obligated Person.

- (c) in a timely manner, to the MSRB through EMMA, notice of a failure (of which AOC has knowledge) of AOC to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

As used herein, “Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights upon a failure by an Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Mortgage or the Lease. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction, with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds; and
- (c) there are no liquidity providers applicable to the Bonds.

AOC has previously entered into certain continuing disclosure undertakings under the Rule (the “Prior Disclosure Undertakings”). During the past five years, AOC has materially complied with its continuing disclosure obligations under the Rule; provided, however, that in each of the past five years, the Annual Financial Information required to be filed by AOC with respect to all bonds issued in connection with similar court facility projects in other counties in the Commonwealth has been filed late. In each instance, a material events notice regarding the late filing was timely posted to EMMA.

AOC intends to file all future Annual Financial Information and event notices within the time requirements specified in the Rule, the Prior Disclosure Undertakings, and the Disclosure Undertaking relating to the Bonds, and AOC has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

During the past five years, the Corporation has materially complied with its continuing disclosure obligations under the Rule. The Corporation intends to file all future event notices within the time requirements specified in the Rule and the Disclosure Undertaking relating to the Bonds, and the Corporation has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

The County has previously entered into certain continuing disclosure undertakings under the Rule (the “Prior Disclosure Undertakings”). During the past five years, the County has materially complied with its continuing disclosure obligations under the Rule; provided, however, that:

1. Annual Financial Information required to be filed for the County’s outstanding general obligation bonds by April 1, 2023 was filed late on April 3, 2023. A material events notice regarding this late filing was timely filed on EMMA on March 31, 2023.
2. Annual Financial Information required to be filed for the County’s outstanding general obligation bonds by April 1, 2022 was filed late on September 26, 2022. A material events notice regarding this late filing was timely filed on EMMA on March 31, 2022.
3. Annual Financial Information required to be filed for the County’s outstanding general obligation bonds by January 26, 2021 was filed late on August 17, 2021. A material events notice regarding this late filing was filed late on January 28, 2021.
4. Annual Financial Information required to be filed for the County’s outstanding general obligation bonds by January 26, 2020 was filed late on March 11, 2020. A material events notice regarding this late filing was filed late on January 28, 2020.
5. Annual Financial Information required to be filed for the County’s outstanding general obligation bonds by January 26, 2019 was filed late on September 23, 2019. A material events notice regarding this late filing was filed late on January 28, 2019.

The County intends to file all future event notices within the time requirements specified in the Rule, the Prior Disclosure Undertakings, and the Disclosure Undertaking relating to the Bonds, and the County has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

LITIGATION

No litigation or administrative action or proceeding is pending or, to the best of the knowledge of the County or the Corporation, threatened (i) to restrain or enjoin, or seeking to restrain or enjoin, the issuance and delivery of the Bonds or the collection or use of revenues to pay debt service on the Bonds, (ii) to contest or question the proceedings and authority under which the Bonds have been authorized and are to be issued or delivered, or the validity of the Bonds, or (iii) to prevent or restrict the operations of the Corporation.

TAX TREATMENT

General

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”) for purposes of the federal alternative minimum tax; however, interest on any Bonds held by an “applicable corporation” will be included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on all applicable corporations for tax years beginning after December 31, 2022. See “TAX TREATMENT – Corporate Alternative Minimum Tax” herein. Furthermore, Bond Counsel is of the opinion that interest on the Bonds is exempt from income taxation and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel is set forth in “APPENDIX D – Form of Opinion of Bond Counsel” hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of the interest on certain obligations, such as the Bonds, from the gross income of the holders thereof for federal income tax purposes.

The Corporation has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other relevant documents may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code; (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code; (iv) increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code; and (v) limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain taxpayers, under Section 265 of the Code. In addition, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

Neither the Corporation nor the County have designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are initially being offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond, the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds"), must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable on such Bonds at maturity (the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to any bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold under that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of such bond, and for the Discount Bonds, the amount of such accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period such purchaser owns the Discount Bond is added to the purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

In addition to the foregoing, OID that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any of the Discount Bonds should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements, or other collateral federal income tax consequences even though the owner of such Discount Bond has not received cash attributable to such OID in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposed a new corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of “applicable corporations,” as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) which has an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year that ends after December 31, 2021). This corporate alternative minimum tax applies for all tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on tax-exempt bonds, such as interest on the Bonds, would be included (i) in computing “average annual adjusted financial statement income” for the purpose of determining whether a corporation is an “applicable corporation” and (ii) in calculating an applicable corporation’s “adjusted financial statement income” for purposes of determining the alternative minimum tax imposed on applicable corporations under Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by [____] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[____] (reflecting the par amount of the Bonds, [less original issue discount][plus original issue premium] of \$[____], less underwriter’s discount of \$[____]). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page hereof.

FINANCIAL ADVISOR

Prospective bidders are advised that RSA Advisors, LLC, Lexington, Kentucky, has been employed as Financial Advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor’s fee for its services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

RATING

The Bonds have been assigned a rating of “[_]” by Moody’s Investors Service, Inc. (“Moody’s”). Such rating reflects only the view of Moody’s. Any explanation of the significance of such rating may only be obtained from Moody’s at 7 World Trade Center at 250 Greenwich Street, Public Finance Group – 23rd Floor, New York, New York 10007.

There can be no assurance that a rating, when assigned, will continue for any given period of time or that such rating will not be lowered or withdrawn entirely if, in the judgment of Moody’s, the circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or the market price of the Bonds.

CONCLUDING STATEMENT

The Corporation has approved and caused this Official Statement to be executed and delivered by its President. In preparing this Official Statement, the Corporation has relied upon information furnished to it by the County and AOC, and the Corporation does not assume any responsibility as to the accuracy or completeness of any of the information contained in this Official Statement, except as to copies of documents denominated “Official Bid Form,” and “Official Terms and Conditions of Bond Sale.” The financial information supplied by the County and the AOC and reproduced herein is represented by the County and AOC, respectively, to be correct.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the County, AOC, or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. Except when otherwise indicated, the information set forth herein has been obtained from the County and AOC and is believed to be reliable, however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Financial Advisor or Bond Counsel. The delivery of this Official Statement, at any time, does not imply that information herein is correct as of any time after the date hereof.

[Signature page to follow]

SIGNATURE PAGE TO OFFICIAL STATEMENT

This Official Statement has been duly executed and delivered for and on behalf of the Madison County, Kentucky Public Properties Corporation by its President.

**MADISON COUNTY, KENTUCKY PUBLIC
PROPERTIES CORPORATION**

By: _____
President

Dated: June __, 2023

APPENDIX A

**MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023**

Estimated Debt Service for the Bonds

Madison County, Kentucky

First Mortgage Revenue Bonds, Series 2023

Estimated Numbers - Courthouse Project

20 Year Issue - Use Allowance \$1,704,100

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/29/2023	-	-	-	-
12/01/2023	-	-	390,551.33	390,551.33
06/01/2024	850,000.00	3.650%	462,495.00	1,312,495.00
12/01/2024	-	-	446,982.50	446,982.50
06/01/2025	805,000.00	3.600%	446,982.50	1,251,982.50
12/01/2025	-	-	432,492.50	432,492.50
06/01/2026	835,000.00	3.550%	432,492.50	1,267,492.50
12/01/2026	-	-	417,671.25	417,671.25
06/01/2027	865,000.00	3.550%	417,671.25	1,282,671.25
12/01/2027	-	-	402,317.50	402,317.50
06/01/2028	895,000.00	3.550%	402,317.50	1,297,317.50
12/01/2028	-	-	386,431.25	386,431.25
06/01/2029	930,000.00	3.550%	386,431.25	1,316,431.25
12/01/2029	-	-	369,923.75	369,923.75
06/01/2030	960,000.00	3.550%	369,923.75	1,329,923.75
12/01/2030	-	-	352,883.75	352,883.75
06/01/2031	995,000.00	3.600%	352,883.75	1,347,883.75
12/01/2031	-	-	334,973.75	334,973.75
06/01/2032	1,030,000.00	3.650%	334,973.75	1,364,973.75
12/01/2032	-	-	316,176.25	316,176.25
06/01/2033	1,070,000.00	3.750%	316,176.25	1,386,176.25
12/01/2033	-	-	296,113.75	296,113.75
06/01/2034	1,110,000.00	3.800%	296,113.75	1,406,113.75
12/01/2034	-	-	275,023.75	275,023.75
06/01/2035	1,150,000.00	4.050%	275,023.75	1,425,023.75
12/01/2035	-	-	251,736.25	251,736.25
06/01/2036	1,200,000.00	4.200%	251,736.25	1,451,736.25
12/01/2036	-	-	226,536.25	226,536.25
06/01/2037	1,250,000.00	4.300%	226,536.25	1,476,536.25
12/01/2037	-	-	199,661.25	199,661.25
06/01/2038	1,300,000.00	4.400%	199,661.25	1,499,661.25
12/01/2038	-	-	171,061.25	171,061.25
06/01/2039	1,360,000.00	4.450%	171,061.25	1,531,061.25
12/01/2039	-	-	140,801.25	140,801.25
06/01/2040	1,420,000.00	4.550%	140,801.25	1,560,801.25
12/01/2040	-	-	108,496.25	108,496.25
06/01/2041	1,485,000.00	4.600%	108,496.25	1,593,496.25
12/01/2041	-	-	74,341.25	74,341.25
06/01/2042	1,555,000.00	4.650%	74,341.25	1,629,341.25
12/01/2042	-	-	38,187.50	38,187.50
06/01/2043	1,625,000.00	4.700%	38,187.50	1,663,187.50
Total	\$22,690,000.00	-	\$11,336,668.83	\$34,026,668.83

Yield Statistics

Bond Year Dollars	\$264,650.22
Average Life	11.664 Years
Average Coupon	4.2836423%

Net Interest Cost (NIC)	4.4551139%
True Interest Cost (TIC)	4.4810237%
Bond Yield for Arbitrage Purposes	4.2492007%
All Inclusive Cost (AIC)	4.5805560%

IRS Form 8038

Net Interest Cost	4.2836423%
Weighted Average Maturity	11.664 Years

DRAFT Courthouse Project | SINGLE PURPOSE | 5/17/2023 | 1:10 PM

RSA Advisors, LLC

APPENDIX B

**MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023**

Annual Comprehensive Financial Report for the Commonwealth of Kentucky
for the Fiscal Year Ended June 30, 2022

Kentucky

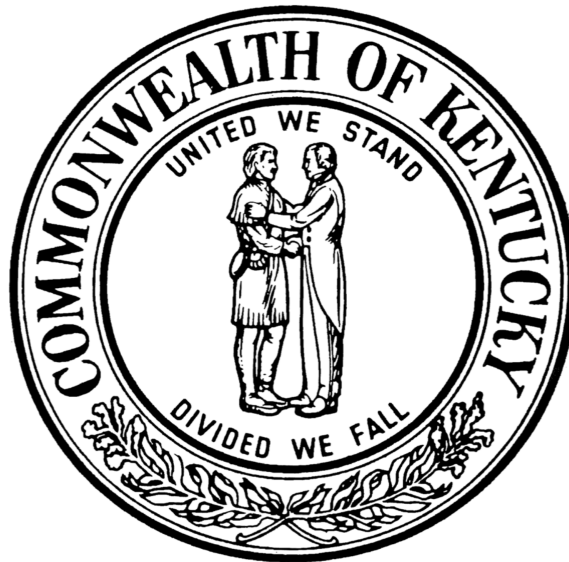


Annual Comprehensive Financial Report
for the Fiscal year ended June 30, 2022

TEAM 
KENTUCKY.
FINANCE AND
ADMINISTRATION CABINET

Commonwealth of Kentucky Annual Comprehensive Financial
Report for the Fiscal Year Ended June 30, 2022

Andy Beshear, Governor



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

Office of the Controller
L. Joe McDaniel, Acting Controller



Andy Beshear
Governor



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INTRODUCTORY SECTION



FINANCE AND ADMINISTRATION CABINET OFFICE OF THE SECRETARY

Andy Beshear
Governor

200 Mero Street, 5th Floor
Frankfort, Kentucky 40622
Phone: (502) 564-4240
Fax: (502) 564-6785

Holly M. Johnson
Secretary

January 25, 2023

The Honorable Andy Beshear, Governor of Kentucky
Members of the Kentucky General Assembly
Citizens of Kentucky

INTRODUCTION

Under Kentucky Revised Statutes (KRS) Section 48.800 (3), the Finance and Administration Cabinet is required 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 Annual Comprehensive Financial Report of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 2022.

This report is prepared by the Office of Statewide Accounting within the Finance and Administration Cabinet's Office of the Controller, 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, 2022, 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 that 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 Kentucky Wired 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 and 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 the south-central United States along the west side of the Appalachian Mountains, Kentucky was once a part of Virginia. After its split with Virginia, Kentucky retained its "commonwealth" (meaning government based on the consent of the people) status and adopted its Constitution in 1792. The Commonwealth provides the full range of services contemplated by statute, including economic development; educational and human services; energy and natural resources management; law enforcement, correctional and public protection services; transportation; public improvements; and general legislative, administrative and judicial services. The Commonwealth's chief executive is the Governor, who is popularly elected every four years and may serve for two terms. Policies are directed through the various Cabinets. The General Assembly, or state Legislature, has two components: the Senate and the House of Representatives. The Senate has 38 members who are elected to four-year terms and the House has 100 members who are elected to two-year terms. The Legislature meets annually and has the power to enact all laws, subject to limits imposed by the state constitution. Revenue-raising issues must be initiated in the House. All other bills may be introduced by either the House or the Senate.

Budgetary Controls

The Commonwealth uses a biennial budget to assist with planning and control duties. Budgetary control is maintained at the budget unit level and is described in the notes to the Required Supplementary Information. Encumbrance accounting is utilized to ensure the availability of funding before contracts are finalized. Contracts that result in overruns of available balances are not released until budget revisions are approved. Outstanding encumbrances for long-term construction projects in the Transportation Fund and the Capital Projects Fund are included in assigned fund balance. Encumbrances in all other funds lapse at the end of the fiscal year.

ECONOMIC CONDITION AND OUTLOOK

National Economy

The US economy is poised for a modest expansion according to the September economic outlook from IHS Markit. Recent economic indicators estimated by IHS Markit clarify that the US economy is not currently in a recession, nor is a recession forecasted over the three-quarter outlook. Employment growth is anticipated to remain in positive territory, and many measures of economic activity are expected to grow, albeit at a slower pace than last year.

Inflation will remain the focus over the next three fiscal quarters, having reached a high that has not been seen since the early 1980s. Inflation is expected to markedly exceed the Fed's two percent long-run goal throughout the forecasting horizon. The inflationary growth is a result of strong consumer demand and restrained supply in the goods, services, and labor markets. The continued war in Ukraine further exacerbates the already surging inflation. In a response to contain inflationary pressures of the economy, the Federal Reserve is expected to further tighten monetary policy through balance sheet reductions and additional increases in the federal funds rate.

Signs of softening inflation appear in the forecast horizon. CPI on all goods is anticipated to reflect a 5.8 percentage change average over the final three quarters of FY23. Subdued energy prices are projected to be the largest driver pushing headline CPI down. The easing of inflationary pressures will begin when energy price levels further recede, food prices correct, and supply disruptions gradually abate. Less accommodative monetary and fiscal policy will also generate a degree of downward pressure on inflationary pressures moving forward.

Growth in real GDP is expected to slightly increase by 0.6 percent in the second, third and fourth quarters of FY23. A combination of factors influences the relatively tepid real GDP growth rate. Slower growth in consumer spending and significantly weakened investment continues to negatively impact real GDP.

While the US consumer has displayed a degree of resilience, inflation and interest-rate hikes will remain strong headwinds to real consumption growth in the short-term. Growth in real consumption is projected to rise 1.6 percent, spanning the final three quarters of FY23. Consumer sentiment is showing signs of improvement, following historically low levels reported by the University of Michigan in June. The consumer sentiment index, a reflection of consumer attitudes on the state of the economy, is expected to rebound further over the economic outlook relative to its trough earlier in the summer.

Real investment growth is expected to decline sharply over the three-quarter forecast horizon, falling 5.3 percent. Real investment spending is expected to lose an estimated \$208 billion, compared to the same three fiscal quarters one year prior. Rapidly increasing borrowing costs have lowered the internal rate of return on investments and slower growth in economic output has dampened business expectations regarding the need for enhanced production in the near-term.

Among the five components of real GDP, real exports are poised to grow the quickest in percentage terms, increasing 5.9 percent compared to the same periods one year prior. The Russian invasion of Ukraine and the strength of the US dollar continue to create challenges for US exporters. Exports to Europe continue to decrease as the exchange rate disparity makes imports from the US more expensive. Real exports remain below the pre-pandemic level, whereas real imports are now higher than they were in late 2019, reflecting the flip side of the strength of the dollar. Strong domestic demand for goods and services will continue to underpin real imports. Real imports are expected to grow in the final three quarters of FY23, increasing 1.7 percent.

US housing starts are expected to plummet 17 percent during the final three quarters of FY23. The jump in mortgage rates since late 2021 has largely contributed to the slowing in existing home sales. Higher mortgage rates and increased underwriting scrutiny have dampened home affordability.

One key element that has kept the economy afloat has been the rapid pace of job gains. The pace of job growth has remained strong, and various indicators point to continued momentum over the outlook periods. Non-farm employment is expected to increase 2.2 percent in the final three quarters of FY23, a gain of approximately 3.3 million seasonally adjusted jobs. The rate of unemployment is expected to contract over the final quarters of FY23, reaching 3.7 percent. Labor markets will remain tight over the three-quarter outlook.

Shifting focus toward the sectoral analysis, the service-producing sectors continue to trend up in the US labor outlook. Growth in the service-providing sectors is expected to increase 2.7 percent in the final three quarters of FY23. Leisure and hospitality employment continues to expand, with 6.5 percent projected growth in the second, third and fourth quarters of FY23. The goods-producing sectors are expected to gain 80,000 net annualized jobs in the second, third and fourth quarters of FY23, a growth of 0.4 percent. Mining employment is forecasted to surge 7.1 percent, representing an increase of approximately 43,000 annualized jobs. The forecasted growth in mining employment accounts for 54 percent of the expected job gains in the goods-producing sectors.

US personal income is expected to increase 5.3 percent in the final three quarters of FY23. The wages and salaries component is anticipated to continue its positive trajectory, bolstering personal income growth with a 6.7 percent increase in the second, third and fourth quarters of FY23. The demand for labor is expected to continue to outpace the supply of labor, resulting in the continued trend of upward pressure on wages and salaries growth. The projected uptick in personal income is also attributed to an increase in dividends, interest, and rents, and supplements to wages and salaries.

Kentucky Outlook

Kentuckians' personal income is expected to grow 3.6 percent over the three forecasted quarters. Growth at the projected levels would represent a \$8.3 billion increase in Kentuckian's personal income, compared to the same three quarters one year prior. The increase in personal income primarily reflects an increase in employee compensation, as well as dividends, interest and rents.

Wages and salaries, the largest component of personal income, is poised to grow by a robust 5.7 percent in the final three quarters of FY23 compared to the same periods in FY22. US wages and salaries growth is projected to be 6.7 percent, slightly ahead of the pace set in Kentucky. Despite a tightening labor market, wages and salary growth remains strong over the forecast horizon.

Traditionally there has been a high correlation between the wages and salaries component of personal income in Kentucky and the withholding component of the individual income tax, as well as the sales and use tax. At the national level, the substantial gains to wages and salaries over the last two years have had a positive impact on consumer sentiment as measured by the University of Michigan's Consumer Sentiment Index. Record high inflation has lowered the purchasing power of the wage gains, resulting in downward pressure on consumer sentiment. In fact, the Consumer Sentiment Index, created in 1952, hit an all-time low of 50 in June 2022 (1966Q1=100). Consumer sentiment has rebounded from the bottom in recent months, but the level remains near all-time lows.

Total nonfarm payroll employment is anticipated to grow by 1.9 percent over the next three fiscal quarters, adding approximately 36,500 annualized jobs to the Commonwealth's economy. Eight of the eleven supersectors are forecasted to experience varying degrees of employment gains over the nine-month forecast. In percentage and absolute terms, the service-providing sector is expected to experience the most pronounced job growth, which will account for an increase of 27,100 jobs, or a 2.1 percent increase over the outlook period. The notable job gains in the service-providing sector will account for roughly 74 percent of the total non-farm employment gain over the outlook periods.

Leisure and hospitality employment is anticipated to grow the quickest among all supersectors. Over the final three quarters of FY23, the leisure and hospitality employment sector is on track to add roughly 10,100 annualized jobs, accounting for an increase of 5.2 percent compared to the same three quarters in FY22. Employment in business services is forecasted to increase by approximately 5,900 annualized jobs, an increase of 2.6 percent.

Growth in the goods-producing sector is expected to be 1.1 percent over the second, third and fourth quarters of FY23, which reflects a total gain of roughly 3,500 annualized jobs, compared to the same periods one year prior. Manufacturing employment is forecasted to be a continued bright spot of total non-farm employment, increasing by an estimated 3,700 annualized jobs, a percentage change of 1.5 percent over the forecasting horizon. Manufacturing employment is significant to the Commonwealth's labor force, as it represents approximately 12.4 percent of Kentucky's workforce over the next three fiscal quarters, compared with a national average of 8.3 percent for the same period.

Kentucky's employment is expected to outpace the US in the construction, manufacturing, finance, business services, and government employment sectors during the forecasting horizon. On the other hand, the state's employment expansion is anticipated to underperform in the sectors of trade, transportation, utilities, information, education services, leisure and hospitality services, and other services compared to the national workforce averages.

Government employment, which includes federal, state, and local government jobs, is forecasted to continue its positive trajectory over the final three quarters of FY23. The government sector is expected to increase by approximately 6,000 annualized jobs, a 2 percent increase, compared to the same fiscal quarters in FY22.

The Office of the State Budget Director will continue to monitor the economic conditions closely, but the current economic forecasts assume that public health impacts will have minimal effect on the overall state of the Commonwealth. Kentucky's economy is on solid ground. The increase in jobs subsequently increases wages and salaries, underpinning future personal income growth.

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 2022 are:

Net Bonded Debt (thousands)	Ratio of Net Bonded Debt to Governmental Funds Revenues	Net Bonded Debt Per Capita
\$ 4,977,311	12.9%	\$ 1,104

No general obligation bonds were authorized or outstanding at June 30, 2022.

A detailed analysis of the Commonwealth's debt issuance during the fiscal year ended 2022 is presented in [Note 16](#).

Major Initiatives

Due to the advent of COVID-19 cases in Kentucky in March 2020, the General Assembly decided to pass a one-year budget for fiscal year 2021 in the 2020 legislative session instead of its usual biennial budget. The Governor initiated the fiscal year 2022 budget process with a budget recommendation in the first week of January to the 2021 legislative session, revising the fiscal year 2021 budget and proposing a fiscal year 2022 budget. The General Assembly enacted a revised fiscal year 2021 budget and a fiscal year 2022 budget through the passage of the typical four biennial appropriation bills plus a series of four other special appropriation bills. As a result of a \$1 billion General Fund surplus at the end of fiscal year 2021, there were substantial supplemental appropriations made that affected state spending in fiscal year 2022.

The Commonwealth, during calendar year 2022, experienced the second highest year for new investment behind only 2021's record year and third highest for job creation. Nearly 250 new-location and expansion announcements were made, which committed to investing almost \$10.5 billion and creating over 16,000 full-time jobs.

For an unprecedented second year in a row, Kentucky's General Fund budget surplus exceeded \$1 billion ending fiscal year 2022 with a \$1.01 billion deposit to the Budget Reserve Trust Fund and bringing the total to \$2.7 billion which is the largest Rainy-Day balance in the history of the Commonwealth. Kentucky had record-breaking revenue growth with the highest General Fund receipts growth rate in 31 years at 14.6 percent. This follows the prior fiscal year that had revenue growth of 10.9 percent. General Fund receipts totaled \$14.7 billion, exceeding the budgeted estimate by \$945.4 million. The largest three tax types, individual income, sales, and business tax receipts, all grew by double-digits. Individual withholding grew by 11 percent, sales taxes grew by 11 percent, and business taxes (corporation income tax plus the limited liability entity tax) grew by 34 percent.

Road Fund revenues came in close to estimates at \$1,675.4 million with motor vehicle usage setting a new record in fiscal year 2022 at \$629.1 million which was \$19.2 million more than the prior year. Motor fuels revenues grew by \$26.3 million or 3.5%. The Road Fund Surplus was \$70.3 million, which by statute is transferred to the Highways-State Construction Account.

The General Assembly passed a number of tax actions that reduced General Fund estimated revenues by \$161.5 million in fiscal year 2022. The largest portion was to conform with federal tax actions allowing the deductibility of business expenses that were reimbursed from forgiven federal Paycheck Protection Program loan. Also, a sales tax exemption for cryptocurrency mining operations was passed, with the opportunity for income tax incentives as well. A \$25 million annual capped tax credit for contributions to education opportunity accounts was also enacted, which was recently found unconstitutional by the Kentucky Supreme Court. Other bills provided a \$100 million annual capped tax credit for certified historic rehabilitation projects and a refundable film tax credit that will have a revenue impact starting in fiscal year 2023.

Overall General Fund spending for fiscal year 2022 increased by 14.5 percent. Half of the spending increase was for nonrecurring purposes, including substantial extra payments to Kentucky's pension systems, disaster aid in response to historic tornado damage in Western Kentucky, and cash-funded capital projects. There were no General Fund spending cuts in the fiscal year 2022 budget. This is the first time since the 2006-2008 biennium there has been a fiscal year budget with no budget cuts. Over \$2.3 billion in General Fund budget and spending cuts have taken place since fiscal year 2008.

General Fund spending priorities were focused on education, public pensions, workforce development, economic development, public safety, expansion of health care, protection of families and children, and storm assistance and/recovery.

Full funding for all day kindergarten was one of the largest spending increases in the education area, with an additional \$140 million to local school districts. The budget also included \$75 million for secondary career and technical education projects, a significant expansion that continued with additional funding for fiscal year 2023. The public postsecondary education institutions received a two percent increase in performance funding, and student financial aid programs received its largest budget allocation ever, eliminating any waiting list for need-based aid. In the human services area, a \$20 million increase was included for additional prevention services for the protection of children and families, and an increase in the subsidy for child care services. The expanded federal share for Medicaid services resulting from the public health emergency assisted in financing a 25 percent increase in all fund spending. The public pension systems were not just fully funded for their actuarially determined contributions; the revenue surplus from fiscal year 2021 provided the resources to add nearly \$700 million to their unfunded liability.

Upon passage of the American Rescue Plan Act in March, 2021, Kentucky received \$2.2 billion from the State Fiscal Recovery Fund. The fiscal year 2022 budget allocated \$1.3 billion with the remaining amount appropriated later during the 2022 legislative session. The largest uses include \$748 million to the unemployment insurance trust fund; \$250 million for drinking water and wastewater infrastructure investment; \$117 million for broadband expansion; and \$75 million for the tourism industry's recovery from COVID-19. Buttressed by the federal passage of several COVID-19 relief and recovery legislative measures, federal spending in fiscal year 2022 exceeded \$20 billion for the second year in a row.

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.

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,



Holly M. Johnson, Secretary
Finance and Administration Cabinet



**FINANCE AND ADMINISTRATION CABINET
OFFICE OF THE CONTROLLER**

Andy Beshear
Governor

200 Mero Street, 5th Floor
Frankfort, Kentucky 40622
Phone: (502) 564-5120
Fax: (502) 564-6597

Holly M. Johnson
Secretary

L. Joe McDaniel
Acting Controller

January 25, 2023

The Honorable Holly M. Johnson, Secretary
Finance and Administration Cabinet
200 Mero St. 5th Floor
Frankfort, Kentucky 40601

Dear Secretary Johnson:

Pursuant to Section 48.800 (3) of the Kentucky Revised Statutes, the Annual Comprehensive Financial Report (ACFR) of the Commonwealth of Kentucky for the fiscal year ended June 30, 2022, 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 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 blue ink, appearing to read "L. Joe McDaniel".

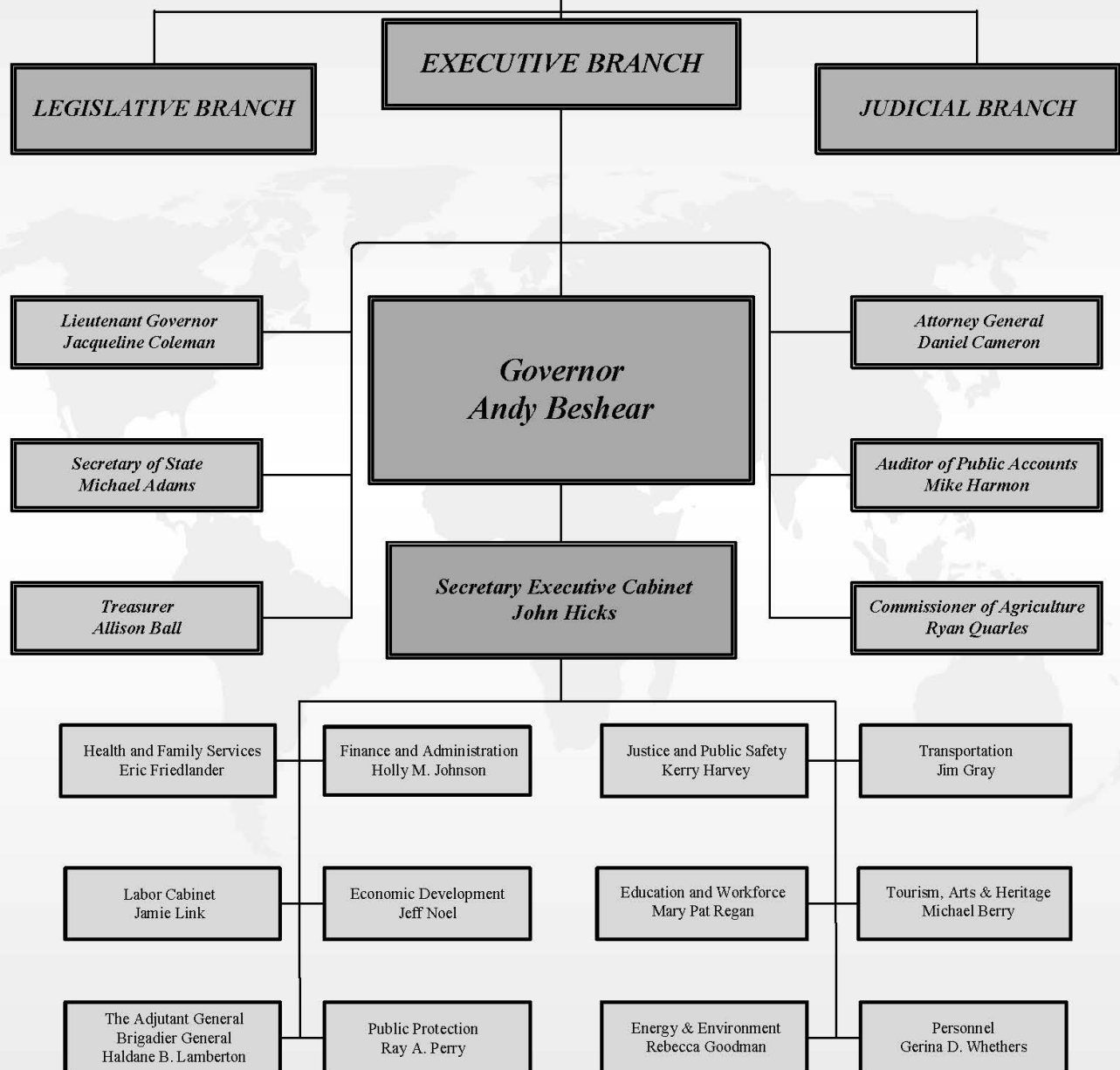
L. Joe McDaniel, Acting Controller



COMMONWEALTH OF KENTUCKY

ELECTORATE OF KENTUCKY

"UNITED WE STAND, DIVIDED WE FALL"



*Principal Officials at June 30, 2022

FINANCIAL SECTION



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements 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 aggregate remaining fund information for the Commonwealth of Kentucky, as of June 30, 2022, 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.

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

Certain portions of the Governmental Funds including:

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

Certain portions of the Proprietary Funds including:

- The Kentucky Employees Public Health Insurance Fund
- Within the Insurance Administration Fund:
 - Kentucky Special Fund, Uninsured Employers' Fund, Coal Workers' Pneumoconiosis Fund, and Self-Insurance Fund
 - Petroleum Storage Tank Environmental Assurance Program



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

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

- Transportation Cabinet’s Self-Insured Workers’ Compensation Trust Program
- State Workers’ Compensation Program

Certain Fiduciary Funds including:

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

Certain Private Purpose Trust Funds including:

- Commonwealth Choice Program

Component Units including:

- 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

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

Government-Wide Financial Statements:	Percent of Assets	Percent of Revenues
Primary Government - Governmental Activities	0.37%	0.10%
Primary Government - Business-Type Activities	14.35%	4.53%
Component Units	98.69%	99.55%
Fund Financial Statements:		
Governmental Funds - Non-Major Funds	9.54%	2.76%
Proprietary Funds - Business-Type Activities - Enterprise Funds	14.34%	4.53%
Proprietary Funds - Governmental Activities - Internal Service Funds	0.04%	1.18%
Fiduciary Funds - Pension and Insurance Trust Funds	100%	100%
Fiduciary Funds- Private Purpose Trust Funds	0.27%	98.42%

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
Page 3

The Turnpike Authority of Kentucky's financial statements were prepared on the Trust Indenture Basis of accounting, which 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commonwealth of Kentucky, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Prior Period Adjustment

As discussed in Note 2 to the financial statements, The Commonwealth of Kentucky had a material restatement to the Net Position at July 1 in the Unemployment Compensation Fund due to an error. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in fiscal year 2022 the Commonwealth of Kentucky implemented the Governmental Accounting Standards Board's Statement No. 87 Leases. The government-wide, fund, and component unit statements have been restated to reflect the provisions of this standard. Our opinions are not modified with respect to this matter.

Opinion on the Petroleum Storage Tank Environmental Assurance Fund

A component auditor issued a qualified opinion for certain activity reported within the Petroleum Storage Tank Environmental Assurance Fund. The activity for this fund is included within the Insurance Administration Fund, which is a proprietary fund within the Commonwealth of Kentucky's financial statements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Commonwealth's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth of Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commonwealth of Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth of Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

An audit report of the financial statements for Kentucky State University has not been released as of the date of this report, and therefore, amounts presented are unaudited. Kentucky State University's financial activities have been included in the basic financial statements as discretely presented component units and represent .15% percent of assets and .36% of revenues, of the Commonwealth's aggregate discretely presented component units.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 18 through 26, budgetary comparison schedules and corresponding notes on pages 168 through 183, and information about infrastructure assets reported using the modified approach on pages 184 through 189, claims development information for entity risk pools on pages 190 and 191, Schedule of Contributions—Pensions on page 192 through 203, Schedule of Changes in Net Pension Liability and Related Ratios on page 204 and 207, the Schedule of Commonwealth's Proportionate Share of the Net Pension Liability on page 208 and 209, the Schedule of Contributions—OPEB on page 210 through 221, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 222 and 224, and the Schedule of Commonwealth's Proportionate Share of the Net OPEB Liability on page 226 and 227 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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,

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
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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 Included in the Annual Report

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 232 through 285 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical sections presented in this report on pages 2 through 10 and pages 288 through 311 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue our report dated January 25, 2023 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 solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully Submitted,



Farrah Petter, CPA
Assistant Auditor of Public Accounts
Frankfort, KY

January 25, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Commonwealth of Kentucky's Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2022. 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, 2022, by \$1.5 billion, an increase in net position of \$7.3 billion related to current year activity. Total net position increased by \$8.2 billion to \$2.4 billion. The primary reasons for this increase were due to deferrals relating to pension and other post-employment benefits, bonds and notes payable. The Governmental Activities total Deferred Outflows were \$6.6 billion which were comprised of \$9.7 million for Deferred Loss on Refunding, \$5.6 billion for Pension Related Outflows, and \$1,050.9 million for Other Post-employment Benefit Outflows. Total Deferred Inflows were \$6.6 billion which were comprised of \$47.1 million for Deferred Gain on Refunding, \$11.2 million of Lessor Contracts Inflows, \$5.2 billion for Pension Related Inflows, and \$1,324.1 million for Other Post-employment Benefit Inflows.

Assets of the Commonwealth's business-type activities exceeded liabilities by \$893.9 million, an increase in net position of \$864.8 million related to current year activity. Business-Type Activities total Deferred Outflows were \$61.1 million which were comprised of \$42.9 million for Pension Related Outflows and \$18.2 million for Other Post-employment Benefit Outflows. Total Deferred Inflows were \$27.7 million which were comprised of \$2.0 million of Lessor Contracts Inflows, \$11.3 million for Pension Related Inflows and \$14.4 million for Other Post-employment Benefit Inflows.

Assets of the the Commonwealth's discretely presented component units exceeded liabilities at fiscal year ending June 30, 2022, by \$14.3 billion, an increase of \$1.0 billion 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 2022, the Commonwealth's governmental funds reported combined ending fund balances of \$8.1 billion, a net change in fund balance of \$2.7 billion, a change in inventory of \$(2,740) thousand, for a combined net change of \$2.7 billion in comparison with the prior year. Approximately 43.1 percent or \$3.5 billion of the ending fund balance is restricted. There is unrestricted (committed, assigned, or unassigned) fund balance of \$4.5 billion available for spending either at the government's discretion or upon legislative approval.

Enterprise funds reported net position of \$894 million, of which \$228 million was restricted or invested in capital assets and the balance of \$(249) million was unrestricted.

Long-Term Debt:

The Commonwealth's total long-term debt obligations (bonds and notes payable) decreased by \$502.7 million to \$5.9 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](#).

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law or bond covenants and additional funds are established for management and fiscal control of resources.

The fund financial statements focus on activities of state government. All of the funds of the Commonwealth can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Table 1, below, summarizes the major features of the basic financial statements and how they relate to one another.

Table 1. Major Features of the Commonwealth of Kentucky's Government-Wide and Fund Financial Statements				
	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire government (except fiduciary funds) and the Commonwealth's component units	The activities of the Commonwealth that are not proprietary or fiduciary	Activities of the Commonwealth that are similar to private businesses	Instances where the Commonwealth is the trustee for someone else's resources
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fund Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statements of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial, and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of Inflow – Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year and expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements - Notes to the financial statements provide information necessary to fully understand the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and focus on the primary government and its activities.

Required Supplementary Information - In addition to Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of required supplementary information that further explains and supports the information contained in the financial statements.

Other Supplementary Information - Supplementary information includes the introductory section, combining financial statements for non-major governmental funds, non-major discretely presented component units, the individual internal service funds and fiduciary funds, and the statistical section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position:

Net position may serve as a useful indicator of a government's financial position. The Commonwealth's combined net position (governmental and business-type activities) totaled \$2.4 billion at the end of fiscal year 2022, as compared to \$(5.8) billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$25.8 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 \$3.4 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 \$(26.8) billion; therefore, funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net position when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities-shown in Note 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, 2022 and June 30, 2021 as restated, 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	
	2022	2021	2022	2021	2022	2021
Current Assets	\$ 11,897,557	\$ 9,353,241	\$ 2,132,057	\$ 1,786,320	\$ 14,029,614	\$ 11,139,561
Capital Assets	26,905,160	26,296,901	244,842	257,642	27,150,002	26,554,543
Total Assets	38,802,717	35,650,142	2,376,899	2,043,962	41,179,616	37,694,104
Deferred outflows of resources	6,613,695	4,137,426	61,157	54,713	6,674,852	4,192,139
Non Current Liabilities	33,531,726	35,860,560	962,284	1,273,818	34,494,010	37,134,378
Other Liabilities	3,742,765	4,041,612	554,153	782,179	4,296,918	4,823,791
Total Liabilities	37,274,491	39,902,172	1,516,437	2,055,997	38,790,928	41,958,169
Deferred inflows of resources	6,620,568	5,706,526	27,705	13,575	6,648,273	5,720,101
Net investment in capital assets	25,573,127	24,697,700	227,926	240,122	25,801,053	24,937,822
Restricted	2,499,727	2,081,872	914,976	286,882	3,414,703	2,368,754
Unrestricted	(26,551,501)	(32,600,702)	(248,988)	(497,901)	(26,800,489)	(33,098,603)
Total Net Position	\$ 1,521,353	\$ (5,821,130)	\$ 893,914	\$ 29,103	\$ 2,415,267	\$ (5,792,027)

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 2022. The Commonwealth received program revenues of \$23.2 billion and general revenues (including transfers) of \$17.9 billion for total revenues of \$41.1 billion during fiscal year 2022. Expenses for the Commonwealth during fiscal year 2022 were \$32.9 billion, the total net position of the Commonwealth increased in the amount of \$8.2 billion, net of contributions, transfers and special items.

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

	2022	2021	2022	2021	2022	2021
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,674,102	\$ 1,725,350	\$ 2,562,797	\$ 2,424,149	\$ 4,236,899	\$ 4,149,499
Operating Grants and Contributions	17,974,786	16,331,955	—	—	17,974,786	16,331,955
Capital Grants and Contributions	1,028,150	1,033,962	—	—	1,028,150	1,033,962
General Revenues:						
Income Taxes	7,092,678	5,856,351	—	—	7,092,678	5,856,351
Sales Taxes	7,951,621	7,349,827	—	—	7,951,621	7,349,827
Property Taxes	725,415	707,461	—	—	725,415	707,461
Other Taxes	582,008	506,501	—	—	582,008	506,501
Investment Earnings	—	—	(37,699)	22,254	(37,699)	22,254
Other	1,231,424	840,255	360,657	2,726,352	1,592,081	3,566,607
Total Revenues	38,260,184	34,351,662	2,885,755	5,172,755	41,145,939	39,524,417
Expenses:						
Governmental Activities:						
General Government	1,574,029	1,652,327	—	—	1,574,029	1,652,327
Legislative and Judicial	424,171	520,801	—	—	424,171	520,801
Commerce	165,551	139,689	—	—	165,551	139,689
Education and Humanities	6,065,729	5,027,799	—	—	6,065,729	5,027,799
Human Resources	17,809,920	17,077,977	—	—	17,809,920	17,077,977
Justice	1,287,731	1,292,316	—	—	1,287,731	1,292,316
Natural Resources and Environmental Protection	210,835	253,474	—	—	210,835	253,474
Public Protection and Regulation	275,685	563,091	—	—	275,685	563,091
Transportation	2,109,058	1,914,599	—	—	2,109,058	1,914,599
Interest Expense	202,051	136,111	—	—	202,051	136,111
Business-type Activities:						
State Parks	—	—	107,211	111,231	107,211	111,231
Kentucky Horse Park	—	—	17,095	15,246	17,095	15,246
Kentucky Public Employees Health Plan	—	—	2,000,400	1,892,458	2,000,400	1,892,458
Insurance Administration	—	—	118,337	43,278	118,337	43,278
Unemployment Compensation	—	—	570,842	2,720,000	570,842	2,720,000
Total Expenses	30,124,760	28,578,184	2,813,885	4,782,213	32,938,645	33,360,397
Increase (Decrease) in Net Position Before Transfers	8,135,424	5,773,478	71,870	390,542	8,207,294	6,164,020
Transfers	(792,941)	(30,996)	792,941	30,996	—	—
Change in Net Position	7,342,483	5,742,482	864,811	421,538	8,207,294	6,164,020
Net Position, July 1, as restated	(5,821,130)	(11,563,612)	29,103	(392,435)	(5,792,027)	(11,956,047)
Net Position, June 30	\$ 1,521,353	\$ (5,821,130)	\$ 893,914	\$ 29,103	\$ 2,415,267	\$ (5,792,027)

Governmental Activities:

The governmental activities resulted in an increase in the Commonwealth's net position by \$7.3 billion. An increase in Governmental activities of \$4.0 billion is a result of decreased deferred inflows of resources. An increase in Governmental activities of \$522.4 million was primarily due to an increase in Sales and Use Tax of \$367.1 million and Motor Vehicle Usage Tax Receipts of \$105.7 million. Approximately 42.7 percent of the governmental activities' total revenue came from taxes, while 49.7 percent resulted from grants and contributions (including federal aid). Table 4 below presents program expenses and revenues for governmental activities. Overall, program revenues were not sufficient 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	\$ 1,574,029	\$ 1,338,786	\$ (235,243)
Legislative and Judicial	424,171	48,789	(375,382)
Commerce	165,551	99,838	(65,713)
Education and Humanities	6,065,729	2,236,924	(3,828,805)
Human Resources	17,809,920	14,338,520	(3,471,400)
Justice	1,287,731	145,106	(1,142,625)
Natural Resources and Environmental Protection	210,835	103,659	(107,176)
Public Protection and Regulation	275,685	993,197	717,512
Transportation	2,109,058	1,372,219	(736,839)
Interest Expense	202,051	—	(202,051)
Totals	\$ 30,124,760	\$ 20,677,038	\$ (9,447,722)

Business-Type Activities:

Table 5 below presents program expenses and revenues for business-type activities. The business-type activities resulted in an increase the Commonwealth's net position by \$864.8 million. Program revenues generated by the operations of the State Parks and the Kentucky Horse Park were not sufficient to cover program expenses. Nonoperating revenues were needed to support expenses of these programs.

State Programs	Program Expenses	Program Revenues	Net Program (Expenses) Revenue
State Parks	\$ 107,211	\$ 48,250	\$ (58,961)
Kentucky Horse Park	17,095	11,833	(5,262)
Kentucky Public Employees Health Plan	2,000,400	1,940,035	(60,365)
Insurance Administration	118,337	123,004	4,667
Unemployment Compensation	570,842	439,675	(131,167)
Totals	\$ 2,813,885	\$ 2,562,797	\$ (251,088)

Overall Analysis

Financial highlights for the State as a whole during fiscal year ended June 30, 2022, 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 \$1.5 billion and the State's business-type activities now have assets that exceed liabilities (net position) by \$893.9 million.
- The State's total net position increased during the year by \$8.2 billion. Net position of governmental activities increased by \$7.3 billion, and net position of business-type activities increased by \$864.8 million.
- The net position of the governmental activities continues to be negative because pension and other post employment benefit liabilities.

FINANCIAL ANALYSIS OF THE COMMONWEALTH'S INDIVIDUAL FUNDS

At June 30, 2022, the Commonwealth's governmental funds reported combined ending fund balances of \$8.1 billion, a net increase of \$2.7 billion in comparison with the prior year. \$70.8 million is non-spendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The \$3.5 billion is restricted for certain purposes and is not available to fund current operations. The \$4.5 billion 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, 2022, was \$4.4 billion. The balance reported reflects an increase of \$1.9 billion 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 \$7.0 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 \$4.4 billion from the previous year, a change of 26.7 percent. Expenditures increased by \$4.0 billion from the previous year, a change of 25.1 percent. The Transportation Fund experienced a slight increase in revenues and an increase in expenditures, resulting in a increase in fund balance of \$37.9 million.

Proprietary Funds:

The Commonwealth's proprietary funds reported net position of \$746 million, which included \$894 million in the enterprise funds and \$(148) million in the internal service funds. This is a total increase in net position of \$561.9 million from the previous year. This change in net position involved mainly from one fund, the Unemployment Compensation which had an increase of \$951.4 million for the 2022 fiscal year. This change is due to the COVID19 pandemic and an increase in unemployment insurance benefits.

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 \$1.0 billion. Actual expenditures for the year were approximately \$2,272 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, 2022, amounts to \$28.9 billion, with accumulated depreciation of \$1.9 billion, leaving a net book value of \$27.2 billion. This investment in capital assets includes land, improvements, buildings, equipment, and construction in progress, infrastructure and intangibles. Infrastructure assets are normally immovable and of value only to the Commonwealth, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the Commonwealth's investment in capital assets for the current fiscal year was about 1.7 percent in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$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 \$166.4 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 64,004 lane miles of roads and approximately 9,039 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 Kentucky Asset/Liability Commission, the Kentucky School Facilities Construction Commission, the State Property and Buildings Commission, and the Turnpike Authority of Kentucky.

The Commonwealth of Kentucky’s bonded debt decreased by \$489.9 million to \$5.2 billion, a 8.6 percent decrease during the current fiscal year. The major factors in this decrease is a result of the refunding of old issues by the FY2022 new issues. The remaining liability on the retired bonds plus the FY2022 principle payments on the remaining bonds outstanding were greater than the FY2022 issues for new projects. No general obligation bonds were authorized or outstanding at June 30, 2022. 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.

ECONOMIC FACTORS

Kentucky Outlook

Kentucky personal income rose 6.4 percent in the first quarter of FY22. Kentucky wages and salaries was the fastest growing component of Kentucky personal income over the last four quarters. Kentucky wages and salaries grew by 9.8 percent in the first quarter of FY22 over the first quarter of FY21, comprising 48.6 percent of total Kentucky personal income. Wages in the Commonwealth have sustained solid to strong growth for the last five quarters and surpassed its previous peak in the second quarter of FY21. Kentucky wages and salaries is now \$8.4 billion, or 8.6 percent, above its previous peak.

Kentuckian’s personal income is expected to decline slightly over the forecast horizon as transfer payments from the federal government continue to phase out. Through the remainder of FY22, a decline in personal income is expected; falling 1.6 percent compared to the second, third and fourth quarters of FY21. The Child Tax Credit payments authorized under the American Rescue Plan are set to expire at the end of calendar year 2021, following the expiration of special unemployment insurance programs in September 2021. Transfer receipts, the second largest component of Kentucky personal income, are expected to drop 13.5 percent for the full year of FY22 and 18.4 percent during the final three quarters of the fiscal year.

While total Kentucky personal income fails to gain momentum, relatively strong growth is forecasted for wages and salaries across the outlook periods. Wages and salaries are poised to grow 7.8 percent in the final three quarters of FY22 compared to the same period one year prior. Wage and salary income is the largest component of personal income and has historically made up near 53 percent of personal income. In FY22, wages and salaries will comprise 49.8 percent of state personal income.

Remote working, while not available in all occupations, has created opportunities for certain households to remain attached to the workplace despite complications such as school closings, family health care needs, and direct contact with the virus. However, the opportunity to work remotely has not been available in many industries and occupations, leading to worker shortages, supply-chain disruptions, and withdrawal from the workforce for affected workers since early in the pandemic. Those who must work from their job site are left most vulnerable to the pandemic from a health and economic standpoint.

To date in the economic slowdown in Kentucky, the disproportionate job losses in the leisure and hospitality sector have artificially increased the level of average wages as lower wage workers experienced the majority of the job loss when compared to their higher-paid counterparts. As the economic recovery continues and lower-paid jobs are added back to the workforce, the process typically works in the opposite direction, decreasing average wages. However, the average wage is not anticipated to decrease moving forward. Rather, the opposite is forecasted to occur. As workers return to the labor market, many are insisting on increased wages. Lower paid employees, who currently are required to report to a job site, are specifically demanding an increase in pay – especially in light of the uptick in inflation.

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, 200 Mero Street, 5th Floor, Frankfort, KY 40601.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET POSITION

June 30, 2022

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents (Note 5)	\$ 6,699,417	\$ 424,000	\$ 7,123,417	\$ 3,037,082
Cash on deposit with the federal Government (Note 5)	—	717,570	717,570	—
Cash with fiscal agents (Note 5)	23,737	—	23,737	—
Restricted cash (Note 5)	10,839	—	10,839	—
Investments, net of amortization (Note 5)	2,341,121	492,189	2,833,310	2,504,688
Receivables, net (Note 4)	2,559,364	493,271	3,052,635	4,928,150
Notes receivable	137,005	—	137,005	—
Lease receivable (Note 4) (Note 11)	11,232	1,938	13,170	72,726
Internal balances (Note 7)	1,159	(1,159)	—	—
Inventories	73,163	1,065	74,228	127,682
Prepaid expenses	40,175	3,183	43,358	57,308
Unamortized cost of issuance	345	—	345	—
Restricted assets:				
Cash and cash equivalents (Note 5)	—	—	—	856,067
Investments (Note 5)	—	—	—	2,863,670
Capital assets (Note 6):				
Land	256,367	24,943	281,310	490,948
Improvements other than buildings	40,978	156,272	197,250	762,731
Buildings	1,952,976	374,613	2,327,589	11,169,560
Machinery and equipment	884,390	21,668	906,058	2,509,512
Other capital assets	—	2,276	2,276	237,970
Easements and other intangibles	238,008	4,638	242,646	375,841
Leased assets	221,913	2,350	224,263	313,486
Less: Accumulated depreciation and amortization	(1,545,809)	(351,681)	(1,897,490)	(7,102,971)
Less: Leased assets accumulated depreciation and amortization	(40,681)	(778)	(41,459)	(29,205)
Construction in progress	2,096,831	10,541	2,107,372	307,036
Infrastructure	22,800,187	—	22,800,187	1,043,967
Total Capital Assets	26,905,160	244,842	27,150,002	10,078,875
Other assets	—	—	—	1,104,452
Total Assets	38,802,717	2,376,899	41,179,616	25,630,700
Deferred outflows of resources (Note 16)	6,613,695	61,157	6,674,852	354,110
Liabilities				
Accounts payable (Note 4)	1,197,035	144,104	1,341,139	864,178
Tax refunds payable	321,160	—	321,160	—
Unearned revenue	1,350,701	4,738	1,355,439	441,918
Other liabilities	—	—	—	225,867
Liabilities from restricted assets	—	—	—	3,009
Noncurrent liabilities:				
Due within one year (Note 16)	873,869	405,311	1,279,180	778,057
Due in more than one year (Note 16)	33,531,726	962,284	34,494,010	7,430,965
Total Liabilities	37,274,491	1,516,437	38,790,928	9,743,994
Deferred inflows of resources (Note 16)	6,620,568	27,705	6,648,273	1,945,241
Net Position				
Net investment in capital assets	25,573,127	227,926	25,801,053	6,101,318
Restricted for:				
Debt service	129,539	—	129,539	473,263
Capital projects	1,539,190	—	1,539,190	259,654
Highways	830,998	—	830,998	—
Unemployment benefits	—	914,976	914,976	—
Other purposes (Note 1)	—	—	—	4,450,922
Unrestricted	(26,551,501)	(248,988)	(26,800,489)	3,010,418
Total Net Position	\$ 1,521,353	\$ 893,914	\$ 2,415,267	\$ 14,295,575

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, 2022
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,574,029	\$ 645,619	\$ 679,896	\$ 13,271
Legislative and Judicial	424,171	45,633	3,156	—
Commerce	165,551	79,589	19,919	330
Education and Humanities	6,065,729	78,880	2,158,044	—
Human Resources	17,809,920	195,555	14,142,013	952
Justice	1,287,731	35,526	109,580	—
Natural Resources and Environmental Protection	210,835	46,142	57,517	—
Public Protection and Regulation	275,685	187,429	804,661	1,107
Transportation	2,109,058	359,729	—	1,012,490
Interest expense	202,051	—	—	—
Total Governmental Activities	30,124,760	1,674,102	17,974,786	1,028,150
Business-Type Activities:				
State Parks	107,211	48,250	—	—
Kentucky Horse Park	17,095	11,833	—	—
Kentucky Public Employees Health Plan	2,000,400	1,940,035	—	—
Insurance Administration	118,337	123,004	—	—
Unemployment Compensation	570,842	439,675	—	—
Total Business-Type Activities	2,813,885	2,562,797	—	—
Total Primary Government	\$ 32,938,645	\$ 4,236,899	\$ 17,974,786	\$ 1,028,150
Component Units:				
Authorities:				
Kentucky Housing Corporation	\$ 464,509	\$ 84,759	\$ 403,460	\$ —
Kentucky Higher Education Student Loan Corporation	(4,952)	19,845	—	—
Kentucky Lottery Corporation	1,317,387	1,676,502	—	—
Kentucky Public Transportation Infrastructure Authority	16,611	61,602	—	—
Universities, Colleges, & Related Entities:				
University of Kentucky	4,421,271	3,791,529	602,601	64,215
University of Louisville	3,323,084	3,043,377	132,023	—
Kentucky Community and Technical College System	607,187	111,740	91,964	—
Other Component Units	1,720,464	749,435	450,678	6,881
Total Component Units	\$ 11,865,561	\$ 9,538,789	\$ 1,680,726	\$ 71,096
General Revenues (Note 1):				
Taxes:				
Sales and gross receipt tax				
Individual income tax				
Corporate income tax				
Property tax				
License and privilege tax				
Severance tax				
Inheritance and estate tax				
Miscellaneous taxes				
Unrestricted grants and contributions				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous general				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position at July 1, As Restated (Note 2)				
Net Position at June 30				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-Type Activities	Totals	Component Units	
\$ (235,243)	\$ —	\$ (235,243)		
(375,382)	—	(375,382)		
(65,713)	—	(65,713)		
(3,828,805)	—	(3,828,805)		
(3,471,400)	—	(3,471,400)		
(1,142,625)	—	(1,142,625)		
(107,176)	—	(107,176)		
717,512	—	717,512		
(736,839)	—	(736,839)		
(202,051)	—	(202,051)		
(9,447,722)	—	(9,447,722)		
—	(58,961)	(58,961)		
—	(5,262)	(5,262)		
—	(60,365)	(60,365)		
—	4,667	4,667		
—	(131,167)	(131,167)		
—	(251,088)	(251,088)		
(9,447,722)	(251,088)	(9,698,810)		
—	—	—	\$	23,710
—	—	—		24,797
—	—	—		359,115
—	—	—		44,991
—	—	—		37,074
—	—	—		(147,684)
—	—	—		(403,483)
—	—	—		(513,470)
—	—	—		(574,950)
7,951,621	—	7,951,621		—
6,180,726	—	6,180,726		—
911,952	—	911,952		—
725,415	—	725,415		—
90,658	—	90,658		—
141,329	—	141,329		—
82,953	—	82,953		—
267,068	—	267,068		—
11,987	360,420	372,407		1,673,870
2,593	(37,699)	(35,106)		(133,301)
14,003	20	14,023		(7,096)
1,202,841	217	1,203,058		322,232
(792,941)	792,941	—		(309,247)
16,790,205	1,115,899	17,906,104		1,546,458
7,342,483	864,811	8,207,294		971,508
(5,821,130)	29,103	(5,792,027)		13,324,067
\$ 1,521,353	\$ 893,914	\$ 2,415,267	\$	14,295,575

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

Major Funds

General Fund

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

Transportation Fund

The Transportation Fund accounts for and reports specific revenue sources which are restricted or committed for the construction, preservation, and maintenance of roads.

Federal Fund

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

Agency Revenue Fund

The Agency Revenue Fund accounts for and reports specific taxes, fees, and charges that are restricted or committed to expenditures for a particular function or activity. The General Assembly usually appropriates this fund.

Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned for capital outlay as appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment other than that financed by proprietary funds, certain trust funds, and university and college funds.

Debt Service Fund

The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for repayment of principal, interest, and administrative fees due on general long-term issues of the Commonwealth and for the accumulation of financial resources used to make such payments.

Non-Major Funds

Non-Major governmental funds are presented by fund type beginning on page 232

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022
(Expressed in Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Federal</u>	<u>Agency Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets								
Cash and cash equivalents (Note 5)	\$ 4,181,935	\$ 86,569	\$ 1,150,823	\$ 279,151	\$ 35,551	\$ 31	\$ 890,614	\$ 6,624,674
Cash with fiscal agents (Note 5)	—	—	—	—	6,134	17,603	679	24,416
Restricted cash (Note 5)	—	—	10,839	—	—	—	—	10,839
Investments, net of amortization (Note 5)	9,582	664,125	—	928,557	267,071	1	463,808	2,333,144
Receivables, net (Note 4)	1,395,062	179,892	755,212	98,332	6,914	—	123,481	2,558,893
Notes receivable	—	—	136	3,391	116	132,406	956	137,005
Lease receivable (Note 4)	—	—	—	—	—	—	—	—
Interfund receivables (Note 7)	13,647	899	25,956	221,868	3,242	—	7,029	272,641
Interfund loans receivable (Note 7)	—	—	—	1,747	—	—	11,315	13,062
Inventories	7,033	60,113	463	3,141	—	—	—	70,750
Total Assets	<u>\$ 5,607,259</u>	<u>\$ 991,598</u>	<u>\$ 1,943,429</u>	<u>\$ 1,536,187</u>	<u>\$ 319,028</u>	<u>\$ 150,041</u>	<u>\$ 1,497,882</u>	<u>\$ 12,045,424</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable (Note 4)	\$ 422,344	\$ 106,923	\$ 483,880	\$ 59,505	\$ 10,397	\$ —	\$ 30,450	\$ 1,113,499
Tax refunds payable	321,160	—	—	—	—	—	—	321,160
Interfund payables (Note 7)	130,727	193	97,469	9,709	23	—	34,236	272,357
Interfund loans payable (Note 7)	2,045	—	—	3,493	—	—	—	5,538
Unearned revenue	1	—	1,345,059	5,238	—	—	—	1,350,298
Total Liabilities	<u>876,277</u>	<u>107,116</u>	<u>1,926,408</u>	<u>77,945</u>	<u>10,420</u>	<u>—</u>	<u>64,686</u>	<u>3,062,852</u>
Deferred inflows of resources Unavailable	<u>309,678</u>	<u>53,484</u>	<u>288,455</u>	<u>54,237</u>	<u>559</u>	<u>132,406</u>	<u>90,151</u>	<u>928,970</u>
Fund Balances:								
Nonspendable (Note 1)	7,033	60,115	463	3,143	—	—	—	70,754
Restricted for (Note 1)	—	770,883	—	1,213,587	308,049	17,635	1,164,551	3,474,705
Committed to (Note 1)	—	—	—	152,403	—	—	166,947	319,350
Assigned to (Note 1)	115,611	—	—	34,872	—	—	11,547	162,030
Unassigned (Note 1)	4,298,660	—	(271,897)	—	—	—	—	4,026,763
Total Fund Balances	<u>4,421,304</u>	<u>830,998</u>	<u>(271,434)</u>	<u>1,404,005</u>	<u>308,049</u>	<u>17,635</u>	<u>1,343,045</u>	<u>8,053,602</u>
Total Liabilities and Fund Balances	<u>\$ 5,607,259</u>	<u>\$ 991,598</u>	<u>\$ 1,943,429</u>	<u>\$ 1,536,187</u>	<u>\$ 319,028</u>	<u>\$ 150,041</u>	<u>\$ 1,497,882</u>	<u>\$ 12,045,424</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, 2022

(Expressed in Thousands)

Total Fund Balances - Governmental Funds	\$	8,053,602	
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	\$	340,581	
Buildings, equipment, and other depreciable assets		2,376,123	
Infrastructure		22,800,187	
Accumulated depreciation		(1,193,020)	
Construction in progress		2,070,670	
Leased Buildings, equipment, and other depreciable assets		209,787	
Accumulated depreciation, Leased Assets		<u>(31,929)</u>	26,572,399
Certain revenues are earned but not available, and therefore, are deferred in the funds.			928,970
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			30,727
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.			
			(148,316)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Lease obligations	\$	(181,438)	
Compensated absences		(263,198)	
Pollution remediation obligations		(6,752)	
Judgements and contingencies		(9,340)	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations		(91,920)	
Net Pension/Other Postemployment Benefits liabilities and related deferred outflows/inflows		<u>(27,037,011)</u>	(27,589,659)
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	\$	(5,259,195)	
Notes payable		(531,990)	
Unamortized premiums and discounts		(415,574)	
Less deferred amounts on refundings		(37,461)	
Accrued interest payable		<u>(82,150)</u>	(6,326,370)
Net Position of Governmental Activities			<u>\$ 1,521,353</u>

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

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	General	Transportation	Federal	Agency Revenue	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 14,112,358	\$ 1,497,076	\$ —	\$ 524,115	\$ —	\$ —	\$ 143,329	\$ 16,276,878
Licenses, fees, and permits	23,374	172,866	—	258,928	—	—	14,527	469,695
Intergovernmental	3,392	—	19,014,422	54,068	15,767	—	16	19,087,665
Charges for services	303,860	8,068	989	591,053	387	49,474	366,770	1,320,601
Fines and forfeits	29,451	18	—	6,986	—	—	18,416	54,871
Interest and other investment income	6,255	4,356	5,683	9,414	11,935	158	1,180	38,981
Increase (decrease) in fair value of investments	(3,624)	(15,127)	(918)	(10,990)	(40,445)	—	(3,337)	(74,441)
Other revenues	266,896	6,258	61,782	799,615	269	17,111	245,622	1,397,553
Total Revenues	14,741,962	1,673,515	19,081,958	2,233,189	(12,087)	66,743	786,523	38,571,803
Expenditures								
Current:								
General Government	2,126,906	—	773,596	210,252	—	—	272,581	3,383,335
Legislative and Judicial	448,953	—	3,700	33,965	—	—	—	486,618
Commerce	63,823	—	32,136	55,877	—	—	3,840	155,676
Education and Humanities	5,366,150	—	2,208,863	28,975	—	—	195,107	7,799,095
Human Resources	2,814,118	—	14,226,708	1,037,567	—	—	28,178	18,106,571
Justice	1,048,516	—	79,807	103,479	—	—	2,606	1,234,408
Natural Resources and Environmental Protection	74,134	—	60,794	63,086	—	—	5,932	203,946
Public Protection and Regulation	19,584	—	66,197	141,086	—	—	13,536	240,403
Transportation	7,431	1,526,089	899,427	136,956	—	—	183,349	2,753,252
Debt service:								
Principal retirement	—	—	—	—	—	521,782	189,788	711,570
Interest and fiscal charges	—	—	—	—	—	181,989	73,846	255,835
Other expenditures	—	—	—	—	—	(6,779)	2,992	(3,787)
Capital outlay:								
Buildings	—	—	—	—	187,784	—	—	187,784
Total Expenditures	11,969,615	1,526,089	18,351,228	1,811,243	187,784	696,992	971,755	35,514,706
Excess (Deficiency) of Revenues over (under) Expenditures	2,772,347	147,426	730,730	421,946	(199,871)	(630,249)	(185,232)	3,057,097
Other Financing Sources (Uses)								
Transfers in	85,171	899	1,246	444,181	122,318	631,752	862,177	2,147,744
Transfers out	(1,063,743)	(153,120)	(885,970)	(433,780)	(45,404)	—	(368,730)	(2,950,747)
Leases	137,211	42,657	9,357	20,562	—	—	—	209,787
Issuance of bonds:								
New issues	—	—	—	—	84,890	124	80,381	165,395
Refunding issues	—	—	—	—	—	139,100	175,527	314,627
Premiums	—	—	—	—	15,111	2,258	21,722	39,091
Discounts	—	—	—	—	—	—	(414)	(414)
Payments to refunded bond escrow agent	—	—	—	—	—	(141,232)	(183,802)	(325,034)
Total Other Financing Sources (Uses)	(841,361)	(109,564)	(875,367)	30,963	176,915	632,002	586,861	(399,551)
Net Change in Fund Balances	1,930,986	37,862	(144,637)	452,909	(22,956)	1,753	401,629	2,657,546
Fund Balances at July 1, as restated	2,491,730	793,569	(126,450)	951,644	331,005	15,882	941,416	5,398,796
Increase (decrease) in inventories	(1,412)	(433)	(347)	(548)	—	—	—	(2,740)
Fund Balances at June 30	\$ 4,421,304	\$ 830,998	\$ (271,434)	\$ 1,404,005	\$ 308,049	\$ 17,635	\$ 1,343,045	\$ 8,053,602

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, 2022**
(Expressed in Thousands)

Net Change in Fund Balances-Total Governmental Funds \$ 2,657,546

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	\$ (62,441)	
Donated assets, acquisition value	3,276	
Buildings, equipment, and other depreciable assets	74,401	
Infrastructure	505,341	
Accumulated depreciation	<u>(152,080)</u>	368,497

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 124,740

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	\$ 30,381	
Inventories	<u>(2,740)</u>	27,641

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. 35,064

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.

Lease payments	\$ 286,314	
Compensated absence payments	(1,612)	
Pollution remediation payments	1,043	
Litigation payments	61	
Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC) - Memorandum of Understanding (MOU) obligations	7,075	
Excess contributions to pension funds	<u>3,585,510</u>	3,878,391

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	\$ (562,765)	
Leases	(209,787)	
Repayment of bond principal	707,825	
Payment to refunded bond escrow agent	323,914	
Accrued interest	(16,162)	
Loss on refunding	7,663	
Unamortized issue costs	<u>(84)</u>	250,604

Change in Net Position of Governmental Activities \$ 7,342,483

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

Enterprise Funds (All Major)

State Parks Fund

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

Kentucky Horse Park Fund

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

Insurance Administration Fund

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

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

Coal Workers' Pneumoconiosis provides benefits for workers with pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal.

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

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

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

Kentucky Public Employees Health Insurance Fund

The Kentucky Public Employees Health Insurance Fund accounts for the revenues and expenses incurred in the commercial operation of the health insurance program for state employees, teachers and retirees.

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 242

COMMONWEALTH OF KENTUCKY
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2022
(Expressed in Thousands)

	Business-Type Activities-		
	State Parks	Kentucky Horse Park	Insurance Administration
Assets			
Current assets:			
Cash and cash equivalents (Note 5)	\$ 7,621	\$ 3,770	\$ 56,383
Cash on deposit with the federal government (Note 5)	—	—	—
Receivables, net (Note 4)	2,369	776	21,125
Interfunds receivable (Note 7)	322	8	13
Lease Receivable (Note 11)	—	78	—
Inventories	908	157	—
Prepaid expenses	134	13	—
Total Current Assets	11,354	4,802	77,521
Noncurrent assets:			
Investments, net of amortization (Note 5)	10,549	955	353,606
Lease Receivable (Note 11)	—	1,860	—
Capital assets (Note 6):			
Land	20,490	4,453	—
Improvements other than buildings	119,921	36,351	—
Buildings	270,499	104,114	—
Machinery and equipment	14,664	3,711	3,293
Other capital assets	—	2,276	—
Easements and other intangibles	2,322	—	2,316
Leased assets	405	—	1,945
Less: Accumulated depreciation and amortization	(281,966)	(67,172)	(2,543)
Less: Leased assets accumulated amortization	(274)	—	(504)
Construction in progress	10,541	—	—
Total Capital Assets	156,602	83,733	4,507
Total Noncurrent Assets	167,151	86,548	358,113
Total Assets	178,505	91,350	435,634
Deferred outflows of resources (Note 16)	28,546	3,041	24,939
Liabilities			
Current liabilities:			
Accounts payable (Note 4)	4,267	733	1,137
Interfunds payable (Note 7)	370	30	1,082
Interfund loans payable (Note 7)	—	—	—
Claims liability (Note 16)	—	—	51,381
Claims adjustment liability (Note 16)	—	—	3,768
Lease obligations (Note 11) (Note 16)	49	—	488
Notes payable (Note 16)	1,905	153	—
Pollution Remediation (Note 16)	—	17	—
Compensated absences (Note 16)	4,427	511	1,246
Unearned revenue	4,037	701	—
Other liabilities (Note 16)	—	—	—
Total Current Liabilities	15,055	2,145	59,102
Noncurrent liabilities:			
Claims liability (Note 16)	—	—	465,124
Claims adjustment liability (Note 16)	—	—	27,836
Lease obligations (Note 11) (Note 16)	94	—	969
Notes payable (Note 16)	13,274	—	—
Pollution Remediation (Note 16)	—	347	—
Compensated absences (Note 16)	6	27	466
Net pension liability (Note 8) (Note 16)	208,054	22,223	118,376
Net OPEB Liability (Note 9) (Note 16)	34,842	3,629	20,114
Other liabilities (Note 16)	—	—	—
Total Noncurrent Liabilities	256,270	26,226	632,885
Total Liabilities	271,325	28,371	691,987
Deferred inflows of resources (Note 16)	14,220	4,217	7,789
Net Position			
Net investment in capital assets	141,280	83,581	3,065
Restricted for:			
Other purposes (Note 1)	—	—	8,465
Unrestricted	(219,774)	(21,778)	(250,733)
Total Net Position	\$ (78,494)	\$ 61,803	\$ (239,203)

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, 2022	Activities- Internal Service Funds	
\$ 354,647	\$ 1,579	\$ 424,000	\$ 74,062	
—	717,570	717,570	—	
142,899	326,102	493,271	473	
—	—	343	1,344	
—	—	78	—	
—	—	1,065	2,412	
3,036	—	3,183	9,794	
500,582	1,045,251	1,639,510	88,085	
127,079	—	492,189	7,977	
—	—	1,860	—	
—	—	24,943	16,734	
—	—	156,272	4,100	
—	—	374,613	461,468	
—	—	21,668	172,040	
—	—	2,276	1,675	
—	—	4,638	—	
—	—	2,350	12,125	
—	—	(351,681)	(352,789)	
—	—	(778)	(8,752)	
—	—	10,541	26,161	
—	—	244,842	332,762	
127,079	—	738,891	340,739	
627,661	1,045,251	2,378,401	428,824	
4,631	—	61,157	38,254	
18,071	119,896	144,104	19,166	
—	20	1,502	470	
—	—	—	7,523	
180,331	—	231,712	28,619	
—	—	3,768	623	
—	—	537	10,380	
—	—	2,058	969	
—	—	17	—	
335	—	6,519	3,096	
—	—	4,738	404	
160,700	—	160,700	—	
359,437	119,916	555,655	71,250	
—	—	465,124	207,643	
—	—	27,836	5,872	
—	—	1,063	6,071	
—	—	13,274	1,759	
—	—	347	—	
18	—	517	2,344	
23,979	—	372,632	253,731	
4,082	—	62,667	43,985	
—	18,824	18,824	—	
28,079	18,824	962,284	521,405	
387,516	138,740	1,517,939	592,655	
1,479	—	27,705	22,739	
—	—	227,926	316,311	
—	906,511	914,976	—	
243,297	—	(248,988)	(464,627)	
\$ 243,297	\$ 906,511	\$ 893,914	\$ (148,316)	

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Business-Type Activities-		
	State Parks	Kentucky Horse Park	Insurance Administration
Operating Revenues:			
Charges for sales and services:			
State parks sales and services	\$ 45,419	\$ —	\$ 120,539
Horse park admissions and sales	—	11,798	—
Insurance receipts	—	—	—
Unemployment insurance receipts	—	—	—
Internal service fund receipts	—	—	—
Other services	2,831	35	2,465
Total Operating Revenues	48,250	11,833	123,004
Operating Expenses:			
Personal services	57,438	5,729	32,962
Utilities, rental, and other services	17,126	4,022	3,182
Commodities and supplies	18,952	3,008	940
Grants and subsidies	—	—	—
Depreciation and amortization	12,999	4,340	897
Travel	162	5	125
Claims expense	93	—	66,958
Claims adjustment expense	—	—	(124)
Other expenses	267	—	38
Total Operating Expenses	107,037	17,104	104,978
Operating Income (Loss)	(58,787)	(5,271)	18,026
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	23	(3)	—
Interest and other investment income	—	—	11,197
Increase (decrease) in fair value of investments	—	—	(50,556)
Interest expense	(174)	9	(61)
Intergovernmental	—	—	—
Other revenues (expenses)	—	—	(13,298)
Total Nonoperating Revenues (Expenses)	(151)	6	(52,718)
Income (Loss) before Capital Contributions and Transfers	(58,938)	(5,265)	(34,692)
Capital contributions			
Transfers in	72,305	2,677	45
Transfers out	(364)	(23)	(25,073)
Change in Net Position	13,003	(2,611)	(59,720)
Net Position at July 1, As Restated	(91,497)	64,414	(179,483)
Net Position at June 30	\$ (78,494)	\$ 61,803	\$ (239,203)

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, 2022	Activities- Internal Service Funds
\$ —	\$ —	\$ 165,958	\$ —
—	—	11,798	—
1,940,035	—	1,940,035	—
—	439,675	439,675	—
—	—	—	240,317
—	—	5,331	27,004
<u>1,940,035</u>	<u>439,675</u>	<u>2,562,797</u>	<u>267,321</u>
10,627	—	106,756	81,183
1,055	183	25,568	72,705
702	—	23,602	41,537
—	570,659	570,659	37
—	—	18,236	29,526
1	—	293	34
1,866,211	—	1,933,262	16,597
—	—	(124)	728
<u>121,804</u>	<u>—</u>	<u>122,109</u>	<u>—</u>
<u>2,000,400</u>	<u>570,842</u>	<u>2,800,361</u>	<u>242,347</u>
<u>(60,365)</u>	<u>(131,167)</u>	<u>(237,564)</u>	<u>24,974</u>
—	—	20	5,669
792	868	12,857	—
—	—	(50,556)	—
—	—	(226)	(6,524)
22,144	338,276	360,420	—
3	214	(13,081)	583
<u>22,939</u>	<u>339,358</u>	<u>309,434</u>	<u>(272)</u>
(37,426)	208,191	71,870	24,702
115	748,361	823,503	16,840
—	(5,102)	(30,562)	(6,478)
<u>(37,311)</u>	<u>951,450</u>	<u>864,811</u>	<u>35,064</u>
280,608	(44,939)	29,103	(183,380)
<u>\$ 243,297</u>	<u>\$ 906,511</u>	<u>\$ 893,914</u>	<u>\$ (148,316)</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Business-Type Activities -		
	State Parks	Kentucky Horse Park	Insurance Administration
Cash Flows from Operating Activities			
Cash received from customers - public	\$ 45,936	\$ 11,978	\$ 119,345
Cash received from customers - state	718	3,963	1,446
Cash payments to suppliers for goods and services	(38,807)	(7,378)	(4,336)
Cash payments for employee salaries and benefits	(60,902)	(8,599)	(24,175)
Cash payments for claims expense	(93)	—	(53,726)
Cash payments from other sources	2,831	—	(10,580)
Cash payments to other sources	(267)	(1,903)	2,232
Net Cash Provided (Used) by Operating Activities	<u>(50,584)</u>	<u>(1,939)</u>	<u>30,206</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	72,305	2,677	45
Transfers to other funds	(364)	(23)	(25,073)
Intergovernmental	—	—	(1,810)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>71,941</u>	<u>2,654</u>	<u>(26,838)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(2,629)	(330)	(52)
Principal paid on revenue bond maturities and equipment contracts	(1,936)	—	(488)
Interest paid on revenue bonds and equipment contracts	(453)	—	(60)
Proceeds from the sale of capital assets	1	—	—
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(5,017)</u>	<u>(330)</u>	<u>(600)</u>
Cash Flows from Investing Activities			
Purchase of investment securities	(10,549)	(116)	(51,634)
Proceeds from the sale of investment securities	—	—	29,570
Interest and dividends on investments	(174)	—	11,099
Net Cash Provided (Used) in Investing Activities	<u>(10,723)</u>	<u>(116)</u>	<u>(10,965)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,617	269	(8,197)
Cash and Cash Equivalents at July 1, As Restated	2,004	3,501	64,580
Cash and Cash Equivalents at June 30	<u>\$ 7,621</u>	<u>\$ 3,770</u>	<u>\$ 56,383</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (58,787)	\$ (5,271)	\$ 18,026
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	12,999	4,340	897
Miscellaneous nonoperating income (expense)	—	—	(10,535)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	582	2,260	(2,016)
Interfund receivables	691	(8)	—
Inventories	177	(134)	—
Prepaid expenses	(89)	54	—
(Increase) decrease in deferred outflows	1,293	480	(7,158)
Increase (decrease) in liabilities:			
Accounts payable	(2,591)	(225)	(1,092)
Interfund payables	(226)	(26)	—
Claims liability	—	—	15,470
Claims adjustment liability	—	—	(124)
Compensated absences	(125)	12	107
Unearned revenue	(38)	(46)	—
Pension liability	(8,363)	(1,618)	12,299
OPEB liability	(3,527)	(547)	1,112
Other liabilities	—	43	—
Increase (decrease) in deferred inflows	7,420	(1,253)	3,220
Net Cash Provided (Used) by Operating Activities	<u>\$ (50,584)</u>	<u>\$ (1,939)</u>	<u>\$ 30,206</u>
Noncash Investing, Capital, and Financing Activities			
Change in fair value of investments	\$ —	\$ —	\$ (50,556)
Capital assets acquired through leases	—	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (50,556)</u>

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

Enterprise Funds			Governmental Activities - Internal Service Funds	
Kentucky Public Employees Health Plan	Unemployment Compensation	Totals June 30, 2022		
\$ 175,835	\$ 375,711	\$ 728,805	\$	52,109
1,615,107	10	1,621,244		213,259
(5,860)	(7,816)	(64,197)		(126,646)
(4,961)	—	(98,637)		(77,466)
(1,914,477)	—	(1,968,296)		(28,266)
195,345	—	187,596		799
—	(1,200,761)	(1,200,699)		(40)
60,989	(832,856)	(794,184)		33,749
115	748,361	823,503		16,840
—	(5,102)	(30,562)		(6,478)
21,158	456,357	475,705		1,570
21,273	1,199,616	1,268,646		11,932
—	—	(3,011)		(10,406)
—	—	(2,424)		(11,566)
—	—	(513)		(193)
—	—	1		412
—	—	(5,947)		(21,753)
(29,187)	—	(91,486)		(3,716)
—	—	29,570		—
520	1,082	12,527		(6,525)
(28,667)	1,082	(49,389)		(10,241)
53,595	367,842	419,126		13,687
301,052	351,307	722,444		60,375
\$ 354,647	\$ 719,149	\$ 1,141,570	\$	74,062
\$ (60,365)	\$ (131,167)	\$ (237,564)	\$	24,974
—	—	18,236		29,526
—	—	(10,535)		—
46,303	(63,963)	(16,834)		(131)
—	10	693		(755)
—	—	43		(772)
(1,886)	—	(1,921)		(4,934)
1,024	—	(4,361)		(2,833)
2,882	(630,103)	(631,129)		(5,869)
—	(7,633)	(7,885)		342
61,682	—	77,152		(11,860)
—	—	(124)		728
(71)	—	(77)		65
—	—	(84)		(630)
1,657	—	3,975		748
81	—	(2,881)		(2,846)
10,800	—	10,843		—
(1,118)	—	8,269		7,996
\$ 60,989	\$ (832,856)	\$ (794,184)	\$	33,749
\$ —	\$ —	\$ (50,556)	\$	—
—	—	—		(98,454)
\$ —	\$ —	\$ (50,556)	\$	(98,454)

FIDUCIARY FUNDS FINANCIAL STATEMENTS

Pension (and Other Post Employment Benefit) Trust Funds account for monies received for and expenses incurred by the various public employee retirement systems administered by the Commonwealth. Kentucky uses the following pension (and other post employment benefit) trust funds:

- Kentucky Employees' Retirement System**
- County Employees' Retirement System**
- Judicial Retirement Plan**
- State Police Retirement System**
- Kentucky Teachers' Retirement System**
- Legislators' Retirement Plan**
- Kentucky Public Employees' Deferred Compensation Authority**

Private Purpose Trust Funds - are those funds held in a qualifying trust (same definition as Investment trust funds) that are not required to be reported in Pension (and other employee benefit) or Investment trust funds.

Specific activities listed under the Private Purpose Trust Funds are:

- Special Deposit Trust Fund**
- Commonwealth Choice Program**

Custodial Funds - are used to report fiduciary activities that are not required to be reported as another fiduciary fund type.

Specific activities listed under Custodial Funds are:

- County Fees Trust Fund**

Private Purpose Trust Funds and Custodial Funds

Individual fund statements for the Private Purpose Trust Funds and Custodial Funds, whose combined totals are presented on this statement, begin on page 265

COMMONWEALTH OF KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
ALL FIDUCIARY FUNDS
June 30, 2022
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds	Private Purpose Trust Funds	Custodial Funds
Assets			
Cash and cash equivalents (Note 5)	\$ 6,624,673	\$ 349,194	\$ 29,126
Investments, net of amortization (Note 5)	—	583,896	—
Pension trust fund investments (Note 5):			
Corporate and government bonds	17,363,000	—	—
Common stocks	18,363,388	—	—
Alternatives	2,500,468	—	—
Derivatives	(3,798)	—	—
Real estate	3,107,086	—	—
Other	2,868,182	—	—
Invested security collateral	537,895	—	—
Receivables, net	641,800	14,661	7,281
Prepaid expenses	28	—	—
Capital assets, net	9,579	—	—
Total Assets	52,012,301	947,751	36,407
Liabilities			
Investments - accounts payable	208,957	—	—
Accounts payable	106,168	508,672	—
Obligations under securities lending	537,895	—	—
Total Liabilities	853,020	508,672	—
Net Position			
Restricted for:			
Pensions	42,022,517	—	—
Other postemployment Benefits	9,136,764	—	—
Individuals , Organizations, and other Governments	—	439,079	36,407
Total Net Position	\$ 51,159,281	\$ 439,079	\$ 36,407

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, 2022
(Expressed in Thousands)

	Pension (and Other Post Employment Benefit) Trust Funds	Private Purpose Trust Funds	Custodial Funds
Additions			
Contributions:			
Employer	\$ 4,503,667	\$ —	\$ —
Member	1,047,554	—	—
Total Contributions	<u>5,551,221</u>	<u>—</u>	<u>—</u>
Other Contributions:			
Participant fees	7,650	—	—
Other receipts	50	34,061,939	188,131
Total Other Contributions	<u>7,700</u>	<u>34,061,939</u>	<u>188,131</u>
Investment income:			
Net increase (decrease) in fair value of investments	(5,648,865)	15,044	—
Interest	807,361	—	—
Dividends	260,821	—	—
Real estate operating income, net	16,231	—	—
Securities lending income, net	6,450	—	—
Total Investment Income	<u>(4,558,002)</u>	<u>15,044</u>	<u>—</u>
Less: Investment expense	333,927	—	—
Less: Securities lending expense	(488)	—	—
Net Investment Income	<u>(4,891,441)</u>	<u>15,044</u>	<u>—</u>
Total Additions	<u>667,480</u>	<u>34,076,983</u>	<u>188,131</u>
Deductions			
Benefit payments	4,952,194	33,538,595	—
Refunds	69,690	—	—
Administrative expenses	64,754	7	—
Self funding insurance costs	5,153	—	—
Healthcare premiums subsidies	377,014	—	—
Other deductions, net	107,232	479,083	180,520
Total Deductions	<u>5,576,037</u>	<u>34,017,685</u>	<u>180,520</u>
Change in Net Position	(4,908,557)	59,298	7,611
Net Position			
Restricted for:			
Pensions	42,022,517	—	—
Other Postemployment Benefits	9,136,764	—	—
Individuals , Organizations, and other Governments	—	439,079	36,407
Net Position at July 1, As Restated	<u>56,067,838</u>	<u>379,781</u>	<u>28,796</u>
Net Position at June 30	<u>\$ 51,159,281</u>	<u>\$ 439,079</u>	<u>\$ 36,407</u>

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

COMPONENT UNITS FINANCIAL STATEMENTS

Major Component Units

Kentucky Housing Corporation

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

Kentucky Higher Education Student Loan Corporation

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

Kentucky Lottery Corporation

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

Kentucky Public Transportation Infrastructure Authority (KPTIA)

The Kentucky Public Transportation Infrastructure Authority is an independent de jure municipal corporation and political subdivision of the Commonwealth established in 2009 pursuant to KRS Chapter 175B as amended. The authority reviews, approves and monitor 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 268

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2022
(Expressed in Thousands)

	Universities, Colleges, and Related Entities			
	University of Kentucky	University of Louisville	Kentucky Community and Technical College System	Kentucky Housing Corporation
Assets				
Current assets:				
Cash and cash equivalents (Note 5)	\$ 1,070,208	\$ 294,391	\$ 361,748	\$ 227,318
Restricted cash (Note 5)	—	161,835	—	—
Investments, net of amortization (Note 5)	63,567	383,833	—	45,666
Accounts receivable, net	828,852	461,000	29,494	9,143
Interest receivable	1,565	—	24	—
Lease Receivable (Note 11)	165	—	—	—
Inventories	62,823	59,747	—	—
Prepaid expenses	15,203	28,019	—	—
Other current assets	4,400	140,571	5,217	60,394
Total Current Assets	2,046,783	1,529,396	396,483	342,521
Noncurrent assets:				
Restricted cash (Note 5)	194,578	26,970	126,451	—
Long-term investments (Note 5)	100,299	1,138,231	18,793	172,431
Restricted long-term investments (Note 5)	2,177,066	—	296,052	—
Long-term receivables, net	334,575	717,363	1,388	344,359
Long-term Lease receivables (Note 11)	—	—	—	—
Capital assets (Note 6):				
Land	105,975	142,953	31,297	1,089
Improvements other than buildings	398,362	32,489	28,693	—
Buildings	4,315,434	1,832,483	1,051,282	6,243
Machinery and equipment	903,772	806,417	168,939	3,523
Infrastructure	—	—	—	—
Other capital assets	23,640	48,496	43,992	—
Easements and other intangibles	303,608	4,757	—	—
Leased Assets	53,586	177,911	21,853	—
Less: Accumulated depreciation and amortization	(2,653,254)	(1,405,474)	(623,545)	(7,567)
Less: Leased assets accumulated amortization	(7,694)	(11,127)	(5,503)	—
Construction in progress	131,438	80,117	32,954	—
Total Capital Assets	3,574,867	1,709,022	749,962	3,288
Other assets	7,609	547,462	67,156	6,462
Total Noncurrent Assets, Net	6,388,994	4,139,048	1,259,802	526,540
Total Assets	8,435,777	5,668,444	1,656,285	869,061
Deferred outflows of resources (Note 16)	19,436	19,129	21,267	—
Liabilities				
Current liabilities:				
Accounts payable and accruals	390,141	285,617	21,488	33,406
Current portion of long-term debt:				
Notes payable (Note 16)	1,420	2,328	10,917	3,600
Bonds payable (Note 16)	50,040	27,538	—	11,590
Lease obligations (Note 11)(Note 16)	8,247	11,603	4,071	—
Compensated absences (Note 16)(Note 17)	907	1,120	847	—
Prize liability (Note 16)	—	—	—	—
Unearned revenues	131,766	44,337	11,916	162,657
Payable from restricted assets	—	—	—	—
Other current liabilities	39,119	119,891	2,003	19,624
Total Current Liabilities	621,640	492,434	51,242	230,877
Noncurrent liabilities:				
Notes payable (Note 16)	22,020	91,512	117,494	—
Bonds payable (Note 16)	962,024	694,971	—	176,465
Lease obligations (Note 11)(Note 16)	101,906	25,522	11,750	—
Prize liability (Note 16)	—	—	—	—
Compensated absences (Note 16)(Note 17)	3,851	2,144	7,624	—
Net pension liability (Note 8) (Note 16)	—	—	156,954	—
Net OPEB liability (Note 9) (Note 16)	14,874	85,940	31,574	—
Other long-term liabilities	333,744	707,926	—	12,687
Total Noncurrent Liabilities	1,438,419	1,608,015	325,396	189,152
Total Liabilities	2,060,059	2,100,449	376,638	420,029
Deferred inflows of resources (Note 16)	606,924	719,905	124,763	—
Net Position				
Net investment in capital assets	1,975,798	1,280,212	607,121	3,288
Restricted for:				
Debt service	1,447	14,985	—	279,712
Capital projects	116,157	2,216	90,288	—
Other purposes (Note 1)	1,316,040	489,201	403,210	—
Unrestricted	2,378,788	1,080,605	75,532	166,032
Total Net Position	\$ 5,788,230	\$ 2,867,219	\$ 1,176,151	\$ 449,032

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, 2022
\$ 15,885	\$ 22,895	\$ —	\$ 1,044,637	\$ 3,037,082
—	2,639	—	25,510	189,984
—	1,384	119,896	26,353	640,699
96	74,956	9,995	264,603	1,678,139
26,201	—	—	2,641	30,431
—	—	—	2,781	2,946
—	—	—	5,112	127,682
508	—	—	13,578	57,308
109,516	1,120	—	97,502	418,720
<u>152,206</u>	<u>102,994</u>	<u>129,891</u>	<u>1,482,717</u>	<u>6,182,991</u>
144,159	—	—	173,925	666,083
9,020	5,330	—	419,885	1,863,989
—	—	—	390,552	2,863,670
735,400	—	—	1,086,495	3,219,580
—	—	—	69,780	69,780
—	423	—	209,211	490,948
—	—	—	303,187	762,731
—	8,630	—	3,955,488	11,169,560
9,113	10,110	—	607,638	2,509,512
—	—	1,043,967	—	1,043,967
—	—	—	121,842	237,970
904	—	66,572	—	375,841
1,986	9,638	—	48,512	313,486
(9,912)	(14,586)	—	(2,388,633)	(7,102,971)
(33)	—	—	(4,848)	(29,205)
—	—	—	62,527	307,036
<u>2,058</u>	<u>14,215</u>	<u>1,110,539</u>	<u>2,914,924</u>	<u>10,078,875</u>
—	5,268	5,201	46,574	685,732
890,637	24,813	1,115,740	5,102,135	19,447,709
<u>1,042,843</u>	<u>127,807</u>	<u>1,245,631</u>	<u>6,584,852</u>	<u>25,630,700</u>
9,454	—	21,243	263,581	354,110
1,601	10,569	15,877	105,479	864,178
50,019	—	988	4,328	73,600
15,190	—	9,305	454,163	567,826
362	3,667	—	6,330	34,280
2,418	1,449	—	23,905	30,646
—	70,071	—	1,487	71,558
—	—	—	91,242	441,918
—	—	—	3,009	3,009
6,733	9,545	—	29,099	226,014
<u>76,323</u>	<u>95,301</u>	<u>26,170</u>	<u>719,042</u>	<u>2,313,029</u>
160,488	—	443,803	61,538	896,855
645,023	—	337,366	853,036	3,668,885
1,591	5,971	—	88,361	235,101
—	8,547	—	—	8,547
—	539	—	937	15,095
63,546	—	—	967,961	1,188,461
12,182	—	—	171,570	316,140
438	—	—	47,086	1,101,881
<u>883,268</u>	<u>15,057</u>	<u>781,169</u>	<u>2,190,489</u>	<u>7,430,965</u>
959,591	110,358	807,339	2,909,531	9,743,994
<u>43,720</u>	—	—	<u>449,929</u>	<u>1,945,241</u>
105	4,577	442,071	1,788,146	6,101,318
87,798	—	88,072	1,249	473,263
—	—	—	50,993	259,654
5,863	—	—	2,236,608	4,450,922
(44,780)	12,872	(70,608)	(588,023)	3,010,418
<u>\$ 48,986</u>	<u>\$ 17,449</u>	<u>\$ 459,535</u>	<u>\$ 3,488,973</u>	<u>\$ 14,295,575</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
June 30, 2022
(Expressed in Thousands)

	Universities, Colleges, and Related Entities			
	University of Kentucky	University of Louisville	Kentucky Community and Technical College System	Kentucky Housing Corporation
Expenses:				
Operating and other expenses	\$ 4,421,271	\$ 3,323,084	\$ 607,187	\$ 464,509
Total Expenses	<u>4,421,271</u>	<u>3,323,084</u>	<u>607,187</u>	<u>464,509</u>
Program Revenues:				
Charges for services	3,791,529	3,043,377	111,740	84,759
Operating grants and contributions	602,601	132,023	91,964	403,460
Capital grants and contributions	64,215	—	—	—
Total Program Revenues	<u>4,458,345</u>	<u>3,175,400</u>	<u>203,704</u>	<u>488,219</u>
Net Program (Expense) Revenue	<u>37,074</u>	<u>(147,684)</u>	<u>(403,483)</u>	<u>23,710</u>
General Revenues:				
Unrestricted grants and contributions	215,307	309,601	511,529	—
Unrestricted investment earnings	(15,518)	(30,589)	(41,057)	—
Gain on sale of capital assets	—	—	(2,388)	—
Miscellaneous general	59,907	7,034	4,460	—
Transfers	—	(11,680)	26,710	—
Total General Revenues	<u>259,696</u>	<u>274,366</u>	<u>499,254</u>	<u>—</u>
Change in Net Position	<u>296,770</u>	<u>126,682</u>	<u>95,771</u>	<u>23,710</u>
Net Position at July 1, As Restated (Note 2)	5,491,460	2,740,537	1,080,380	425,322
Net Position at June 30	<u>\$ 5,788,230</u>	<u>\$ 2,867,219</u>	<u>\$ 1,176,151</u>	<u>\$ 449,032</u>

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

Authorities				
Kentucky Higher Education Student Loan Corporation	Kentucky Lottery Corporation	Kentucky Public Transportation Infrastructure Authority	Non-Major Component Units	All Component Units Totals June 30, 2022
\$ (4,952)	\$ 1,317,387	\$ 16,611	\$ 1,720,464	\$ 11,865,561
(4,952)	1,317,387	16,611	1,720,464	11,865,561
19,845	1,676,502	61,602	749,435	9,538,789
—	—	—	450,678	1,680,726
—	—	—	6,881	71,096
19,845	1,676,502	61,602	1,206,994	11,290,611
24,797	359,115	44,991	(513,470)	(574,950)
—	—	571	636,862	1,673,870
—	(353)	(31,551)	(14,233)	(133,301)
—	(24)	—	(4,684)	(7,096)
—	(121)	—	250,952	322,232
—	(359,333)	(1,494)	36,550	(309,247)
—	(359,831)	(32,474)	905,447	1,546,458
24,797	(716)	12,517	391,977	971,508
24,189	18,165	447,018	3,096,996	13,324,067
\$ 48,986	\$ 17,449	\$ 459,535	\$ 3,488,973	\$ 14,295,575



NOTES TO FINANCIAL STATEMENTS

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TO THE 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. In some instances, changes in estimates could be significant. For example, the estimate of outstanding claims for Unemployment Compensation.

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 KentuckyWired 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 [component unit addresses](#) for a complete list of contact information.)

Blended Component Units

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

Kentucky Retirement System (KRS 61.645)

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

Kentucky Teachers' Retirement System (KRS 161.220)

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

Judicial Form Retirement System (KRS 21.530)

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

Turnpike Authority of Kentucky (KRS 175.430)

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

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

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

KentuckyWired Infrastructure Company, Incorporated

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

Kentucky School Facilities Construction Commission (KRS 157.617)

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

Administrative Entities

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

State Property and Buildings Commission (KRS 56.450)

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

Kentucky Asset/Liability Commission (KRS 56.861)

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

Kentucky Tobacco Settlement Trust Corporation (KRS 248.480)

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

Kentucky Gas Pipeline Authority (KRS 353.752)

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

Board of Agriculture (KRS 246.120)

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

Discretely Presented Component Units

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

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

This authority is an independent de jure municipal corporation and political subdivision of the Commonwealth. The authority reviews, approves, and monitors certain significant transportation projects within the Commonwealth and between the Commonwealth and other states. If necessary, the authority can assist with the operation, financing and management of those projects. The authority consists of eleven voting members: the secretary of the Transportation Cabinet (Chair), the secretary of the Finance and Administration Cabinet (Vice Chair), one representative from the Kentucky Association of Counties, one representative from the Kentucky County Judges/Executive Association, one representative from the Kentucky League of Cities, and six citizens at-large. A financial benefit/burden exists between the Commonwealth and the authority.

Kentucky River Authority (KRS 151.710)

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

Kentucky Housing Corporation (KRS 198A.030)

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

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

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

Bluegrass State Skills Corporation (KRS 154.12-205)

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

Kentucky State Fair Board (KRS 247.090)

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

Kentucky Center for the Arts Corporation (KRS 153.410)

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

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

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

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

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

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

This authority is a body corporate and politic that operates to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions by insuring eligible student loans. The authority is governed by a board of directors 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, 2022, 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, 2021, 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.

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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 For Other Purposes

(Expressed in Thousands)

	Business-Type Activities	Major Component Units
Loans	\$ —	\$ 26,568
Education	—	662,746
Instruction	—	166,424
Scholarships and Fellowships	—	766,046
Research	—	592,530
Insurance Administration Claims	8,465	—
Unemployment Benefits Claims	906,511	—
Total	\$ 914,976	\$ 2,214,314

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

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity.

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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 2022, the total amount of sales and gross receipts tax reported in the government wide statements was \$7,951,621,000 and comprised of:

Sales and Gross Receipts Tax	
(Expressed in Thousands)	
Sales and Use Tax	\$ 5,162,017
Motor Fuels Tax	728,190
Motor Vehicles Usage Tax	650,069
Healthcare Provider Tax	295,114
Tobacco Products Tax	353,769
Insurance Premiums Tax	179,015
Limited Liability Entity Tax	253,914
Alcoholic Beverage Tax	186,463
Telecommunications Tax	77,310
Transient Room Tax	17,531
Parimutel and Race Track Admission Tax	48,229
Total Sales and Gross Receipts Tax	\$ 7,951,621

D. Fund Financial Statements

Primary Government – The accompanying financial statements are structured into three fund categories including governmental funds, proprietary funds, and fiduciary funds. Funds are characterized as either major or non-major. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (governmental or enterprise funds), and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Commonwealth’s major funds are identified herein.

Governmental Funds

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The State generally includes those revenues to be received up to thirty days following the end of the accounting period. Revenues expected to be collected after thirty days beyond the end of the fiscal year are considered unavailable and are reported as deferred inflows. Unearned revenues are reported as amounts received but unearned as of June 30.

Principal revenue sources accounted for on the modified accrual basis include federal grants, sales and use tax, coal severance tax, property tax, departmental fees, income taxes, and interest income. Motor vehicle registration fees and fines and forfeitures are accounted for on the cash basis. Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date.

In governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition; and principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

A description of major governmental funds follows:

General Fund – a major fund that accounts for and reports all financial resources appropriated by the General Assembly which are not required to be accounted for in another fund.

Special Revenue Funds – a category of governmental funds that accounts for the proceeds of specific revenue sources, other than for major capital projects, which are restricted or committed to expenditures for a specific purposes.

Included in this category are such funds as the transportation fund, federal fund, and agency revenue fund.

Transportation Fund – a major fund that accounts for and reports the proceeds of taxes, fees, and charges that are restricted or committed to activities related to the preservation and maintenance of roads.

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

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

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

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

Proprietary Funds

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

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

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

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

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

Insurance Administration Fund – a major fund that accounts for insurance risk pools operated by the State, including the Workers’ Compensation Special Fund, Coal Workers’ Pneumoconiosis Fund, Self-insurance 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.

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, Private Purpose Trust Funds, and Custodial Funds. The Commonwealth's fiduciary fund types consist of the following:

Pension and (Other Postemployment Benefit) Trust Funds – accounts for the activities of the Commonwealth of Kentucky and Local Retirement Systems, which accumulates resources for pension and other postemployment benefit payments to qualified public employees.

Specific activities listed under the Pension and (Other Postemployment Benefit) Trust Funds are:

1. Kentucky Employees' Retirement System.
2. County Employees' Retirement System.
3. State Police Retirement System.
4. Kentucky Teachers' Retirement System.
5. Judicial Form Retirement System (Judicial and Legislators' Retirement Plan).
6. Kentucky Public Employees' Deferred Compensation Authority.

Private Purpose Trust Funds - are those funds held in a qualifying trust (same definition as Investment trust funds) that are not required to be reported in Pension (and other employee benefit) or Investment trust funds.

Specific activities listed under the Private Purpose Trust Funds are:

1. Special Deposit Trusts holding monies for specific purposes.
2. Commonwealth Choice Program

Custodial Funds - are used to report fiduciary activities that are not required to be reported as another fiduciary fund type.

Specific activities listed under Custodial Funds are:

1. County Fees Fund holding monies for Kentucky Counties with a population of 70,000 or more.

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

E. Presentation of Component Units

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

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

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

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

- Bluegrass State Skills Corporation
- Kentucky Agricultural Finance Corporation
- Kentucky Artisan Center at Berea
- Kentucky Center for the Arts Corporation
- Kentucky Economic Development Finance Authority
- Kentucky Educational Television Authority
- Kentucky Grain Insurance Corporation
- Kentucky Horse Park Foundation
- Kentucky Higher Education Assistance Authority
- Kentucky Infrastructure Authority
- Kentucky 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 2022, the primary government provided \$272,330,200 to the University of Kentucky, \$184,262,400 to the Kentucky Community and Technical College System, \$130,129,300 to the University of Louisville, and \$6,302,400 to the Kentucky Higher Education Assistance Authority. The Commonwealth contributed capital in the amount of \$236,994 to the Kentucky Public Transportation Infrastructure Authority. In addition, the State received \$360,819,189.72 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, 2022, are \$11,550,756,000.

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. 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](#).

I. 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.

J. 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.

K. Capital Assets and Depreciation

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

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

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

The primary government values capital assets at historical cost, estimated historical cost or 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.

<u>Asset</u>	<u>Useful Life (Expressed in Years)</u>
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 2022 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 Annual Comprehensive Financial Report to include the capital assets and depreciation of the Center in order to satisfy GAAP requirements.

L. 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 Constraints on Fund Balance table within this note.

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 also assists employers in finding qualified applicants for their job openings, assists job seekers to find employment, provides benefits to ease the financial burden on individuals who are unemployed through no fault of their own, provides assessment, guidance, counseling and job placement services to assist eligible Kentuckians with disabilities achieve their career goals, offers educational assistance, job training, job placement, and assistive technology to Kentuckians with visual disabilities and complies and disseminates a wide range of workforce statistics, including employment, unemployment and wage information.

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

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 22,371 miles of secondary roads, 3,906 miles of primary roads, and more than 1,417 interstate and parkway miles. The Cabinet also provides direction for 51 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 \$1,482,127,088 on June 30, 2022.

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Constraints on Fund Balance

(Expressed in Thousands)

	Major Special Revenue Funds			
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund
Fund Balances:				
Nonspendable:				
Inventories	\$ 7,033	\$ 60,115	\$ 463	\$ 3,143
Restricted for:				
Government Administration	—	—	—	152,243
Legislative and Judicial	—	—	—	48,873
Commerce	—	—	—	194,323
Education	—	—	—	22,420
Health and Human Services	—	—	—	402,461
Environmental and Natural Resources	—	—	—	34,432
Justice	—	—	—	119,417
Public Protection	—	—	—	237,006
Transportation	—	770,883	—	2,412
Debt Service	—	—	—	—
Committed to:				
Government Administration	—	—	—	101,281
Education	—	—	—	788
Commerce	—	—	—	26,632
Environmental and Natural Resources	—	—	—	1,325
Justice	—	—	—	1,170
Public Protection	—	—	—	1,671
Transportation	—	—	—	19,536
Assigned to:				
Government Administration	57,604	—	—	5,258
Legislative and Judicial	37,598	—	—	8,505
Commerce	10,984	—	—	373
Education	6,668	—	—	5,062
Health and Human Services	—	—	—	853
Environmental and Natural Resources	—	—	—	216
Justice	146	—	—	9,067
Public Protection	1,670	—	—	5,536
Transportation	941	—	—	2
Unassigned	4,298,660	—	(271,897)	—
Total Fund Balances	\$ 4,421,304	\$ 830,998	\$ (271,434)	\$ 1,404,005

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<u>Capital Projects</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Total</u>
\$ —	\$ —	\$ 70,754
103,301	—	255,544
1,134	—	50,007
81,893	—	276,216
15,068	—	37,488
12,120	—	414,581
21,463	—	55,895
4,015	—	123,432
36,343	—	273,349
32,712	—	806,007
—	17,635	17,635
—	—	101,281
—	—	788
—	—	26,632
—	—	1,325
—	—	1,170
—	—	1,671
—	—	19,536
—	—	62,862
—	—	46,103
—	—	11,357
—	—	11,730
—	—	853
—	—	216
—	—	9,213
—	—	7,206
—	—	943
—	—	4,026,763
<u>\$ 308,049</u>	<u>\$ 17,635</u>	<u>\$ 6,710,557</u>

M. 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 and OPEB related transactions.

N. 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.

O. 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, 2022, the State has \$3,032,269,000 of conduit debt, which is made up of the Kentucky Economic Development Finance Authority with an outstanding bond balance of \$1,979,795,000 and the Kentucky Housing Corporation with an outstanding bond balance of \$1,052,474,000. The proceeds of which are used to promote the purposes set forth in KRS 103.200 and 103.210.

P. 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.

Q. 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.

R. Future Changes in Accounting Standards

As of June 30, 2022, the Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Commonwealth.

1. Statement No. 91, "Conduit Debt Obligations." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.
2. Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.
3. Statement No. 96, "Subscription-Based Information Technology Arrangements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.
4. Statement No. 101, "Compensated Absences." The requirements of this Statement will take effect for financial statements beginning after December 15, 2023 (fiscal year 2025).

Note 2

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

The following Accounting Pronouncements were adopted and implemented during the fiscal year.

1. GASB Statement No. 87 - Leases.

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

2. GASB Statement No. 92 - Omnibus 2020.

This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

3. GASB Statement No. 97 - Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84. and a supersession of GASB Statement No. 32.

This Statement increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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During fiscal year 2022, changes to or within the financial reporting entity and error corrections resulted in restatements to beginning fund balance, fund net position, and net position, as follows (amounts in thousands):

Reporting Units Affected by Restatements to Beginning Balances	June 30, 2021 As Previously Reported	Changes to or within the Financial Reporting Entity	Change in Accounting Principle	Change in Accounting Estimate	Error Correction	June 30, 2021 As Restated	Footnote Reference
Governmental Funds and Activities							
Major Funds:							
General	\$ 2,491,730	\$ —	\$ —	\$ —	\$ —	\$ 2,491,730	
Transportation	793,569	—	—	—	—	793,569	
Federal	(126,450)	—	—	—	—	(126,450)	
Agency Revenue	951,644	—	—	—	—	951,644	
Capital Projects	331,005	—	—	—	—	331,005	
Debt Service	15,882	—	—	—	—	15,882	
Non-Major Funds	941,416	—	—	—	—	941,416	
Total Governmental Funds	5,398,796	—	—	—	—	5,398,796	
Government-Wide Adjustments:							
Capital Assets, Net of Depreciation	26,343,435	—	—	—	—	26,343,435	
Deferred Outflows of Resources	4,137,426	—	—	—	—	4,137,426	
Total Long-Term Liabilities	(35,769,937)	—	4,882	—	(45,826)	(35,810,881)	
Deferred Inflows of Resources	(5,706,526)	—	—	—	—	(5,706,526)	
Inclusion of Internal Service Funds in Governmental Activities	(177,790)	—	(5,590)	—	—	(183,380)	
Total Governmental Activities	\$ (5,774,596)	\$ —	\$ (708)	\$ —	\$ (45,826)	\$ (5,821,130)	1, 3
Proprietary Funds and Business-Type Activities							
State Parks	\$ (91,061)	\$ —	\$ (436)	\$ —	\$ —	\$ (91,497)	1
Kentucky Horse Park	64,526	—	(112)	—	—	64,414	1
Unemployment Compensation	286,882	—	—	—	(331,821)	(44,939)	2
Internal Service Funds							
Fleet Management	14,978	—	10	—	—	14,988	1
Computer Services	(167,892)	—	(5,851)	—	—	(173,743)	1
Prison Industries	2,512	—	5	—	—	2,517	1
Central Printing	(5,461)	—	3	—	—	(5,458)	1
Property Management	229,399	—	243	—	—	229,642	1
Custodial Funds	28,796	—	—	—	—	28,796	
Component Units							
University of Louisville	2,734,232	—	6,305	—	—	2,740,537	1
Kentucky State Fair Board	344,341	—	1,141	—	—	345,482	1
Eastern Kentucky University	162,484	—	9	—	—	162,493	1
Morehead State University	147,110	—	(11)	—	—	147,099	1
Murray State University	280,320	—	1,016	—	—	281,336	1
Kentucky State University	9,324	—	—	—	(1,758)	7,566	4

1. A prior period restatement was done due to the implementation of GASB Statement No. 87, Leases.
2. An error relating to Accounts Payable for the Unemployment Insurance Fund.
3. An error relating to build to suit agreements for governmental activities.
4. Kentucky State University amounts are the fiscal year 2020 audited statements. Fiscal year 2021 and 2022 were not available at issuance.

Note 3

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **Federal Fund** – The Federal Fund has a net position deficit of \$271,434,000. The deficit is a result of expenditure accruals, which will be funded in future periods.

B. **Enterprise Funds** – State Parks has a net position deficit of \$78,494,000. The deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB Statement No. 68, 71 and 75.

The Insurance Administration Fund has a net position deficit of \$239,203,000. The deficit is a result of accumulated claims liability estimated by actuarial methods for the risk pools, which will be funded in future periods.

C. **Internal Service Funds** –

The Computer Services Fund has a net position deficit of \$135,360,000. The deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB Statement No. 68, 71 and 75.

The Central Printing Fund has a net position deficit of \$5,751,000. 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 \$237,121,000. 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.

D. **Component Units – Authorities** –

The Kentucky Authority for Educational Television has a net position deficit of \$24,906,000. This deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB Statement No. 68, 71 and 75.

E. **Component Units – Universities, Colleges, and Related Entities** –

The Kentucky Council on Postsecondary Education has a net position deficit of \$20,486,000. This deficit is a result of the recognition of the net pension and OPEB liability, in accordance with GASB Statement No. 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, 2022. 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, 2022. 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.

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The “Current Taxes Receivable” for Governmental Activities and Business-Type Activities are described below.

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

Disaggregation of Payables and Receivables
(Expressed in Thousands)

	Governmental Activities			Total Governmental Activities	Business- Type Activities	Total Primary Government
	Major Funds	Non-major Funds	Internal Service Funds		Major Funds	
Current Payables						
Personal services	\$ 83,353	\$ 1,025	\$ 2,733	\$ 87,111	\$ 19,211	\$ 106,322
Utilities, rental, and other services	19,421	1,585	8,555	29,561	1,087	30,648
Commodities and supplies	8,221	422	1,936	10,579	1,199	11,778
Claims	—	—	5,335	5,335	735	6,070
Grants and subsidies	791,962	25,899	2	817,863	120,134	937,997
Capital outlay	29,320	1,474	405	31,199	367	31,566
Travel	628	11	2	641	9	650
Interest Payable	87,879	—	—	87,879	10	87,889
Other	126,635	34	198	126,867	1,352	128,219
Total Current Payables	<u>\$ 1,147,419</u>	<u>\$ 30,450</u>	<u>\$ 19,166</u>	<u>\$ 1,197,035</u>	<u>\$ 144,104</u>	<u>\$ 1,341,139</u>
Current Receivables						
Charges for services	\$ 92,183	\$ 107,959	\$ 439	\$ 200,579	\$ 164,937	\$ 365,516
Taxes receivable	2,750,142	57,928	—	2,808,070	—	2,808,070
Investment receivable	15,368	—	—	15,368	1,025	16,393
Intergovernmental revenue	777,254	5	—	777,259	(8,531)	768,728
Other	151,207	33,471	34	184,712	368,837	553,549
Allowances for uncollectibles	(1,350,742)	(75,882)	—	(1,426,624)	(32,997)	(1,459,621)
Total Current Receivables	<u>\$ 2,435,412</u>	<u>\$ 123,481</u>	<u>\$ 473</u>	<u>\$ 2,559,364</u>	<u>\$ 493,271</u>	<u>\$ 3,052,635</u>

Taxes Receivable
(Expressed in Thousands)

	Governmental Activities		Total Primary Government
	Major Funds	Non-Major Funds	
Current Taxes Receivable			
Sales and gross receipts	\$ 1,345,114	\$ 2,438	\$ 1,347,552
Individual income	1,045,648	—	1,045,648
Corporate	131,416	—	131,416
Property	165,372	—	165,372
License and privilege	4,928	2,647	7,575
Coal severance	16,982	4,724	21,706
Inheritance and estate	12,419	—	12,419
Miscellaneous	28,263	48,119	76,382
Total Current Taxes Receivable	<u>\$ 2,750,142</u>	<u>\$ 57,928</u>	<u>\$ 2,808,070</u>

COMMONWEALTH OF KENTUCKY
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The State Property and Buildings Commission has issued revenue bonds and the Kentucky Asset Liability Commission has issued notes and entered into 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 liability is reflected in the financial statements of the various discretely presented component units, for which the debt was issued and a corresponding note receivable has been recorded in the financial statements of the Commonwealth to accurately reflect the transaction. Amounts due under these agreements are reflected in the following table:

Future debt service payments for notes receivable
(Expressed in Thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 9,746	\$ 5,448	\$ 15,194
2024	7,205	5,187	12,392
2025	7,075	4,897	11,972
2026	7,340	4,628	11,968
2027	7,685	4,290	11,975
2028-2032	43,765	16,100	59,865
2033-2037	46,365	5,921	52,286
2038-2041	3,225	117	3,342
Total notes receivable	<u>\$ 132,406</u>	<u>\$ 46,588</u>	<u>\$ 178,994</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 \$2,684,228,000 and the bank balance was \$2,684,228,000. 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.

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, 2022, 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.

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, 2022, are presented on the next page. All investments are presented by investment type.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
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Cash And Investments By Type

Primary Government

(Expressed in Thousands)

I. Cash

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash	\$ 1,819,498	\$ 1,819,498
Cash with Fiscal Agents	147,160	147,160
Cash with Federal Government	717,570	717,570
Total Cash	<u>\$ 2,684,228</u>	<u>\$ 2,684,228</u>

Investments Managed Based Upon Duration

Debt Securities

	<u>Fair Value</u>	<u>Effective Duration</u>
Cash Equivalents	\$ 307,136	—
Fixed Income Mutual Funds	5,144,318	0.06
U.S. Government & Agency Obligations	3,378,774	1.01
Mortgage-Backed Securities	30,197	2.25
Corporate Obligations	22,237	0.55
Asset Backed Securities	76,535	0.86
Total Debt Securities	<u>8,959,197</u>	
Portfolio Effective Weighted Duration		<u>0.43</u>

Other Investments

Fixed Income Mutual Funds	26,491
Common Stock	1,002
Total Other Investments	<u>27,493</u>
Total Investments	<u>\$ 8,986,690</u>

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth is statutorily limited as to credit ratings, at the time of purchase. Commercial paper must be rated in the highest category by a nationally recognized rating agency. United States denominated corporate, Yankee, and Eurodollar securities must be rated in one of the three highest categories by a nationally recognized rating agency. Asset-backed securities must be rated in the highest category by a nationally recognized rating agency. Certificates of Deposit and Bankers acceptances must be rated in one of the three highest categories by a nationally recognized rating agency. By regulation all mortgage pass-through securities and collateralized mortgage obligations must be issued by U.S. government agencies or by government sponsored entities.

The primary government's, excluding the pension and OPEB trust funds, rated debt investments as of June 30, 2022, and the ratings are presented on the next page.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

Investments and Credit Ratings

Primary Government

(Expressed in Thousands)

	Standard & Poor's/Moody's Credit Ratings						Total Fair Value of Investments
	AAA/Aaa	AA/Aa	A	BBB/	Unrated	NA	
Cash Equivalents	\$ —	\$ —	\$ —	\$ —	\$ 307,136	\$ —	\$ 307,136
Fixed Income Mutual Funds	5,144,318	—	—	—	—	26,491	5,170,809
U.S. Government & Agency Obligations	—	3,378,774	—	—	—	—	3,378,774
Mortgage-Backed Securities	—	30,197	—	—	—	—	30,197
Corporate Obligations	7,444	—	14,793	—	—	—	22,237
Common Stock	—	—	—	—	—	1,002	1,002
Asset Backed Securities	76,535	—	—	—	—	—	76,535
	<u>\$ 5,228,297</u>	<u>\$ 3,408,971</u>	<u>\$ 14,793</u>	<u>\$ —</u>	<u>\$ 307,136</u>	<u>\$ 27,493</u>	<u>\$ 8,986,690</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Regulation limits the amount owned of any given issuer of corporate and commercial paper to \$25,000,000. At June 30, 2022, 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, 2022 and 2021, the Company's money market account 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 assumptions 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.
- Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

The primary government's, excluding the pension and OPEB trust funds, has the following valuation measurements, by type, as of June 30, 2022.

Fair Value Measurements and Techniques

Primary Government

(Expressed in Thousands)

	Fair Value Measurement Using				Amortized or Historical Cost
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments					
Cash Equivalents	\$ 307,136	\$ 307,136	\$ —	\$ —	\$ —
U.S. Agencies/Treasuries	3,378,774	3,378,774	—	—	—
Fixed Income Mutual Funds	5,144,318	—	5,144,318	—	26,491
Mortgage Backed Securities	30,197	—	30,197	—	—
Corporate Debt	22,237	—	22,237	—	—
Asset Backed Securities	76,535	—	76,535	—	—
Common Stock	—	—	—	—	1,002
Total Investments	\$ 8,959,197	\$ 3,685,910	\$ 5,273,287	\$ —	\$ 27,493

PENSION AND OPEB TRUST FUNDS

Custodial Credit Risk-Deposits and Investments

The custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. At year end, the carrying amount of the deposits for the Pension and OPEB trust funds was \$633,602,000 and the bank balance was \$659,063,000.

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 \$2,482,877,000 which are uninsured and not registered in the name of the Commonwealth but are held by the counterparty.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Kentucky Revised Statutes (KRS 61.650) grants the responsibility for the investment of plan net position to the Board of Trustees of the Retirement Systems. Each System has very specific policies regarding their investment activity. A detailed discussion of those policies can be found in the notes to the audited financial statements of the various Pension and OPEB Trust Funds.

The Pension and OPEB Trust Funds investments at June 30, 2022, are presented on the following page. All investments are presented by investment type.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

Cash and Investments by Type
Pension and OPEB Trust Funds
(Expressed in Thousands)

I. Cash

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash	\$ 633,602	\$ 659,063
Total Cash	<u>\$ 633,602</u>	<u>\$ 659,063</u>

II. Investments:

Investments Managed Based On Maturities

Debt Securities	<u>Fair Value</u>	<u>< 1 year</u>	<u>1-5 Years</u>	<u>6-15 Years</u>	<u>16-30 Years</u>
Fixed Income Mutual Funds	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. Government & Agency Obligations	1,278,818	—	74,800	1,201,012	3,006
Corporate Obligations	1,769,250	5,643	99,917	1,663,690	—
Mortgage-Backed Securities	170,159	—	—	138,685	31,474
Asset-Backed Securities	30,303	—	—	30,303	—
Municipal Obligations	324,823	—	—	324,823	—
Other	25,560	—	—	25,560	—
Total Debt Securities	<u>\$ 3,598,913</u>	<u>\$ 5,643</u>	<u>\$ 174,717</u>	<u>\$ 3,384,073</u>	<u>\$ 34,480</u>

Investments Managed Based Upon Duration

Debt Securities	<u>Fair Value</u>	<u>Modified</u>	<u>Macaulay</u>
Cash Equivalents	\$ 783,868	2.26	—
Fixed Income Mutual Funds	3,770	2.04	—
U.S. Government & Agency Obligations	410,034	5.94	—
Mortgage-Backed Securities	612,915	4.74	—
Corporate Obligations	1,610,429	3.41	—
Asset Backed Securities	572,776	1.42	—
Municipal Obligations	14,454	4.83	—
Mortgage Loans	88,512	2.15	—
Guaranteed Investment Contracts\Annuities	712,231	—	3.67
Other	3,186,804	2.35	—
Other	2	—	—
Total Debt Securities	<u>\$ 7,995,795</u>		
Portfolio Weighted Modified Duration		<u>2.9</u>	
Portfolio Weighted Macaulay Duration			<u>3.67</u>

Other Investments

Cash Equivalents	\$ 2,642,723
Fixed Income Mutual Funds	2,766
Corporate Obligations	208,203
Common Stock	27,454,321
Pooled Investments	13,142
Limited Partnerships	2,292,266
Real Estate	3,107,087
Securities Lending	2,822,762
Other Investments	579,515
Total Other Investments	<u>\$ 39,122,785</u>

Total Investments	<u>\$ 50,717,493</u>
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Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Each 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, 2022, and the ratings are presented in the following table.

Investments and Credit Ratings	
Pension and OPEB Trust Funds	
(Expressed in Thousands)	
Quality Rating	Amount
AAA	\$ 1,648,240
AA+	20,546
AA	504,785
AA-	44,755
A+	26,762
A	757,301
A-	143,431
BBB+	226,484
BBB	991,440
BBB-	398,574
BB+	265,710
BB	179,914
BB-	207,473
B+	192,325
B	228,536
B-	143,894
CCC+	69,691
CCC	21,791
CCC-	368
CC	46
NR	3,639,867
Total Credit Risk Debt Securities	<u>\$ 9,711,933</u>
Cash Equivalents	\$ 2,642,723
U.S. Government & Agencies	1,882,775
Fixed Income Mutual Funds	2,766
Corporate Obligations	208,203
Common Stock	27,454,321
Limited Partnerships	2,305,408
Real Estate	3,107,087
Securities Lending	537,895
Other	2,864,382
Total Investments	<u><u>\$ 50,717,493</u></u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of the Kentucky Public Employees' Deferred Compensation Authority's (KPEDCA) there is a policy limiting the amount of investment in a single issuer to 5% or less of the investment portfolios fair value. The following KPEDCA Fund investment contracts represent 5% or more of investments held in trust for Plan benefits at June 30, 2022.

<u>Asset Description</u>	<u>Amount</u>
Fixed Contract Fund	\$ 712,231
Vanguard Institutional Index fund	703,794
Fidelity Growth Co	405,467
T Rowe Price Mid C	344,161
Vanguard Wellington	286,959
Vanguard Ext Market	142,594

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, 2022, are presented on the following page.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

Foreign Currency Risk

Pension and OPEB Trust Funds (Expressed in Thousands)

Foreign Currency	Short Term	Equity	Debt	None Designated	Total
American Funds Euro Pacific Growth Fund	\$ —	\$ 118,072	\$ —	\$ —	\$ 118,072
Argentine Peso	—	—	173	—	173
Australian Dollar	61,588	124,992	6,737	—	193,317
Bermudian Dollar	—	27,051	4,034	—	31,085
Brazilian Real	384	175,649	—	—	176,033
British Pound Sterling	(54,747)	780,284	39,764	—	765,301
Canadian Dollar	(5,828)	354,455	71,453	—	420,080
Cayman Islands Dollar	1	25,761	22,795	—	48,557
Chilean Peso	15,045	913	1,746	—	17,704
Chinese R Yuan HK	(19,698)	304,691	—	—	284,993
Chinese Yuan Renminbi	—	517	—	—	517
Columbian Peso	25,840	2,593	—	—	28,433
Czech Koruna	—	6,566	—	—	6,566
Danish Krone	5,242	192,773	384	—	198,399
Dodge & Cox International Stock Fund	—	82,634	—	—	82,634
Egyptian Pound	—	1,236	—	—	1,236
Euro	(64,274)	2,752,025	92,673	—	2,780,424
Gibraltar Pound	—	—	878	—	878
Guernsey Pound	—	17,345	—	—	17,345
Hong Kong Dollar	(5,847)	403,483	—	—	397,636
Hungarian Forint	—	7,813	—	—	7,813
Indian Rupee	(20,043)	187,658	—	—	167,615
Indonesian Rupiah	(15,762)	70,774	—	—	55,012
Israeli New Shekel	3,838	15,990	526	—	20,354
Jamaican Dollar	—	—	127	—	127
Japanese Yen	36,088	797,202	6,653	—	839,943
Jersey Pound	—	18,498	1,826	—	20,324
Korean Won	10,164	105,906	—	—	116,070
Kuwaiti Dinar	—	2,290	—	—	2,290
Liberian Dollar	—	497	4,828	—	5,325
Malaysian Ringgit	3,741	12,027	—	—	15,768
Mexican Peso	670	54,276	3,333	—	58,279
Netherlands Antillean Guilder	—	9,916	—	—	9,916
New Taiwan Dollar	—	81,630	—	—	81,630
New Zealand Dollar	3,017	9,453	—	—	12,470
Norwegian Krone	26,101	88,926	3,653	—	118,680
Panamanian Balboa	—	351	4,623	—	4,974
Peruvian Nuevo Sol	—	—	336	—	336
Philippine Peso	1,463	3,142	251	—	4,856
Polish Zloty	—	2,673	732	—	3,405
Qatari Rial	—	2,838	—	—	2,838
Saudi Riyal	—	11,211	—	—	11,211
Singapore Dollar	7,062	44,388	482	—	51,932
South African Rand	13,107	92,093	—	—	105,200
South Korean Won	—	82,814	—	—	82,814
Swedish Krona	21,689	122,426	—	—	144,115
Swiss Franc	(1,680)	320,808	7,373	—	326,501
Taiwan Dollar	(14,615)	100,510	—	—	85,895
Thai Bhat	5,560	29,377	—	—	34,937
Turkish Lira	—	7,657	708	—	8,365
UAE Dirham	—	6,884	—	—	6,884
Various	13,015	26	—	—	13,041
Total Securities Subject To Foreign Currency Risk	51,121	7,661,094	276,088	—	7,988,303
USD (Securities Held By Intl Investment Mgrs)	—	—	—	13,260,828,718	13,260,828,718
Total International Investment Securities	\$ 51,121	\$ 7,661,094	\$ 276,088	\$ 13,260,828,718	\$13,268,817,021

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, 2022, 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, 2022. 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 assumptions 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.
- Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost.

The Pension and OPEB trust funds, have the following valuation measurements, by type, as of June 30, 2022. More detail on the valuation measurements may be found in the audited financial statements of each retirement system.

COMMONWEALTH OF KENTUCKY
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Fair Value Measurements and Techniques

Pension and OPEB Trust Funds

(Expressed in Thousands)

	Total Fair Value	Fair Value Measurement Using			Amortized or Historical Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Agencies/Treasuries	\$ 1,618,382	\$ 1,533,834	\$ 84,548	\$ —	\$ —
Guaranteed investment contracts	—	—	—	—	712,231
Cash Equivalents	3,073,719	1,125,825	1,485,873	462,021	233,485
Mortgage Backed Securities	909,514	—	909,332	182	—
Corporate Debt	11,943,171	6,654,596	4,968,423	320,152	—
State and Municipal Obligations	397,545	—	397,545	—	—
Asset Backed Securities	659,923	—	659,923	—	—
Real Estate	402,120	—	—	402,120	1,255,754
Common Stock	22,011,406	20,464,004	1,547,402	—	—
Securities Lending	—	—	—	—	537,895
Other:	3,298,307	2,814,029	5,061	479,217	3,664,041
Total Investments	\$ 44,314,087	\$ 32,592,288	\$ 10,058,107	\$ 1,663,692	\$ 6,403,406

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 \$2,521,886,000 and bank balance was \$1,256,175,000.

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 table on the next page summarizes the custodial credit risk maintained for investments held by the major discretely presented component units for the fiscal year ended June 30, 2022.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
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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;	\$	—
b) collateralized with securities held by the pledging financial institution; or		547,746
c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commonwealth's name.		—
	<u>\$</u>	<u>547,746</u>

Total Deposits Subject To Custodial Credit Risk

II. Non-Current Cash And Investments:

Non-current cash and investments which are uninsured, are not registered in the name of the Commonwealth, and are held by either

(a) the counterparty or	\$	1,440,080
(b) the counterparty's trust department or agent but not in the Commonwealth's name.		63,360
	<u>\$</u>	<u>1,503,440</u>

Total Non-Current Cash And Investments Subject To Custodial Credit Risk

Investment Types:

	<u>Type A</u> <u>(counterparty)</u>	<u>Type B</u> <u>(trust or agent)</u>
Debt Securities		
Cash Equivalents	\$ —	\$ —
Fixed Income Mutual Funds	210,525	—
Limited Partnerships	670,032	—
U.S. Government & Agency Obligations	112,850	—
Mortgage Backed Securities	—	—
Municipal Obligations	31,502	—
Other	274,281	—
Total Debt Securities	<u>1,299,190</u>	<u>—</u>
Other Investments		
Fixed Income Mutual Funds	—	—
Common Stock	125,776	—
Funds Held In Trust By Others	—	63,360
Other Various	15,114	—
Total Other Investments	<u>140,890</u>	<u>63,360</u>
	<u>Total Type A</u>	<u>Total Type B</u>
	1,440,080	63,360
Total Non-Current Cash And Investments Subject To Custodial Credit Risk		<u>\$ 1,503,440</u>

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.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
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The following table summarizes the investments held by the major discretely presented component units for the fiscal year ended June 30, 2022.

Cash And Investments By Type

Discretely Presented Major Component Units

(Expressed in Thousands)

I. Cash

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash	\$ 1,158,665	\$ 1,103,495
Money Market	415,207	153,674
Other	948,014	(994)
Total Cash	<u>\$ 2,521,886</u>	<u>\$ 1,256,175</u>

II. Investments

Investments Managed Based On Maturities

Debt Securities

	<u>Fair Value</u>	<u>< 1 year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>> 10 Years</u>
Cash Equivalents	\$ 406,971	\$ 406,971	\$ —	\$ —	\$ —
Fixed income Mutal Funds	203,488	117,286	73,488	12,637	77
U.S. Government & Agency Obligations	94,111	47,810	46,301	—	—
Guaranteed Investment Contracts/Annuities	27,361	—	12,415	14,946	—
Total Debt Securities	<u>731,931</u>	<u>\$ 572,067</u>	<u>\$ 132,204</u>	<u>\$ 27,583</u>	<u>\$ 77</u>

Investments Managed Based Upon Duration

Debt Securities

	<u>Fair Value</u>	<u>Effective</u>	<u>Modified</u>
Money Market Funds	45,216	—	—
Fixed Income Mutual Funds	473,803	—	2.47
Fixed Income Mutual Funds	—	—	—
Fixed Income Mutual Funds	—	0.00	—
U.S. Government & Agency Obligations	4,238	2.00	—
U.S. Government & Agency Obligations	151,006	2.28	—
U.S. Government & Agency Obligations	6,714	3.00	—
Mortgage Backed Securities	563	8.19	—
Mortgage Backed Securities	21,875	0.44	—
Limited Partnerships	—	—	—
Funds Held in Trust by Others	—	—	—
Corporate Debt	4,219	2.88	—
Total Debt Securities	<u>707,634</u>		
Portfolio Effective Weighted Duration		<u>2.08</u>	
Portfolio Modified Weighted Duration			<u>2.47</u>

Other Investments

Fixed Income Mutual Funds	1,388,379
Common Stock	299,570
Limited Partnerships	715,593
Alternatives	272,253
Real Estate	270,678
Funds Held In Trust By Others	63,360
Other	82,170
Total Other Investments	<u>3,092,003</u>
Total Investments	<u>\$ 4,531,568</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

Credit Risk of Debt Securities

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

The major discretely presented component units, investments as of June 30, 2022, and the ratings are presented in the following table.

Investments and Credit Ratings

Discretely Presented Major Component Units

(Expressed in Thousands)

	Standard & Poor's/Moody's Credit Ratings							Total Fair Value of Investments
	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba or Lower	Unrated	NA	
Cash Equivalents	\$ 266,814	\$ —	\$ —	\$ —	\$ —	\$ 238,934	\$ 318,967	\$ 824,715
Fixed Income Mutual Funds	132,407	97,337	95,745	96,895	2,957	1,090,544	297,883	1,813,768
U.S. Government & Agency Obligations	155,768	—	—	—	—	1,556	137,130	294,454
Mortgage Backed Securities	22,438	—	—	—	—	—	—	22,438
Corporate Obligations	1,500	45	1,378	1,296	—	—	—	4,219
Guaranteed Investment Contracts/Annuities	—	508	—	—	—	11,907	—	12,415
Other	—	563	—	—	—	314,845	1,244,151	1,559,559
Total Investments	\$ 578,927	\$ 98,453	\$ 97,123	\$ 98,191	\$ 2,957	\$1,657,786	\$1,998,131	\$ 4,531,568

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 10%, 69%, and 21%, 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, 2022. The university has \$1,394,000 in a pooled private equity fund, \$2,036,000 in a pooled private real estate fund, \$23,812,000 in fixed income high quality/rate sensitive equity, 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.

Note 6

CAPITAL ASSETS AND LEASE ASSETS

Capital asset and leased asset activity for the year ended June 30, 2022 (Expressed in Thousands)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Decreases	
Primary Government:				
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 244,948	\$ 11,425	\$ (6)	\$ 256,367
Construction in progress	2,375,618	545,911	(824,698)	2,096,831
Infrastructure	22,260,881	597,128	(57,822)	22,800,187
Easements and Other Intangibles	100,252	696	—	100,948
Total capital assets not being depreciated	<u>24,981,699</u>	<u>1,155,160</u>	<u>(882,526)</u>	<u>25,254,333</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	37,959	3,069	(50)	40,978
Buildings	1,774,949	189,606	(11,579)	1,952,976
Machinery and Equipment	861,375	65,456	(42,441)	884,390
Easements and Other Intangibles	134,519	2,541	—	137,060
Total capital assets, being depreciated/amortized	<u>2,808,802</u>	<u>260,672</u>	<u>(54,070)</u>	<u>3,015,404</u>
<i>Less capital assets accumulated depreciation/amortization:</i>				
Improvements other than buildings	(16,844)	(1,182)	50	(17,976)
Buildings	(808,366)	(66,892)	7,464	(867,794)
Machinery and Equipment	(570,051)	(73,871)	42,451	(601,471)
Easements and Other Intangibles	(51,805)	(6,763)	—	(58,568)
Total capital assets accumulated depreciation	<u>(1,447,066)</u>	<u>(148,708)</u>	<u>49,965</u>	<u>(1,545,809)</u>
<i>Leased assets, being depreciated/amortized:</i>				
Buildings	182,704	—	—	182,704
Machinery and Equipment	39,209	—	—	39,209
Total leased assets, being depreciated/amortized	<u>221,913</u>	<u>—</u>	<u>—</u>	<u>221,913</u>
<i>Less leased assets accumulated depreciation for:</i>				
Buildings	(6,970)	(24,074)	—	(31,044)
Machinery and Equipment	(777)	(8,860)	—	(9,637)
Total leased assets accumulated depreciation	<u>(7,747)</u>	<u>(32,934)</u>	<u>—</u>	<u>(40,681)</u>
Total capital assets and leased assets, being depreciated/ amortized, net	<u>1,575,902</u>	<u>79,030</u>	<u>(4,105)</u>	<u>1,650,827</u>
Governmental activities capital assets and leased assets, net	<u>\$ 26,557,601</u>	<u>\$ 1,234,190</u>	<u>\$ (886,631)</u>	<u>\$ 26,905,160</u>

COMMONWEALTH OF KENTUCKY
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Business-type activities	Beginning Balance	Additions	Decreases	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 24,943	\$ —	\$ —	\$ 24,943
Construction in progress	9,724	1,770	(953)	10,541
Other capital assets	2,276	—	—	2,276
Total capital assets, not being depreciated	<u>36,943</u>	<u>1,770</u>	<u>(953)</u>	<u>37,760</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	156,272	—	—	156,272
Buildings	373,354	1,259	—	374,613
Machinery and Equipment	21,794	635	(761)	21,668
Easements and Other Intangibles	4,638	—	—	4,638
Total capital assets, being depreciated/amortized	<u>556,058</u>	<u>1,894</u>	<u>(761)</u>	<u>557,191</u>
<i>Less capital assets accumulated depreciation for:</i>				
Improvements other than buildings	(99,958)	(4,365)	—	(104,323)
Buildings	(216,424)	(12,179)	80	(228,523)
Machinery and Equipment	(15,698)	(899)	701	(15,896)
Easements and Other Intangibles	(2,731)	(208)	—	(2,939)
Total capital assets accumulated depreciation	<u>(334,811)</u>	<u>(17,651)</u>	<u>781</u>	<u>(351,681)</u>
<i>Leased assets, being depreciated/amortized:</i>				
Buildings	1,945	—	—	1,945
Machinery and Equipment	405	—	—	405
Total leased assets, being depreciated/amortized	<u>2,350</u>	<u>—</u>	<u>—</u>	<u>2,350</u>
<i>Less leased assets accumulated depreciation for:</i>				
Buildings	—	(504)	—	(504)
Machinery and Equipment	(193)	(81)	—	(274)
Total leased assets accumulated depreciation	<u>(193)</u>	<u>(585)</u>	<u>—</u>	<u>(778)</u>
Total capital assets and leased assets, being depreciated/ amortized, net	<u>223,404</u>	<u>(16,342)</u>	<u>20</u>	<u>207,082</u>
Business-type activities capital assets and leased assets, net	<u>\$ 260,347</u>	<u>\$ (14,572)</u>	<u>\$ (933)</u>	<u>\$ 244,842</u>

Depreciation expense charged to functions/programs of the primary government is as follows:
(Expressed in Thousands)

	Governmental Activities	Business-type Activities
General Government	\$ 17,750	\$ —
Legislative and Judicial	4,810	—
Commerce	2,794	—
Education and Humanities	2,678	—
Human Resources	29,611	—
Justice	49,639	—
Natural Resources and Environmental Protection	3,144	—
Public Protection and Regulation	1,734	—
Transportation	39,919	—
Capital assets held by government's internal service funds are charged to the various functions based on usage of the assets	29,563	—
State Parks	—	12,918
Horse Park	—	4,420
Insurance Administration	—	898
Total depreciation expense by activities	<u>\$ 181,642</u>	<u>\$ 18,236</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

Capital asset and leased asset activity for the year ended June 30, 2022 (Expressed in Thousands)

	Component Units			
	Beginning Balance	Additions	Retirements	Ending Balance
Discretely Presented Major Component Units:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 263,848	\$ 19,215	\$ (1,326)	\$ 281,737
Construction in progress	231,960	137,386	(124,837)	244,509
Infrastructure	1,043,778	189	—	1,043,967
Other capital assets	74,256	28	(2,148)	72,136
Totals, capital assets not being depreciated	<u>1,613,842</u>	<u>156,818</u>	<u>(128,311)</u>	<u>1,642,349</u>
<i>Capital assets, being depreciated/amortized:</i>				
Improvements other than buildings	452,017	9,973	(2,446)	459,544
Buildings	7,002,719	240,043	(28,690)	7,214,072
Machinery and Equipment	1,962,496	118,898	(135,528)	1,945,866
Easements and Other Intangibles	377,002	56	(1,217)	375,841
Total capital assets, being depreciated/amortized	<u>9,794,234</u>	<u>368,970</u>	<u>(167,881)</u>	<u>9,995,323</u>
<i>Less capital assets accumulated depreciation for:</i>				
Improvements other than buildings	(191,709)	(17,890)	224	(209,375)
Buildings	(2,672,708)	(240,018)	12,268	(2,900,458)
Machinery and Equipment	(1,371,900)	(119,246)	70,914	(1,420,232)
Easements and Other Intangibles	(166,817)	(17,766)	310	(184,273)
Total capital assets accumulated depreciation	<u>(4,403,134)</u>	<u>(394,920)</u>	<u>83,716</u>	<u>(4,714,338)</u>
<i>Leased assets, being depreciated/amortized:</i>				
Buildings	31,068	6,626	—	37,694
Machinery and Equipment	110,043	121,735	(4,498)	227,280
Total leased assets, being depreciated/amortized	<u>141,111</u>	<u>128,361</u>	<u>(4,498)</u>	<u>264,974</u>
<i>Less leased assets accumulated depreciation for:</i>				
Buildings	(1,076)	(5,353)	—	(6,429)
Machinery and Equipment	(8,742)	(9,186)	—	(17,928)
Total leased assets accumulated depreciation	<u>(9,818)</u>	<u>(14,539)</u>	<u>—</u>	<u>(24,357)</u>
Total capital assets and leased assets, being depreciated/ amortized, net	<u>5,522,393</u>	<u>87,872</u>	<u>(88,663)</u>	<u>5,521,602</u>
Component units capital assets and leased assets, net	<u>\$ 7,136,235</u>	<u>\$ 244,690</u>	<u>\$ (216,974)</u>	<u>\$ 7,163,951</u>

Depreciation expense charged to functions/programs of discretely presented major component units is as follows:
(Expressed in Thousands)

Kentucky Housing Corporation	\$ 298
Kentucky Higher Education Student Loan Corporation	138
University of Kentucky	211,834
University of Louisville	71,169
Kentucky Community and Technical College System	48,420
Kentucky Lottery Corporation	<u>1,142</u>
Total depreciation expense by functions/programs	<u>\$ 333,001</u>



COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

Note 7

INTERFUND TRANSACTIONS

Interfund Transfers In and Out

The table below shows the interfund operating transfers for fiscal year 2022
(Expressed in Thousands)

Transfers In	Transfers Out					
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund	Debt Service Fund
General Fund	\$ —	\$ —	\$ 3,090	\$ 52,061	\$ —	\$ —
Transportation Fund	—	—	—	837	62	—
Federal Fund	1,246	—	—	—	—	—
Agency Revenue Fund	227,989	212	30,054	—	6,754	—
Capital Projects Fund	16,091	14,689	25,315	60,079	—	—
Debt Service	513,720	7,943	78,759	5,009	944	—
Non-Major Governmental Funds	252,027	130,276	—	314,925	1	—
State Parks Fund	49,471	—	386	205	22,243	—
Kentucky Horse Park Fund	1,732	—	—	45	900	—
Kentucky Public Employees Health Plan	115	—	—	—	—	—
Insurance Administration Fund	—	—	5	40	—	—
Unemployment Compensation Fund	—	—	748,361	—	—	—
Internal Service Funds	1,322	—	—	579	14,500	—
Fiduciary Funds	30	—	—	—	—	—
Total	\$ 1,063,743	\$ 153,120	\$ 885,970	\$ 433,780	\$ 45,404	\$ —

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 2022
(Expressed in Thousands)

Interfund Receivables	Interfund Payables				
	General Fund	Transportation Fund	Federal Fund	Agency Revenue Fund	Capital Projects Fund
General Fund	\$ —	\$ —	\$ 8,352	\$ 3,759	\$ —
Transportation Fund	208	—	77	614	—
Federal Fund	17,355	60	—	5,008	—
Agency Revenue Fund	102,596	128	89,040	—	23
Capital Projects Fund	2,266	—	—	—	—
Non-Major Governmental Funds	8,938	—	—	3,630	—
State Parks Fund	317	5	—	—	—
Kentucky Horse Park Fund	—	—	—	8	—
Kentucky Public Employees Health Plan	—	—	—	—	—
Insurance Administration Fund	1	—	—	12	—
Unemployment Insurance Fund	—	—	—	—	—
Internal Service Funds	1,091	—	—	171	—
Fiduciary Fund Agency Funds	—	—	—	—	—
Total	\$ 132,772	\$ 193	\$ 97,469	\$ 13,202	\$ 23

Reasons for interfund payables and receivables:

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

COMMONWEALTH OF KENTUCKY
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Transfers Out

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
\$ 13,440	\$ —	\$ —	\$ —	\$ 13,000	\$ —	\$ 2,500	\$ 1,080	\$ 85,171
—	—	—	—	—	—	—	—	899
—	—	—	—	—	—	—	—	1,246
165,210	—	—	—	7,956	5,102	904	—	444,181
301	—	23	—	3,367	—	2,453	—	122,318
24,831	364	—	—	—	—	182	—	631,752
164,948	—	—	—	—	—	—	—	862,177
—	—	—	—	—	—	—	—	72,305
—	—	—	—	—	—	—	—	2,677
—	—	—	—	—	—	—	—	115
—	—	—	—	—	—	—	—	45
—	—	—	—	—	—	—	—	748,361
—	—	—	—	—	—	439	—	16,840
—	—	—	—	750	—	—	—	780
<u>\$ 368,730</u>	<u>\$ 364</u>	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ 25,073</u>	<u>\$ 5,102</u>	<u>\$ 6,478</u>	<u>\$ 1,080</u>	<u>\$ 2,988,867</u>

Interfund Payables

Non-Major Governmental Funds	State Parks Fund	Kentucky Horse Park Fund	Insurance Administration Fund	Unemployment Compensation Fund	Internal Service Funds	Total
\$ 716	\$ 370	\$ 30	\$ —	\$ —	\$ 420	\$ 13,647
—	—	—	—	—	—	899
3,513	—	—	—	20	—	25,956
30,007	—	—	24	—	1,797	223,615
—	—	—	976	—	—	3,242
—	—	—	—	—	5,776	18,344
—	—	—	—	—	—	322
—	—	—	—	—	—	8
—	—	—	—	—	—	—
—	—	—	—	—	—	13
—	—	—	—	—	—	—
—	—	—	82	—	—	1,344
—	—	—	—	—	—	—
<u>\$ 34,236</u>	<u>\$ 370</u>	<u>\$ 30</u>	<u>\$ 1,082</u>	<u>\$ 20</u>	<u>\$ 7,993</u>	<u>\$ 287,390</u>

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.

House Bill 76 passed during the 2022 legislative session changes the frequency and scope of actuarial studies for the state's pension plans. The bill requires the Legislators Retirement Plan, the Judicial Retirement Plan, KRS, and the Teachers' Retirement System (TRS) to perform an actuarial investigation of economic assumptions (inflation rate, investment return, payroll growth assumptions, etc.) once every two years rather than once every five years. The first actuarial investigation of economic assumptions will occur prior to the 2023 actuarial valuations. A review of demographic assumptions (mortality tables, withdrawal rates, retirement rate assumptions, etc.) will continue to be conducted once every five years.

House Bill 8, passed during the 2021 legislative session, changed how employer contributions are allocated and collected from the participating employers in the KERS Non-Hazardous Plan. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective Pension Amounts in the KERS Non-Hazardous Plan from 2020 to 2021.

House Bill 1, passed during the 2019 special legislative session allowed certain agencies in the KERS Non-Hazardous Plan to elect to cease in participating in the KERS Non-Hazardous Plan as of June 30, 2020. Senate Bill 249, passed during the 2020 legislative session, delayed the effective date of cessation for these provisions until June 30, 2021. There is no material impact on the total pension liability due to this legislation.

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.

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.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
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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.

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.trs.ky.gov.

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

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in non-hazardous positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	Five complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 1 month of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65 or has less than 27 years of service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65, or does not meet the rule of 87 (age plus service) and is younger than age 57, whichever is smaller.	No reduced retirement benefit

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

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	Average of the highest 3 fiscal years; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	2.49%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. 25 years and greater = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 60 months of service. Money Purchase for age 55 with less than 60 months based on contributions and interest.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 55 or has less than 20 years service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 60 or has less than 25 years service, whichever is smaller.	No reduced retirement benefit

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

	Tier 1 Participation before 9/1/2008	Tier 2 Participation on or between 9/1/2008 and 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	All full-time state troopers employed in a hazardous duty position by the Kentucky State Police.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service	Final Compensation X Benefit Factor X Years of Service	No benefit formula. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	Average of the highest 3 fiscal years; each year must contain 12 months. Lump sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	2.50%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. 25 years and greater = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 60 months of service. Money purchase for age 55 with less than 60 months based on contributions and interest.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 55 or has less than 20 years service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 60 or has less than 25 years service, whichever is smaller.	No reduced retirement benefit

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

	Tier 1	Tier 2	Tier 3	Tier 4
	Participation prior to 7/1/1978	Participation between 7/1/1978 and 6/30/1980	Participation between 7/1/1980 and 12/31/2013	Participation on or after 1/1/2014
Covered Employees:	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 .			
Benefit Formula:	Final Average Compensation X Benefit Factor X Years of Service. Not to exceed 100% of final average compensation.			Cash Balance Plan
Final Compensation:	Average of 36 months of service immediately preceding retirement before 1/1/2009. Average of 60 months of service immediately preceding retirement after 12/31/2008.			No Final Compensation
Benefit Factor:	5.0% if service continued without interruption; not to exceed 100% of final average compensation.	4.15%, not to exceed 100% of final average compensation.	2.75%, not to exceed 100% of final average compensation.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on the member's accumulated account balance.
Cost of Living Adjustment (COLA):	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 COLAs 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.
Unreduced Retirement Benefit:	8 years of service and age 65. The age 65 requirement shall be reduced by 1 year for each 5 years of service and 1 year for each year beyond the years of service needed to accrue a benefit of 100%. The age requirement will never be reduced below 60.			Accumulated Hypothetical account as either a lump sum or as one of a variety of annuity options, calculated by dividing their accumulated Hypothetical Account by an actuarial factor.
Reduced Retirement Benefit:	5% per year for each year under normal retirement age.			With at least 5 years of service is eligible for a full refund of their accumulated Hypothetical Account as a lump sum.

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

	Tier 1	Tier 2	Tier 3	Tier 4
	Participation prior to 7/1/1978	Participation between 7/1/1978 and 6/30/1980	Participation between 7/1/1980 and 12/31/2013	Participation on or after 1/1/2014
Covered Employees:	Members of the General Assembly may elect to make monthly contributions taking office, and thereby become eligible for membership in the plan. participation on or after January 1, 2014, will participate in the hybrid plan.			within 30 (thirty) days of Individuals commencing
Benefit Formula:	Final Average Compensation X Benefit Factor X Years of Service			Cash Balance Plan
Final Compensation:	The average compensation for the highest 36 months of state salary.			No Final Compensation
Benefit Factor:	5.0% for all service that continues without interruption thereafter, not to exceed 100% of final average compensation; 2.75% for all other service.	4.15% for all service that continues without interruption thereafter, not to exceed 100% of final average compensation; 2.75% for all other service.	3.5% for all service that continues without interruption thereafter, not to exceed 100% of final average compensation; 2.75% for all other service.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on the member's accumulated account balance.
Cost of Living Adjustment(COLA):	1.5% yearly on July 1 if the funding level is greater 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for increase and the Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.			Any cost of living adjustment will be granted providing the following requirements are met: the funding level of Legislative Hybrid Cash Balance Plan is 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase and The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.
Unreduced Retirement Benefit:	Members who have attained age 65 and completed at least 5 years of legislative service or have service under other state authorized system when added to Legislative service will equal at least 8 years of service. The age 65 requirement shall be reduced by 1 year for each 5 years of service and 1 year for each year beyond the years of service needed to accrue a benefit of 100%. The age requirement will never be reduced below 60.			Members who have attained the age of 65 and have at least 5 years of active service credit in the Legislators Plan and any other state-supported retirement system; or at least age 57 and service with Legislators and other state-supported retirement systems of the Commonwealth plus age equals at least 87.
Reduced Retirement Benefit:	5% per year for each year under normal retirement age.			With at least 5 years of service is eligible for a full refund of their accumulated Hypothetical Account as a lump sum.

Kentucky Teachers' Retirement System
Governance KRS 161.220 through KRS 161.716

Cost Sharing Multiple Employer Defined Benefit with Special Funding

	Tier 1	Tier 2	Tier 3	Tier 4
	Entry before 7/1/2002	Entry on or between 7/1/2002 and 6/30/2008	Entry on or between 7/1/2008 and 12/31/2021	Entry on or after 1/1/2022
Covered Employees:	Provides pension plan coverage for local school districts and other educational agencies in the state.			
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service			Service Credit x Multiplier x Final Average Salary = Annuity
Final Compensation:	Average of the highest 5 annual salaries reduced 5% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.	Average of the highest 5 annual salaries reduced 6% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.	The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.	Final average salary is the average of the highest five salaries. When calculating the final average salary, increases in compensation in the last five years prior to retirement are limited to the highest percentage increase generally available to a district's or agency's TRS-covered employees.
Benefit Factor:	Non-University members: 2.00% for service prior to 7/1/1983; 2.50% for service after 7/1/1983; 2.00% if participation after 7/1/2002 and less than 10 years; 2.50% if participation after 7/1/2002 and more than 10 years; 3.00% if retire after 7/1/2004 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.	Non-University members is equal to: (a) 1.70% of final average salary for each year that is 10 years or less; (b) 2% of final average salary for each year that is greater than 10 years but less than 20 years; (c) 2.3% of final average salary for each year that is greater than 20 years but less than 26 years; (d) 2.5% of final average salary for each year that is greater than 26 years but less than 30 years; (e) 3% of final average salary for years greater than 30 years. University members is equal to: (a) 1.5% of final average salary for each year that is 10 years or less; (b) 1.7% of final average salary for each year that is greater than 10 years but less than 20 years; (c) 1.85% of final average salary for each year that is greater than 20 years but less than 27 years; (d) 2% of final average salary for each year that is greater than or equal to 27 years.	For all members, the career factor is 0.25% from 20 to 29.99 years of service or 0.5% at 30 or more years of service. For non-university members, the age factor is 1.70% from age 57 to 60 and then increases monthly to 1.9% at age 65. The maximum non-university multiplier is 2.4%. For university members, the age factor is 0.7% from age 57 to 60 and then increases monthly to 0.9% at age 65. The maximum university multiplier is 1.4%.

Kentucky Teachers' Retirement System
Governance KRS 161.220 through KRS 161.716
Cost Sharing Multiple Employer Defined Benefit with Special Funding
(Continued)

	Tier 1	Tier 2	Tier 3	Tier 4
	Entry before 7/1/2002	Entry on or between 7/1/2002 and 6/30/2008	Entry on or between 7/1/2008 and 12/31/2021	Entry on or after 1/1/2022
Cost of Living Adjustment (COLA):	1.5% annually additional ad hoc increases must be authorized by the General Assembly.			A standard, statutory COLA of 1.5% is provided annually on July 1, subject to risk controls outlined separately, on a retired foundational benefit for retirees who have been retired for at least one year.
Unreduced Retirement Benefit:	Any age with 27 years of Kentucky service. Age 60 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.	Any age with 27 years , Age 60 with five years.	No penalty Age 57 with 30 years, age 60 with 10 years, age 65 with five years.
Reduced Retirement Benefit:	Reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service.	Reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.	Reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service. Penalty (up to 30%) Age 55 with 10 years.	The standard penalty is a reduction of 6% for the lesser of each year that the member's age is below 60 or that the service is less than 30 years with a maximum penalty of 18%.Early retirement penalty (up to 18%).

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

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

	Fiscal Year 2022		
	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators Retirement Plan
Total Pension Liability			
Service Costs	\$ 12,530	\$ 3,563	\$ 525
Interest	53,417	23,734	4,559
Differences between expected and actual experience	4,127	(5,262)	(1,975)
Changes in assumptions	—	9,130	2,619
Benefit payments/refunds	(63,522)	(24,371)	(5,129)
Other	35	—	1
Net change in total pension liability	6,587	6,794	600
Total pension liability at July 1	1,049,237	372,740	71,968
Total pension liability at June 30	<u>\$ 1,055,824</u>	<u>\$ 379,534</u>	<u>\$ 72,568</u>
Pension Plan Fiduciary Net Position			
Contributions - employer	\$ 59,650	\$ 6,771	\$ —
Contributions - member	4,752	1,944	267
Net investment income	61,729	122,790	26,743
Benefit payments/refunds	(63,522)	(24,371)	(5,129)
Administrative expenses	(212)	—	—
Other	—	2	1
Net change in plan fiduciary net position	62,397	107,136	21,882
Pension plan fiduciary net position at July 1	293,949	341,304	76,409
Pension plan fiduciary net position at June 30	<u>\$ 356,346</u>	<u>\$ 448,440</u>	<u>\$ 98,291</u>
Net pension liability at June 30	<u>\$ 699,478</u>	<u>\$ (68,906)</u>	<u>\$ (25,723)</u>
Pension plan fiduciary net position as a % of the total pension liability	33.75%	118.16 %	135.45 %
Covered-employee payroll	\$ 47,873	\$ 29,500	\$ 4,201
Net Pension liability as a % of covered employee payroll	1,461.11%	(233.58)%	(612.31)%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

	Kentucky Employees Retirement System		State Police Retirement System
	Non-Hazardous	Hazardous	
Employer Contribution	78.69%	36.01%	124.60%
State Contribution as a percentage of nonemployer special funding situation			
Member Contribution	5.00%	8.00%	8.00%
Employer Contributions made in thousands	\$784,180	\$61,845	\$59,650
Special Funding Contributions made in thousands	\$—	\$—	\$—
As of the measurement date:			
Actuarial Valuation Date	June 30, 2020	June 30, 2020	June 30, 2020
Measurement Date	June 30, 2021	June 30, 2021	June 30, 2021
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%	6.25%	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	Active member salaries are assumed to increase by plan at the rate of 3.30% to 15.30% for KERS Non-Hazardous, 3.55% to 20.05% for Hazardous and 3.05% to 15.55% for State Police all increases vary by service.		
Mortality Tables	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Date of Experience Study	The period July 1, 2013 - June 30, 2018	The period July 1, 2013 - June 30, 2018	The period July 1, 2013 - June 30, 2018
Update procedures applied	The total pension liability was rolled-forward from the valuation date to the fiscal year ending June 30, 2021, using generally accepted actuarial principles.		
Change in Assumptions	There have been no changes in actuarial assumptions since June 30, 2020, when benefits were increased for certain qualifying members who became totally and permanently disabled in the line of duty.		

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

Judicial Retirement Plan	Legislators Retirement Plan	Kentucky Teachers' Retirement System
22.95%	—%	31.52%
		31.52%
Members entering the plan on or after September 1, 2008, must contribute 6%. Members entering the plan prior to September 1, 2008, contribute 5% of official salary.		University members contribute 7.625% of salary. Non-university members contribute 9.105% of salary. Other member contributions are picked up by the employer.
\$6,771	\$—	\$16,544
\$—	\$—	\$1,047,100
July 1, 2021	July 1, 2021	June 30, 2020
July 1, 2021	July 1, 2021	June 30, 2021
Entry age normal funding method	Entry age normal funding method	Entry age normal
Interest + 1% Unfunded past liability	Interest + 1% Unfunded past liability	Level percentage of payroll
Market Value	Market Value	Five-year smoothed Market
6.50% no change from prior year.	6.50% no change from prior year.	7.10%
3.00%	3.00%	2.50%
1.0% for the next three years, thereafter 3.5%	1.0% for the next five years, thereafter 3.5%	3.50% to 7.30% including inflation
PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales).		Mortality rates were based on Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.
The period , 2013 - 2019	The period , 2013 - 2019	The period July 1, 2016 - June 30, 2020
Standard roll forward using generally accepted actuarial techniques.		Standard roll forward using generally accepted actuarial techniques.
Beginning with the July 2021 valuation report, the traditional and hybrid tiers have been treated as one for all calculations. The Hybrid plan previously reported a discount rate of 4%, is now 6.5%. The mortality table was previously RP 2000 with project improvement after 2000 under Projected Scales AA.		The discount rate changed from 7.50% to 7.10%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
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Membership Information	Retirees and beneficiaries receiving benefits	Inactive members	Active plan members	Total	Participating Employers
Kentucky Employees Retirement System:					
Non-Hazardous	47,333	53,499	31,703	132,535	372
Hazardous	4,628	6,941	4,094	15,663	7
State Police Retirement System	1,673	634	775	3,082	1
Judicial Retirement Plan	356	14	231	601	1
Legislators Retirement Plan	245	47	101	393	1
Kentucky Teachers' Retirement System	57,465	61,235	69,256	187,956	226

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

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates 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 is summarized in the following table. The current long term inflation assumption is 2.30% per annum. (See the discussion of KERS investment policy in [Note 5](#)).

Kentucky Judicial Retirement System and Kentucky Legislators Retirement System

The long-term expected rate of return on the Judicial Retirement Plan and Legislators Retirement 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 Retirement Plan's target asset allocation as of June 30, 2021 and 2020. (See the discussion of the Judicial Plan's investment policy in [Note 5](#)).

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 asset allocation for each major asset class are summarized in the following table. (See the discussion of the KTRS investment policy in [Note 5](#).)



COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

	KERS Non-Hazardous		KERS Hazardous		KSPRS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class:						
U.S. Equity	16.25 %	5.70 %	21.75 %	5.70 %	16.25 %	5.70 %
US Large Cap	— %	— %	— %	— %	— %	— %
US Mid Cap	— %	— %	— %	— %	— %	— %
US Small Cap	— %	— %	— %	— %	— %	— %
Non US Equity	16.25 %	6.35 %	21.75 %	6.35 %	16.25 %	6.35 %
International Developed	— %	— %	— %	— %	— %	— %
Emerging Markets	— %	— %	— %	— %	— %	— %
Core Bonds	20.50 %	— %	10.00 %	— %	20.50 %	— %
Credit Fixed	— %	— %	— %	— %	— %	— %
Fixed income	— %	— %	— %	— %	— %	— %
Specialty Credit/ High Yield	15.00 %	2.80 %	15.00 %	2.80 %	15.00 %	2.80 %
Other	— %	— %	— %	— %	— %	— %
Private Equity	7.00 %	9.70 %	10.00 %	9.70 %	7.00 %	9.70 %
Real Estate	10.00 %	5.40 %	10.00 %	5.40 %	10.00 %	5.40 %
Opportunistic	— %	— %	— %	— %	— %	— %
Real return	10.00 %	4.55 %	10.00 %	4.55 %	10.00 %	4.55 %
Cash	5.00 %	(0.60)%	1.50 %	(0.60)%	5.00 %	(0.60)%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

KJRS		KLRS		KTRS	
Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
— %	4.50 %	— %	4.50 %	40.00 %	— %
— %	— %	— %	— %	37.40 %	4.20 %
— %	— %	— %	— %	— %	— %
— %	— %	— %	— %	2.60 %	4.70 %
— %	2.50 %	— %	2.50 %	22.00 %	— %
— %	— %	— %	— %	16.50 %	5.30 %
— %	— %	— %	— %	5.50 %	5.40 %
— %	— %	— %	— %	— %	— %
— %	(0.55)%	— %	(0.55)%	22.00 %	— %
— %	— %	— %	— %	15.00 %	(0.10)%
— %	— %	— %	— %	2.00 %	1.70 %
— %	— %	— %	— %	5.00 %	2.20 %
— %	— %	— %	— %	7.00 %	6.90 %
— %	— %	— %	— %	7.00 %	4.00 %
— %	— %	— %	— %	— %	— %
— %	— %	— %	— %	— %	— %
— %	(2.00)%	— %	(2.00)%	2.00 %	(0.30)%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

	KERS		KSPRS
	Non-Hazardous	Hazardous	
Discount Rate	5.25%	6.25%	5.25%
Change in Discount Rate			
Prior Valuation	—%	—%	—%
Plan Cash Flow assumption	The projection of cash flow used to determine the single discount rate assumed that employers would contribute the actuary determined contribution rate in all future years in accordance with the current funding policy as revised by House Bill 8 during the 2021 legislative session.		
Rates Incorporated in the Discount Rate:			
Long-Term Rate of Return	5.25%	6.25%	5.25%
Period Applied	All Periods	All Periods	All Periods
Municipal Bond Rate	N/A	N/A	N/A
Sensitivity of the Net Pension Liability to Changes in the Discount Rate (expressed in thousands):			
Net Pension Liability	\$10,696,634	\$435,217	\$699,478
Net Pension Liability Assuming a Decrease of 1% in the Discount Rate	\$12,318,887	\$595,903	\$836,592
Net Pension Liability/ (Asset) Assuming an Increase of 1% in the Discount Rate	\$9,357,779	\$304,849	\$587,977
Commonwealth's Proportionate Share of the Net Pension Liability (Asset)	80.68%	97.66%	100.00%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

KJRS	KLRS	KTRS	
		Employer	Special Funding Situation
6.50%	6.50%	7.10%	7.10%
0.03%	—%	(0.40)%	(0.40)%

The projection of cash flow used to determine the single discount rate assumed that employers would continue to contribute at the current statutory contribution rates in all future years. Member contributions will be made at the current contribution rates. Based on these assumptions, the pension's fiduciary net position was projected to make all future benefit payments to current members

6.50%	6.50%	7.10%	7.10%
All Periods	All Periods	All Periods	All Periods
N/A	N/A	N/A	N/A
\$(68,906)	\$(25,723)	\$207,270	\$13,090,608
\$(30,910)	\$(18,506)	\$114,309	\$17,859,134
\$(101,199)	\$(31,820)	\$59,870	\$9,353,723
100.00%	100.00%	1.53%	96.21%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

(Expressed in Thousands)

	<u>KERS</u>		<u>KSPRS</u>	<u>KJRS</u>
	<u>Non-Hazardous</u>	<u>Hazardous</u>		
Pension Expense (Income)	\$ 1,106,031	\$ 47,185	\$ 61,789	\$ (23,346)
Deferred Outflow of Resources				
Differences between expected and actual experience	\$ 10,674	\$ 19,139	\$ 8,446	\$ 228
Changes in assumptions	—	—	2,254	5,672
Net difference between projected and actual earnings on investments	—	—	—	—
Change in proportionate share	490,288	8,351	—	—
Contributions subsequent to the measurement date	891,462	61,483	61,329	7,148
	<u>\$ 1,392,424</u>	<u>\$ 88,973</u>	<u>\$ 72,029</u>	<u>\$ 13,048</u>
Deferred Inflow of Resources				
Differences between expected and actual experience	\$ 55,511	\$ 110	\$ —	\$ 3,269
Changes in assumptions	369	—	—	7
Net difference between projected and actual earnings on investments	227,149	81,691	33,096	89,160
Change in proportionate share	199,277	7,559	—	—
	<u>\$ 482,306</u>	<u>\$ 89,360</u>	<u>\$ 33,096</u>	<u>\$ 92,436</u>

The amounts reported as deferred outflows of resources related to pensions from contributions after the measurement date will be recognized as a reduction of net pension liability during the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows related to pensions will be amortized and recognized as pension expense/(income) in future years.

Future Amortization

Year ended June 30:

2023	\$ 162,681	\$ (4,961)	\$ (907)	\$ (23,865)
2024	(29,236)	(13,166)	(4,880)	(22,714)
2025	(52,146)	(18,365)	(7,353)	(19,871)
2026	(62,643)	(25,378)	(9,256)	(20,225)
2027	—	—	—	21
Thereafter	—	—	—	118
Total	<u>\$ 18,656</u>	<u>\$ (61,870)</u>	<u>\$ (22,396)</u>	<u>\$ (86,536)</u>

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

KLRS	KTRS		TOTAL	Primary Government		Major Component Units
	Employer	Special Funding Situation		Governmental Activities	Business-Type Activities	
\$ (5,929)	\$ (50,587)	\$ (1,920,780)	\$ (785,637)	\$ (819,950)	\$ 34,313	\$ (77,543)
\$ 37	\$ 452	\$ 63,320	102,296	\$ 101,765	\$ 531	\$ 181
1,603	14,442	2,256,273	2,280,244	2,280,244	—	6,797
—	—	—	—	—	—	187
—	4,474	50,346	553,459	540,758	12,701	124
—	26,217	1,612,348	2,659,987	2,630,362	29,625	9,045
<u>\$ 1,640</u>	<u>\$ 45,585</u>	<u>\$ 3,982,287</u>	<u>\$ 5,595,986</u>	<u>\$ 5,553,129</u>	<u>\$ 42,857</u>	<u>\$ 16,334</u>

\$ 1,209	\$ 96	\$ 17,496	\$ 77,691	\$ 75,775	\$ 1,916	\$ 1,508
2	8,031	1,252,588	1,260,997	1,260,628	369	3,623
19,356	20,572	3,214,963	3,685,987	3,677,456	8,531	13,774
—	12,120	5,836	224,792	224,296	496	71,798
<u>\$ 20,567</u>	<u>\$ 40,819</u>	<u>\$ 4,490,883</u>	<u>\$ 5,249,467</u>	<u>\$ 5,238,155</u>	<u>\$ 11,312</u>	<u>\$ 90,703</u>

The amounts reported as deferred outflows of resources related to pensions from contributions after the measurement date will be recognized as a reduction of net pension liability during the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows related to pensions will be amortized and recognized as pension expense/(income) in future years.

\$ (5,264)	\$ (13,406)	\$ (1,308,146)	\$ (1,193,868)	\$ (1,201,143)	\$ 7,275	\$ (65,501)
(4,988)	(1,982)	39,480	(37,486)	(36,463)	(1,023)	(11,208)
(4,299)	(908)	(53,938)	(156,880)	(154,925)	(1,955)	(3,025)
(4,394)	(5,155)	(798,340)	(925,391)	(923,014)	(2,377)	(3,680)
4	—	—	25	25	—	—
14	—	—	132	132	—	—
<u>\$ (18,927)</u>	<u>\$ (21,451)</u>	<u>\$ (2,120,944)</u>	<u>\$ (2,313,468)</u>	<u>\$ (2,315,388)</u>	<u>\$ 1,920</u>	<u>\$ (83,414)</u>

Note 9

OTHER POSTEMPLOYMENT BENEFITS

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

Kentucky Retirement Systems

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.

House Bill 1, passed during the 2019 special legislative session allowed certain agencies in the KERS Non-Hazardous Plan to elect to cease in participating in the KERS Non-Hazardous Plan as of June 30, 2020. Senate Bill 249, passed during the 2020 legislative session, delayed the effective date of cessation for these provisions until June 30, 2021. There is no material impact on the total OPEB liability due to this legislation.

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

Kentucky Judicial Form Retirement System and Kentucky Legislators Retirement System

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.

Kentucky Teachers’ Retirement System

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.

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.

Benefit Factor:	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
	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.

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

Membership:	
Retirees and beneficiaries receiving benefits	30,203
Inactive members	17,690
Active plan members	31,498
Total	79,391

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

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

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

Covered Employees: Members of KRS currently receiving benefits.

Benefit Factor:	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	\$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.

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	2,484
Inactive members	927
Active plan members	4,079
Total	<u><u>7,490</u></u>

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

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.

Benefit Factor:	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 (\$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 contributions. 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.

Retirees and beneficiaries receiving benefits	1,373
Inactive members	113
Active plan members	798
Total	2,284

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

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

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

Covered Employees: Members of KJFRS currently receiving benefits.

Benefit Factor:	Participation prior to January 2014		Participation on or after January 2014	
	Years of Service	Percent of premium paid	Months of Service	Percent of premium paid
	Less than 4	0%	Greater than or equal to 180	\$10 per month for each year of service, not to exceed \$200; adjusted by 1.5% annually
	4, but less than 10	25%		
	10, but less than 15	50%		
	15, but less than 20	75%		
	20 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	356
Inactive members	14
Active plan members	231
Total	601

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

**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.

Benefit Factor:	Participation prior to January 2014		Participation on or after January 2014	
	Years of Service	Percent of premium paid	Months of Service	Percent of premium paid
	Less than 4	0%	Greater than or equal to 180	\$10 per month for each year of service, not to exceed \$200; adjusted by 1.5% annually
	4, but less than 10	25%		
	10, but less than 15	50%		
	15, but less than 20	75%		
	20 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	245
Inactive members	47
Active plan members	101
Total	393

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

Kentucky Teachers' Retirement System OPEB Plan
Governance KRS 161.5500 to 161.675
Cost Sharing Multi-Employer Defined Benefit

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

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

Benefit Factor:

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

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

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%.

Membership:	Medical	Life Insurance
Retirees and beneficiaries receiving benefits	42,195	52,262
Inactive members	7,270	9,139
Active plan members	73,151	73,151
Total	<u>122,616</u>	<u>134,552</u>

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

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

Single Employer Defined Benefit OPEB Plans
Schedule of Changes in Net OPEB Liability and
Related Ratios

(Expressed in Thousands)

	Fiscal Year 2022		
	State Police Retirement System	Kentucky Judicial Retirement System	Kentucky Legislators Retirement System
Total OPEB Liability			
Service Costs	\$ 5,218	\$ 702	\$ 158
Interest	17,984	3,174	1,301
Changes in benefit terms	101	—	—
Differences between expected and actual experience	(6,318)	(9,283)	(4,800)
Changes in assumptions	21,784	(2,341)	(402)
Benefit payments/refunds	(13,812)	(1,845)	(835)
Net change in total OPEB liability	24,957	(9,593)	(4,578)
Total OPEB liability at July 1	339,942	48,983	20,244
Total OPEB liability at June 30	<u>\$ 364,899</u>	<u>\$ 39,390</u>	<u>\$ 15,666</u>
OPEB Plan Fiduciary Net Position			
Contributions - employer	\$ 9,381	\$ —	\$ —
Contributions - member	209	52	21
Net investment income	50,289	36,668	19,226
Benefit payments/refunds	(13,812)	(1,844)	(835)
Administrative expenses	(89)	—	—
Net change in plan fiduciary net position	45,978	34,876	18,412
OPEB plan fiduciary net position at July 1	201,340	99,041	52,249
OPEB plan fiduciary net position at June 30	<u>\$ 247,318</u>	<u>\$ 133,917</u>	<u>\$ 70,661</u>
Net OPEB liability at June 30	<u>\$ 117,581</u>	<u>\$ (94,527)</u>	<u>\$ (54,995)</u>
Plan fiduciary net position as a % of the total OPEB liability	67.78%	339.98 %	451.05 %
Covered-employee payroll	\$ 47,155	\$ 29,500	\$ 4,200
Net OPEB liability as a % of covered employee payroll	249.4%	(320.4)%	(1309.4)%

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

	KERS		KSPRS
	Non-Hazardous	Hazardous	
Employer Contribution	12.85%	0.75%	19.69%
Member Contribution	1.00%	1.00%	1.00%
State Contribution as a percentage of nonemployer special funding situation			
Contributions	\$149,236	\$2,639	\$9,477
Experience Study	July 1, 2013-June 30, 2018	July 1, 2013-June 30, 2018	July 1, 2013-June 30, 2018
Actuarial Valuation Date	June 30, 2019	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2021	June 30, 2021
Inflation	2.3%, no change from prior year.	2.3%, no change from prior year.	2.3%, no change from prior year.
Salary Increases	3.30% to 15.30%, varies by service, change from prior year rate of 3.55% to 19.555	3.55% to 20.05%, varies by service, change from prior year rate of 3.55%-19.55%	3.05% to 16.05%, varies by service, prior year rate of 3.05% to 15.55%
Investment rate of return	6.25%, no change from prior year.	6.25%, no change from prior year.	6.25%, no change from prior year.
Health cost trend rates	<p>Pre age 65 Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement. Post age 65 Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability.</p> <p>KSPRS - Pre-65 Initial trend starting at 6.40% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Post-65 Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.</p>		
Actuarial Cost Method	Entry age normal		Entry age normal
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
Actuarial assumptions:			
Investment rate of return	6.25%, no change from prior year.	6.25%, no change from prior year.	6.25%, no change from prior year.
Mortality Tables	<p>System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.</p> <p>Prior year assumption Pre-retirement mortality: PUB-2010 General Mortality table, for the Non-Hazardous System, and the PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality (non-disabled): System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. Post-retirement mortality (disabled): PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. KSPRS RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)</p>		
Update procedures applied	Standard roll forward methods using generally accepted actuarial techniques.		

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

KJRS	KLRS	KTRS
—%	—%	0.17%
Members participating on or after January 2014 contribute 1%	Members participating on or after January 2014 contribute 1%	Active members contribute between 2.78% and 3.75%
		5.06%
\$—	\$—	\$85,858
2013 -2019	2013 -2019	July 1, 2016 - June 30, 2020
July 1, 2021	July 1, 2021	June 30, 2020
July 1, 2021	July 1, 2021	June 30, 2021
2.5%, no change from prior year	2.5%, no change from prior year	2.50%
1% for the next five years, and 3.5% thereafter. No change from last year	1% for the next five years, and 3.5% thereafter. No change from last year	3.00%-7.50% including wage inflation. Prior year's 3.50 - 7.20% including wage inflation
6.5%, The prior discount rate assumption for the hybrid tier was updated from 4.00% to 6.50%. The assumption for the traditional tier remained at 6.50%.	6.5%. The prior discount rate assumption for the hybrid tier was updated from 4.00% to 6.50%. The assumption for the traditional tier remained at 6.50%.	7.10% Health, 7.10% Life
6.25% decreasing to 5.75% over two years and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075. Prior year used 7% decreasing to 6.75% over three years, and following the Getzen model thereafter until reaching 3.94% in 2075	6.25% grading to 5.75% over 2 years and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075. Prior year used 7% decreasing to 6.75% over three years, and following the Getzen model thereafter until reaching 3.94% in 2075	Prior year 8.00% Health, 7.50% Life
Entry age normal 5 year smoothing	Entry age normal 5 year smoothing	Entry age normal 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
6.5%, no change from last year	6.5%, no change from last year	7.10% prior year Health Trust 8.00% and Life Trust 7.50%
Mortality rates were updated to PubG-2010 (A) with full generation projection under Scale MP-2020; The headcount weighted version of the table was used. The previous year used RP-2000 Mortality Table with white-collar adjustment with Pre and Post Commencement Rates with projected improvements after year 2000 under Projected Scale AA. (male and females scale).	Mortality rates were updated to PubG-2010 (A) with full generation projection under Scale MP-2020; The headcount weighted version of the table was used. The previous year used RP-2000 Mortality Table with white-collar adjustment with Pre and Post Commencement Rates with projected improvements after year 2000 under Projected Scale AA. (male and females scale).	Mortality rates were updated to PUB2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2022 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.

Standard roll forward methods using generally accepted actuarial techniques.

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

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. (See the discussion of investment policy in [Note 5](#)).

Kentucky Judicial Retirement Plan and Kentucky Legislators Retirement Plan

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

Kentucky Teachers' Retirement System

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.



COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

	KERS Non- Hazardous, Hazardous, and KSPRS		KJRS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class:				
U.S. Equity	21.75 %	5.70 %	— %	4.50 %
Non US Equity	21.75 %	6.35 %	— %	2.50 %
Credit Fixed	— %	— %	— %	(0.55)%
Specialty Credit/High Yield	15.00 %	2.80 %	— %	— %
Private Equity	10.00 %	9.70 %	— %	— %
Real Estate	10.00 %	5.40 %	— %	— %
Core Bonds	10.00 %	— %	— %	— %
Real return	10.00 %	4.55 %	— %	— %
Cash	1.50 %	(0.60)%	— %	(2.00)%
Additional Categories	— %	— %	— %	— %
Total	100.00 %			

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

KLRS		KTRS Medical Insurance Fund		KTRS Life Insurance Fund	
Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
— %	4.50 %	— %	— %	40.00 %	4.40 %
— %	2.50 %	58.00 %	5.10 %	23.00 %	5.60 %
— %	(0.55)%	9.00 %	(0.10)%	18.00 %	(0.10)%
— %	— %	8.00 %	1.70 %	— %	— %
— %	— %	8.50 %	6.90 %	5.00 %	6.90 %
— %	— %	6.50 %	4.00 %	6.00 %	4.00 %
— %	— %	— %	— %	— %	— %
— %	— %	— %	— %	— %	— %
— %	(2.00)%	1.00 %	(0.30)%	2.00 %	(0.30)%
— %	— %	9.00 %	2.20 %	6.00 %	2.10 %
		100.00 %		100.00 %	

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

	KERS		KSPRS	KJRS
	Non-Hazardous	Hazardous		
Discount Rate	5.26%	5.01%	5.20%	6.50%
Change in Discount Rate from Prior Valuation	(0.17)%	(0.27)%	(0.20)%	—%

Rates Incorporated in the Discount Rate:

Long-Term Rate of Return	6.25%	6.25%	6.25%	6.50%
Period Applied	All Periods	All Periods	All Periods	All Periods
Municipal Bond Rate	1.92%	1.92%	1.92%	NA

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

(expressed in thousands):

Net OPEB Liability	\$ 1,825,607	\$ (11,256)	\$ 117,581	\$ (94,525)
Net OPEB Liability Assuming a Decrease of 1% in the Discount Rate	\$ 2,229,459	\$ 80,444	\$ 170,127	\$ (89,719)
Net OPEB Liability/ (Asset) Assuming an Increase of 1% in the Discount Rate	\$ 1,494,505	\$ (84,862)	\$ 75,212	\$ (98,541)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

(expressed in thousands):

Net OPEB Liability	\$ 1,825,607	\$ (11,256)	\$ 117,581	\$ (94,525)
Net OPEB Liability Assuming a Decrease of 1% in the Healthcare Cost Trend Rate	\$ 1,508,139	\$ 77,265	\$ 75,680	\$ (98,694)
Net OPEB Liability/ (Asset) Assuming an Increase of 1% in the Healthcare Cost Trend Rate	\$ 2,207,957	\$ 69,356	\$ 168,646	\$ (89,545)

Commonwealth's Proportionate Share of the OPEB Liability/(Asset)

	80.48 %	97.66 %	100.00 %	100.00 %
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Plan Cash Flow assumption:

- KERS Non-Hazardous, Hazardous, & State Police:** 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, as established in Statute. The municipal bond rate is based on Fidelity Index's "20-Year Municipal GO AA Index."
- KJRS and KLRS:** The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current rate and that employer contribution will be at the current statutory contribution rate. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefits.
- KTRS:** The discount used to measure the total liability was 7.1% for MIF and 7.1% for LIF. The projection of cash flows used to determine the discount rate assumed future contribution to the MIF were based upon the contribution rates defined in statute and projected payroll of active employment. Per 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 decrease, suspended, or eliminated. The employer will pay the actuarial determined contribution for LIF, active members do not explicitly contribute to the plan.

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

KLRS	KTRS - Medical Insurance Fund		KTRS - Life Insurance Fund	
	Employer	Special Funding Situation	Employer	Special Funding Situation
6.50%	7.10%	7.10%	7.10%	7.10%
—%	(0.90)%	(0.90)%	(0.40)%	(0.40)%
6.50%	7.10%	7.10%	7.10%	7.10%
All Periods	All periods	All periods	All periods	All periods
NA	NA	NA	NA	NA
\$ (54,993)	\$ 31,198	\$ 935,842	\$ 207	\$ 12,090
\$ (53,168)	\$ 27,552	\$ 1,210,502	\$ 483	\$ 27,934
\$ (56,512)	\$ 16,533	\$ 726,435	\$ (11)	\$ (740)
\$ (54,993)	\$ 31,198	\$ 935,842	\$ 207	\$ 12,090
\$ (56,485)	\$ 15,636	\$ 686,925	\$ —	\$ —
\$ (53,223)	\$ 28,847	\$ 1,267,352	\$ —	\$ —
100.00 %	1.45 %	43.61 %	1.59 %	92.44 %

COMMONWEALTH OF KENTUCKY
Notes to the Financial Statements
June 30, 2022

(Expressed in Thousands)

	<u>KERS</u>		<u>KSPRS</u>	<u>KJRS</u>
	<u>Non-Hazardous</u>	<u>Hazardous</u>		
OPEB Expense (Income)	\$ 218,983	\$ 13,437	\$ 9,090	\$ (15,402)
Deferred Outflow of Resources				
Differences between expected and actual experience	\$ 105,732	\$ 15,195	\$ 7,753	\$ 15
Changes in assumptions	179,566	72,778	23,582	1
Net difference between projected and actual earnings on investments	—	—	—	—
Change in proportionate share	151,267	1,064	—	—
Contributions subsequent to the measurement date	145,013	2,639	9,064	—
	<u>\$ 581,578</u>	<u>\$ 91,676</u>	<u>\$ 40,399</u>	<u>\$ 16</u>
Deferred Inflow of Resources				
Differences between expected and actual experience	\$ 252,868	\$ 32,174	\$ 9,176	\$ 5,767
Changes in assumptions	1,712	209	8	1,454
Net difference between projected and actual earnings on investments	102,525	57,282	24,067	26,500
Change in proportionate share	68,904	4,196	—	—
	<u>\$ 426,009</u>	<u>\$ 93,861</u>	<u>\$ 33,251</u>	<u>\$ 33,721</u>

The amounts 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, 2023. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be amortized and recognized as OPEB expenses/(income) in future years.

Future Amortization

Year ended June 30:

2023	\$ 23,576	\$ 9,154	\$ 1,602	\$ (11,901)
2024	34,027	2,028	2,736	(9,831)
2025	(14,726)	(2,684)	683	(5,939)
2026	(32,321)	(13,322)	(6,937)	(6,044)
2027	—	—	—	1
Thereafter	—	—	—	9
Total	<u>\$ 10,556</u>	<u>\$ (4,824)</u>	<u>\$ (1,916)</u>	<u>\$ (33,705)</u>

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KLRS	KTRS		TOTAL	Primary Government		Major Component Units
	Employer	Special Funding Situation		Governmental Activities	Business-Type Activities	
\$ (8,326)	\$ (1,635)	\$ (40,935)	\$ 175,212	\$ 168,475	\$ 6,737	\$ (34,359)
\$ 11	\$ 9	\$ 554	\$ 129,269	\$ 125,505	\$ 3,764	\$ 7,571
2	5,629	247,288	528,846	522,052	6,794	18,980
—	—	—	—	—	—	—
—	1,599	29,454	183,384	180,463	2,921	1,311
—	2,250	68,739	227,705	222,884	4,821	17,658
<u>\$ 13</u>	<u>\$ 9,487</u>	<u>\$ 346,035</u>	<u>\$ 1,069,204</u>	<u>\$ 1,050,904</u>	<u>\$ 18,300</u>	<u>\$ 45,520</u>

\$ 2,939	\$ 12,804	\$ 562,622	\$ 878,350	\$ 869,382	\$ 8,968	\$ 37,353
246	79	4,557	8,265	8,205	60	107,219
13,770	2,487	111,909	338,540	334,526	4,014	53,368
—	4,206	35,995	113,301	111,941	1,360	18,664
<u>\$ 16,955</u>	<u>\$ 19,576</u>	<u>\$ 715,083</u>	<u>\$ 1,338,456</u>	<u>\$ 1,324,054</u>	<u>\$ 14,402</u>	<u>\$ 216,604</u>

The amounts 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, 2023. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be amortized and recognized as OPEB expenses/(income) in future years.

\$ (5,890)	\$ (3,062)	\$ (104,517)	\$ (91,038)	\$ (135,127)	\$ 6	\$ (61,119)
(4,805)	(3,088)	(106,034)	(84,967)	(85,659)	693	(51,466)
(3,093)	(2,857)	(106,907)	(135,523)	(91,043)	(396)	(36,054)
(3,161)	(2,568)	(101,921)	(166,274)	(165,050)	(1,226)	(35,629)
2	(710)	(20,397)	(21,104)	(21,104)	—	(4,120)
5	(54)	1,989	1,949	1,949	—	(354)
<u>\$ (16,942)</u>	<u>\$ (12,339)</u>	<u>\$ (437,787)</u>	<u>\$ (496,957)</u>	<u>\$ (496,034)</u>	<u>\$ (923)</u>	<u>\$ (188,742)</u>

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 withholding of the cities, counties, and local school districts, and remitting those withholdings to the plan administrators holding fixed and variable annuity contracts (carriers). Both Plans permit employees to defer collecting a portion of their salary until future years. This deferral is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the 457 Plan and the 401(k) Plan are reported in a Pension Trust Fund within the fiduciary fund type, in compliance with Internal Revenue Code and GASB 32 requirements. As of June 30, 2022 Plan Assets are as follows:

	(expressed in thousands)	
	<u>457 Plan</u>	<u>401(k) Plan</u>
Commonwealth	\$ 554,977	\$ 823,495
Other Participating Jurisdictions	715,652	1,303,647
Total	<u>\$ 1,270,629</u>	<u>\$ 2,127,142</u>

Note 11

LEASES

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-day 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.

Under GASB Statement No. 87 “Leases” that was implemented by the Commonwealth in fiscal year 2022, a lessee is required to recognize a lease liability and an intangible right to use lease asset and a lessor should recognize a lease receivable and a deferred inflow of resources.

The present value of all lease liabilities and leases receivable was determined using the Commonwealth’s imputed interest rate unless otherwise noted in the contract.

Changes in leases payable for the year ended June 30, 2022, are summarized in [Note 16](#), Changes in Long-Term Obligations. The amount of lease assets are classified by their underlying asset types in [Note 6](#), Capital Assets and Lease Assets.

Commonwealth as a Lessee:

As a lessee, the Commonwealth has entered into multiple lease agreements related to governmental activities and business-type activities for buildings, office space, and equipment with lease terms ranging from one to 76 years. Many of the current real property leases are past their initial terms and were previously renewed or extended. A portion of the lease liability for the major component units is applicable to leases with the Commonwealth.

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Future minimum lease payments under lease agreements as of June 30, 2022, are as follows (Expressed in Thousands):

	Primary Government				Component Units - Major	
	Governmental		Business-Type		Principal	Interest
	Principal	Interest	Principal	Interest		
2023	\$ 45,413	\$ 4,913	\$ 537	\$ 66	\$ 27,950	\$ 6,398
2024	36,342	3,739	403	43	22,030	5,350
2025	27,303	2,834	303	26	18,230	4,711
2026	22,828	2,101	177	14	15,478	4,132
2027	20,019	1,487	94	7	14,941	3,593
2028-2032	36,783	1,969	86	5	49,028	13,363
2033-2037	2,065	339	—	—	7,784	4,668
2038-2042	1,410	67	—	—	7,899	2,815
2043-2047	—	—	—	—	7,845	1,340
2048-2052	—	—	—	—	3,505	165
Present value of future minimum lease payments	<u>\$ 192,163</u>	<u>\$ 17,449</u>	<u>\$ 1,600</u>	<u>\$ 161</u>	<u>\$ 174,690</u>	<u>\$ 46,535</u>

Commonwealth as a Lessor:

The Commonwealth is a lessor under multiple lease agreements for buildings and land related to both governmental and business-type activities. The terms of these leases range from one to 38 years. For governmental activities, the Commonwealth recognized \$976,000 and \$319,000 for lease principal and interest revenue, respectively, for the fiscal year ended June 30, 2022. Lease revenue from principal and interest payments received for business-type activities was \$86,000 and \$53,000 during fiscal year 2022.

The future lease payments included in the measurement of the lease receivable related to the primary government as of June 30, 2022, are as follows (Expressed in Thousands):

	Primary Government				Component Units - Major	
	Governmental		Business-Type		Principal	Interest
	Principal	Interest	Principal	Interest		
2023	\$ 1,002	\$ 293	\$ 78	\$ 51	\$ 165	—
2024	1,012	265	13	50	—	—
2025	1,022	238	6	50	—	—
2026	1,050	210	8	50	—	—
2027	959	182	10	49	—	—
2028-2032	1,970	657	80	241	—	—
2033-2037	929	506	146	226	—	—
2038-2042	967	379	235	200	—	—
2043-2047	1,093	241	188	166	—	—
2048-2052	1,228	84	48	155	—	—
2053-2057	—	—	66	147	—	—
2058-2062	—	—	87	137	—	—
2063-2067	—	—	111	124	—	—
2068-2072	—	—	140	107	—	—
2073-2077	—	—	174	86	—	—
2078-2082	—	—	213	60	—	—
2083-2087	—	—	131	34	—	—
2088-2093	—	—	94	21	—	—
2094-2097	—	—	110	8	—	—
Present value of future minimum lease payments	<u>\$ 11,232</u>	<u>\$ 3,055</u>	<u>\$ 1,938</u>	<u>\$ 1,962</u>	<u>\$ 165</u>	<u>\$ —</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 \$11,633,098 reported in the Program at June 30, 2022, 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 2022 and 2021 were:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Beginning of fiscal year liability	\$ 13,589,511	\$ 13,557,455
Incurred claims	7,144,418	12,554,125
Claims payments	<u>(9,100,831)</u>	<u>(12,522,069)</u>
Balance at Fiscal Year End	<u>\$ 11,633,098</u>	<u>\$ 13,589,511</u>

Self-Insured Workers' Compensation:

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

The actuarially determined aggregate claims liability of \$208,623,239 reported in the Program at June 30, 2022, 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 2022 and 2021 were:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Beginning of fiscal year liability	\$ 210,701,197	\$ 207,583,150
Claims and claims adjustments incurred	14,692,790	19,521,650
Changes in estimates	—	—
Claims and claims adjustment payments	<u>(16,770,748)</u>	<u>(16,403,603)</u>
Balance at Fiscal Year End	<u>\$ 208,623,239</u>	<u>\$ 210,701,197</u>

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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 \$22,500,564 reported in the Program at June 30, 2022, 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 2022 and 2021 were:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Beginning of fiscal year liability	\$ 29,597,877	\$ 27,169,741
Claims and claims adjustments incurred	4,013,495	5,109,491
Changes in estimates	(8,518,892)	—
Claims and claims adjustments payment	<u>(2,591,916)</u>	<u>(2,681,355.00)</u>
Balance at Fiscal Year End	<u>\$ 22,500,564</u>	<u>\$ 29,597,877</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 four risk pools as follows: Workers' Compensation Insurance, 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 \$440,231,065 as reported in the financial statements, is the present value of the aggregate actuarially determined claims liability of \$584,224,000 discounted at 3.00 percent, and net of the estimated realizable value of reimbursements. The claims adjusted liability of \$12,686,153 as reported in the financial statements is the present value of the aggregate actuarially determined liability of \$16,816,000 discounted at 3.00 percent and net of the estimated realizable value of reimbursements. Changes in the Program's claims liability amount in Fiscal Years 2022 and 2021 were:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Beginning of fiscal year liability	\$ 593,051,000	\$ 661,598,000
Claims and claims adjustments incurred	7,076,000	5,480,000
Changes in estimates	41,487,000	(31,206,000)
Claims and claims adjustment payments	<u>(40,574,000)</u>	<u>(42,821,000)</u>
Balance at Fiscal Year End	<u>\$ 601,040,000</u>	<u>\$ 593,051,000</u>

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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:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Beginning of fiscal year liability	\$ 94,588,585	\$ 94,588,585
Claims and claims adjustments incurred	9,834,170	13,159,817
Changes in estimates	—	—
Claims and claims adjustment payments	<u>(9,834,170)</u>	<u>(13,159,817)</u>
Balance at Fiscal Year End	<u>\$ 94,588,585</u>	<u>\$ 94,588,585</u>

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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 \$602,622 as reported in the financial statements is the aggregate actuarially determined claims liability.

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Beginning of fiscal year liability	\$ 901,983	\$ 1,293,775
Claims and claims adjustments incurred	—	—
Changes in estimates	(299,361)	(391,792)
Claims and claims adjustment payments	—	—
Balance at Fiscal Year End	<u>\$ 602,622</u>	<u>\$ 901,983</u>

Mine Subsidence Insurance:

The Mine Subsidence Insurance Program is administered by the Department of Insurance. The provisions of the Program require that all insurance policies issued or renewed that insure a structure located in any county in the Commonwealth, except those specifically exempted by KRS 304.44-60, shall include a separately stated premium for mine subsidence damage coverage. This premium is assessed at the amount determined by the Program, and the insurer is required to code this coverage to the Program.

The insurer may refuse to provide coverage where preexisting damage is determined to exist. The Program provides coverage subject to a deductible of 2 percent of the policy's total insured value or not less than \$250 and not more than \$500. The Mine Subsidence Program also limits its coverage to \$50,000 per structure.

GASB 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The Mine Subsidence Program had zero claims liability at June 30, 2022. Changes in the Program's aggregate liabilities for the claims and claims adjustments for the past two years were:

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	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Beginning of fiscal year liability	\$ —	\$ —
Claims and claims adjustments incurred	275,582	35,585
Changes in estimates	—	—
Claims and claims adjustment payments	<u>(275,582)</u>	<u>(35,585)</u>
Balance at Fiscal Year End	<u>\$ —</u>	<u>\$ —</u>

Kentucky Public Employees Health Plan:

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

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

The Plan develops premium equivalent rates each year by utilizing historical trend information, current claims experience and national trends. An outside actuarial consultant advises the Plan Administrator regarding premium rates. If premium rates are changed, they become effective the beginning of a calendar year.

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

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

The Plan establishes liabilities for incurred but unpaid claims based on its estimate of the ultimate cost of settling claims that have been reported but not yet settled, and of claims that have been incurred but not yet reported. The claims liability \$180,330,922 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:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Beginning of fiscal year liability	\$ 118,649,033	\$ 91,271,096
Claims and claims adjustments incurred	1,942,027,006	1,855,619,353
Changes in estimates	35,190,413	8,020,261
Claims and claims adjustment payments	<u>(1,915,535,530)</u>	<u>(1,836,261,677)</u>
Balance at Fiscal Year End	<u>\$ 180,330,922</u>	<u>\$ 118,649,033</u>

Grain Insurance:

The Grain Insurance Program was established to promote economic stability in agriculture by providing coverage to grain producers for losses incurred in the event of a financial failure of a grain dealer or grain warehousemen. The Program is funded by a half-cent per bushel assessment on all marketed grain produced in Kentucky. The Program also has provisions that the assessment can be suspended when the balance of the Program reaches \$3 million and if suspended will be reapplied when the balance of the Program drops to \$2 million.

GASB 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. There were no cash payments for claims expenses during 2022 or 2021; and, there was not a claims liability for FY 2022 or FY 2021.

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, 2022, the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated February 15, 2022, were issued for the Ashland Independent School District Finance Corporation 2011 & 2013 Series Refunding. The Commission's portion of the refunding issue was \$1,610,259 maturing August 1, 2022 to August 1, 2033, and a carrying interest rate of 1.000%.

Revenue refunding bonds dated July 14, 2021, were issued for the Boyd County School District Finance Corporation 2009 Series Refunding. The Commission's portion of the refunding issue was \$451,000 maturing December 1, 2021 to December 1, 2029, and carrying interest rates from 1.000% to 1.500%.

Revenue refunding bonds dated September 16, 2021, were issued for the Bullitt County School District Finance Corporation 2013 Series Refunding. The Commission's portion of the refunding issue was \$4,213,161 maturing April 1, 2022 to October 1, 2033, and a carrying interest rate of 1.000%.

Revenue refunding bonds dated August 25, 2021, were issued for the Fayette County School District Finance Corporation 2013A Series Refunding. The Commission's portion of the refunding issue was \$1,906,286 maturing April 1, 2022 to October 1, 2033, and carrying interest rates from 1.000% to 1.900%.

Revenue refunding bonds dated November 4, 2021, were issued for the Lyon County School District Finance Corporation 2012 Series Refunding. The Commission's portion of the refunding issue was \$374,708 maturing February 1, 2022 to February 1, 2032, and carrying interest rates from 1.250% to 2.000%.

Revenue refunding bonds dated March 9, 2022, were issued for the Meade County School District Finance Corporation 2012 Series Refunding. The Commission's portion of the refunding issue was \$202,798 maturing June 1, 2022 to June 1, 2032, and carrying interest rates from 1.000% to 2.120%.

Revenue refunding bonds dated February 3, 2022, were issued for the Morgan County School District Finance Corporation 2012 Series Refunding. The Commission's portion of the refunding issue was \$1,782,127 maturing May 1, 2022 to May 1, 2032, and carrying interest rates from 2.000% to 2.000%.

Revenue refunding bonds dated October 7, 2021, were issued for the Newport Independent School District Finance Corporation 2012 Series Refunding. The Commission's portion of the refunding issue was \$1,365,000 maturing January 1, 2022 to January 1, 2032, and carrying interest rates from 1.000% to 1.300%.

Revenue refunding bonds dated September 9, 2021, were issued for the Perry County School District Finance Corporation 2011B Series Refunding. The Commission's portion of the refunding issue was \$3,683,237 maturing December 1, 2021 to December 1, 2031, and carrying interest rates from 2.000% to 2.000%.

Revenue refunding bonds dated November 17, 2021, were issued for the Scott County School District Finance Corporation 2012 Series Refunding. The Commission's portion of the refunding issue was \$1,606,786 maturing February 1, 2022 to February 1, 2032, and carrying interest rates from 3.000% to 4.000%.

Revenue refunding bonds dated August 3, 2021, were issued for the Washington County School District Finance Corporation 2012 Series Refunding. The Commission's portion of the refunding issue was \$1,349,929 maturing February 1, 2022 to August 1, 2032, and carrying interest rates from 1.500% to 2.000%.

State Property and Buildings Commission

The State Property and Buildings Commission issued \$139,550,000 of the following Revenue Refunding Bonds:

\$43,800,000 Project No. 125 Refunding Revenue Bonds Series A and \$95,750,000 Project No. 125 Refunding Revenue Bonds Series B both dated July 1, 2021. Series A bonds maturing on March 1, 2022 through September 1, 2024 and carrying an interest rate 5.000%. Series B bonds maturing on March 1, 2022 through September 1, 2033 and carrying interest rates of 0.205% to 2.423%. The proceeds were used for refunding of Project Nos. 99A, 100A, and 106A bonds in the amount of \$130,115,000 maturing on November 1, 2021 through October 1, 2033, carrying interest rates from 3.750% to 5.000%. The refunding resulted in a net savings (increase in cash flows) of \$12,493,862 in future periods and a present value savings of \$11,0933,616 at 0.1929%.

The Turnpike Authority of Kentucky

The Turnpike Authority of Kentucky issued \$156,350,000 of the following Revenue Refunding Bonds:

\$13,580,000 2021 Refunding Revenue Bonds Series A and \$85,895,000 Series B both dated October 12, 2021. Series A bonds maturing on July 1, 2029 through July 1, 2031 and carrying an interest rate of 5.000%. Series B bonds maturing on July 1, 2022 through July 1, 2033 and carrying interest rates of 0.166% to 2.268%. The proceeds will be used by the Authority to refund 2011 Series A bonds. The refunding will result in net savings (increase in cash flows) of \$6,139,006 in future periods and a present value savings of \$5,543,607 at 1.3624%. Series B bonds maturing on July 1, 2022 through July 1, 2033 and carrying interest rates of 0.166% to 2.268%. The proceeds will be used by the Authority to refund 2013 Series A bonds. The refunding will result in net savings (increase in cash flows) of \$14,623,108 in future periods and a present value savings of \$13,502,431 at 1.3624%.

\$56,875,000 2022 Refunding Revenue Bonds Series A Bonds dated April 5, 2022. Series A bonds maturing on July 1, 2029 through July 1, 2032 and carrying an interest rate of 5.000%. The proceeds will be used by the Authority to refund 2012 Series A bonds. The refunding will result in net savings (increase in cash flows) of \$19,633,297 in future periods and a present value savings of \$17,787,267 at 1.3624%.

Component Units

KPTIA issued \$185,300,000 of Series 2021 Series A and B Refunding Bonds, dated October 7, 2022. \$150,740,000 2021 Refunding Revenue Bonds Series A and \$34,560,000 Series B both dated October 7, 2021. Series A (Federally Taxable) bonds maturing on July 1, 2022 through July 1, 2053 and carrying interest rates of 1.150% to 3.221%. Series B (Tax-Exempt) bonds maturing on July 1, 2046 through July 1, 2053 and a carrying interest rate of 4.000%. The proceeds from Series A and B will be used by the Authority to refund 2013 Series A and B bonds. The Series A refunding will result in net savings (increase in cash flows) of \$69,156,177 in future periods and a present value savings of \$49,319,334 at 3.3322%. The Series B refunding will result in net savings (increase in cash flows) of \$15,308,360 in future periods and a present value savings of \$11,379,203 at 3.3322%.

Eastern Kentucky University issued \$12,405,000 of Forward Delivery Direct Purchase Refunding, 2021 Series A, dated July 6, 2021. These serial and term bonds mature October 1, 2022 through October 1, 2031, and carry interest rates of 3.200% to 4.000%. The proceeds will be used by the University to refund 2011 Series bonds. The refunding will result in net savings (increase in cash flows) of \$1,629,000.

Northern Kentucky University issued \$5,025,000 of General Receipts Refunding, 2021 Series B, dated October 21, 2021. The term bonds of \$3,785,000 mature September 1, 2022 through September 1, 2028 with a carrying interest rate of 3.500%. The serial bonds of \$1,240,000 mature September 1, 2029 through September 1, 2030 with a carrying interest rate of 2.000%. The proceeds will be used by the University to refund and retire general receipt bonds, 2011 Series A term and serial bonds. The refunding will result in a present value savings of \$3,154,000.

The University of Kentucky issued \$27,520,000 of General Receipts Refunding, 2022 Series A, dated January 11, 2022. The bonds mature April 1, 2023 through April 1, 2034 with carrying interest rates of 3.000% to 3.750%. The proceeds will be used by the University to refund and retire general receipt bonds, 2014 Series B bonds. The refunding will result in net savings (increase in cash flows) of \$686,144 in future periods and a present value savings of \$653,950 at 1.6100%.

Memorandum of Understanding (MOU) Lexington-Fayette Urban County Government Public Facilities Corporation issued \$98,995,000 2021 Refunding Lease Revenue Bonds (Forward Delivery) dated June 2, 2021. The bonds mature on June 1, 2022 through June 1, 2033 and carrying an interest rate of 2.770%. The proceeds will be used to refund 2011 Series A bonds. The refunding will result in net savings (increase in cash flows) of \$17,410,832 in future periods and a present value savings of \$14,733,082.

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 Eastern Kentucky Exposition Center Corporation, Northern Kentucky Convention Center Corporation, Kentucky Employer's Mutual Insurance Authority, 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, 2022.

Revenue Bonds - General authorization for the use of revenue bonds is contained in Chapter 58 of the Kentucky Revised Statutes. Specific authority is contained in the legislation and related KRS chapters creating and empowering the various debt issuing entities. Reference to such legislation and laws is made throughout the following entity descriptions. Effective July 15, 1980, KRS 56.870 requires prior approval of debt financing projects by the Kentucky General Assembly sitting in regular or special sessions. Succeeding statutes establish the methods for this approval and the exemptions from it. The majority of new debt issues are approved through the appropriation act.

Per KRS 56.873, effective July 15, 1980, revenue bonds having passed the above mechanisms, and not requiring Commonwealth appropriations, must receive an "A" rating by Moody's Investors Service or the equivalent rating by another qualified rating agency prior to their sale.

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

During the fiscal year ended June 30, 2022 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.

COMMONWEALTH OF KENTUCKY
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The Commission issued \$224,915,000 in revenue, refunding and agency fund bonds as follows:

\$43,800,000 Project No. 125 Refunding Revenue Bonds Series A and \$95,750,000 Project No. 125 Refunding Revenue Bonds Series B both dated July 1, 2021. Series A bonds maturing on March 1, 2022 through September 1, 2024 and carrying an interest rate 5.000%. Series B bonds maturing on March 1, 2022 through September 1, 2033 and carrying interest rates of 0.205% to 2.423%. The proceeds were used for refunding of Project Nos. 99A, 100A, and 106A bonds in the amount of \$130,115,000 maturing on November 1, 2021 through October 1, 2033, carrying interest rates from 3.750% to 5.000%. The refunding resulted in a net savings (increase in cash flows) of \$12,493,862 in future periods and a present value savings of \$11,0933,616 at 0.1929%.

\$85,365,000 Project No. 126 Revenue Bonds Series A dated April 5, 2022. Series A bonds maturing on May 1, 2023 through May 1, 2042. \$68,755,000 Serial bond carrying an interest rate of 5.000% and \$16,610,000 Retail Maturities carrying an interest rates of 2.500% to 4.000%.

There are no lines of credit, significant termination events, nor significant acceleration clauses with finance-related consequences.

In the event of default, unless the principal of all the Bonds has already become due and payable either the Trustee or the Holders of not less than 25% of the principal amount of Bonds Outstanding, may declare the principal of all the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately.

The Commission has pledged to the payment of its obligations under the Resolution, payments to be received by the Commission from the State Agency under the Lease. Under the provisions of the Constitution of the Commonwealth, the State Agency is prohibited from entering into financing obligations extending beyond the biennial budget.

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 \$156,350,000 in refunding bonds as follows:

\$13,580,000 2021 Refunding Revenue Bonds Series A and \$85,895,000 Series B both dated October 12, 2021. Series A bonds maturing on July 1, 2029 through July 1, 2031 and carrying an interest rate of 5.000%. Series B bonds maturing on July 1, 2022 through July 1, 2033 and carrying interest rates of 0.166% to 2.268%. The proceeds will be used by the Authority to refund 2011 Series A bonds. The refunding will result in net savings (increase in cash flows) of \$6,139,006 in future periods and a present value savings of \$5,543,607 at 1.3624%. Series B bonds maturing on July 1, 2022 through July 1, 2033 and carrying interest rates of 0.166% to 2.268%. The proceeds will be used by the Authority to refund 2013 Series A bonds. The refunding will result in net savings (increase in cash flows) of \$14,623,108 in future periods and a present value savings of \$13,502,431 at 1.3624%.

\$56,875,000 2022 Refunding Revenue Bonds Series A Bonds dated April 5, 2022. Series A bonds maturing on July 1, 2029 through July 1, 2032 and carrying an interest rate of 5.000%. The proceeds will be used by the Authority to refund 2012 Series A bonds. The refunding will result in net savings (increase in cash flows) of \$19,633,297 in future periods and a present value savings of \$17,787,267 at 1.3624%.

There are no lines of credit, significant default events, significant termination events, nor significant acceleration clauses with finance-related consequences.

The revenue produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenue debt is not a direct obligation of the Commonwealth. Project revenues, in some cases, are derived partially or solely from biennial appropriations of the General Assembly. In other cases, the direct revenues generated from the project funded constitute the entire source of the payment. Under the provisions of the Constitution of the Commonwealth, the State Agency is prohibited from entering into financing obligations extending beyond the biennial budget.

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 2022.

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There are no unused lines of credit, pledges of collateral, significant termination events, significant events of default nor significant acceleration clauses with finance-related consequences.

State Universities - The Board of Trustees of the University of Kentucky and the Boards of Regents of the University of Louisville, Eastern Kentucky University, Western Kentucky University, Murray State University, Morehead State University, Kentucky State University, and Northern Kentucky University are authorized under KRS 56.495 to issue debt for the purpose of constructing educational buildings and housing and dining facilities. In addition, the University of Louisville is specifically authorized to issue debt for educational buildings under KRS 164.860 but is limited to \$16 million of refunding debt.

State Universities issued \$56,000,000 in revenue and refunding bonds as follows:

Eastern Kentucky University issued \$12,405,000 of Forward Delivery Direct Purchase Refunding, 2021 Series A, dated July 6, 2021. These serial and term bonds mature October 1, 2022 through October 1, 2031, and carry interest rates of 3.200% to 4.000%. The refunding resulted in an advanced payment of the present value interest savings to the University in the amount of \$1,629,508. As of June 30, 2022, the 2011 Series A Bonds had been fully redeemed.

Murray State University issued \$11,050,000 of General Receipts Bonds, 2022 Series A, dated January 27, 2022. These bonds mature September 1, 2022 through September 1, 2041 and carry interest rates of 3.0% to 4.0%. The proceeds will be used by the University to refund 2012 Series bonds.

Northern Kentucky University issued \$5,025,000 of General Receipts Refunding, 2021 Series B, dated October 21, 2021. The term bonds of \$3,785,000 mature September 1, 2022 through September 1, 2028 with a carrying interest rate of 3.500%. The serial bonds of \$1,240,000 mature September 1, 2029 through September 1, 2030 with a carrying interest rate of 2.000%. The proceeds will be used by the University to refund and retire general receipt bonds, 2011 Series A term and serial bonds. The refunding will result in net savings (increase in cash flows) of \$686,144 in future periods and a present value savings of \$653,950 at 1.0383%.

The University of Kentucky issued \$27,520,000 of General Receipts Refunding, 2021 Series A, dated January 11, 2022. The bonds mature April 1, 2023 through April 1, 2034 with carrying interest rates of 3.000% to 3.750%. The proceeds will be used by the University to refund and retire general receipt bonds, 2014 Series B bonds.

There are no unused lines of credit, significant termination events nor significant acceleration clauses with finance-related consequences.

In the event of default, the Universities lease amounts outstanding from direct placements become immediately due. Outstanding Notes from direct placements are secured with all assets, tangible and intangible. The secured party takes possession of these assets up to the amount in default.

Each Bond is an "Obligation" under the Trust Agreement and the University has pledged its General Receipts as security for its payment obligations thereunder. The Universities are required to submit its budget to the General Assembly for approval as part of the biennial State Budget. The pledge of general receipts by the Universities described herein is independent of the State Budget process.

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 mortgage revenue bonds/draws on Lines of Credit of \$305,100,000 during fiscal year 2022. Total bond and line-of-credit principal repayments were \$425,700,00. Bonds outstanding decreased by \$58,700,000 and short term debt decreased by \$2,700,000.

The Corporation has unsecured lines of credit borrowings. The Corporation issues a publicly available financial report that includes financial statements and required supplementary information. Contact information for the Corporation has been provided as part of the Notes to the Financial Statements.

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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 2022.

There are no lines of credit, significant default events, significant termination events nor significant acceleration clauses with finance-related consequences.

In the event of default, unless the principal of all the Bonds has already become due and payable either the Trustee or the Holders of not less than 25% of the principal amount of Bonds Outstanding, may declare the principal of all the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately. Most assets are either pledged as collateral for bond indebtedness, have certain restrictions as outlined in the bond indentures, or both.

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 2022.

There are no lines of credit, significant default events, significant termination events nor significant acceleration clauses with finance-related consequences.

Most assets are either pledged as collateral for bond indebtedness, have certain restrictions as outlined in the bond indentures, or both.

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 notes payable of \$105,129,000; 2022 Direct Borrowings PNC Line of Credit of \$46,679,000; and 2021-1A Student Backed Notes of \$58,450,000 dated December 8, 2022.

There are no unused lines of credit, pledges of collateral, significant termination events, significant events of default nor significant acceleration clauses with finance-related consequences.

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 \$185,300,000 in refunding bonds as follows:

\$150,740,000 2021 Refunding Revenue Bonds Series A and \$34,560,000 Series B both dated October 7, 2021. Series A (Federally Taxable) bonds maturing on July 1, 2022 through July 1, 2053 and carrying interest rates of 1.150% to 3.221%. Series B (Tax-Exempt) bonds maturing on July 1, 2025 through July 1, 2053 and a carrying interest rate of 4.000%. The proceeds from Series A and B will be used by the Authority to refund 2013 Series A and B bonds. The Series A refunding will result in net savings (increase in cash flows) of \$69,156,177 in future periods and a present value savings of \$49,319,334 at 3.3322%. The Series B refunding will result in net savings (increase in cash flows) of \$15,308,360 in future periods and a present value savings of \$11,379,203 at 3.3322%.

There are no lines of credit, significant termination events, nor significant acceleration clauses with finance-related consequences.

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The Authority has granted a pledge of the Trust Estate, which consists of all right, title and interest of the Authority in and to the pledged receipts, all moneys and securities on deposit in the Funds and Accounts, all right, title and interest of the Authority in and to the Lease, and all other property of every kind and nature from time to time.

In the event of a payment default, the interest rate with respect to any overdue principal amount shall bear interest rate at the foregoing rate plus 2.00% annum.

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 2022.

There are no lines of credit, pledges of collateral, significant termination events, significant events of default nor significant acceleration clauses with finance-related consequences.

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, 2022, the Commission sold school building revenue and revenue refunding bond issues having aggregate state participation of \$98,926,010 maturing through June 1, 2041, and carry interest rates of 0.000%-5.900%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 2022, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Report for the Fiscal Year Ended June 30, 2022. Copies of this report are available from the Division of Statewide Accounting, Financial Reporting Branch, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40601.

The Commission has a pledge of the revenues derived from the rental of the school projects to the Board under a Lease Agreement dated their date of delivery; said lien and pledge ranking on parity with the lien and pledge securing the remaining bonds and certain of the Corporation's outstanding school building revenue bonds issued to construct, improve, or refinance one of the Projects (the "Parity Bonds"). Under the provisions of the Constitution of the Commonwealth, the Commission is prohibited from entering into financing obligations extending beyond the biennial budget.

COMMONWEALTH OF KENTUCKY
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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 fiscal year ended June 30, 2022.

There are no lines of credit, pledges of collateral, significant termination events, significant events of default nor significant acceleration clauses with finance-related consequences.

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 fiscal year 2022.

There are no lines of credit, significant termination events nor significant acceleration clauses with finance-related consequences.

In the event of default, the principal of all the Notes then outstanding (if not then due and payable), either the Trustee or the Holders of not less than 25% of the Notes Outstanding, shall declare the principal of all Notes then Outstanding and the interest accrued thereon to be due and payable immediately.

The Commission has pledged to the payment of amounts owed to the Exchange Counterparty under the Hedge Agreement. A portion of each financing payment will initially be deposited in the Hedge Payment Fund created under the Indenture. The Commission has pledged that revenues produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenue debt is not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases the direct revenues generated from the project constitute the entire source of payment. Under the provisions of the Constitution of the Commonwealth, the State Agency is prohibited from entering into financing obligations extending beyond the biennial budget.

The KentuckyWired Infrastructure Company, Inc.

The Commonwealth under a “Design/ Build / Finance/Operate/Maintain” structure, determined to develop the Next Generation – Kentucky Infrastructure Highway System entered into a project agreement with KentuckyWired Infrastructure Company, Inc. (the Company) a non-profit component unit of the Commonwealth. The non-profit was formed in 2015 for the sole benefit of Kentucky. The Commonwealth granted the non-profit an exclusive right to design, construct, finance, operate and maintain the system in return for payments by the Commonwealth in the form of milestone payment, a designated equipment payment and availability payments. All payments made by the Commonwealth to the non-profit are subject to appropriation by the General Assembly.

The Kentucky Bond Development Corporation, a Kentucky nonprofit corporation, under Sections 103.200 et seq. of the Kentucky Revised Statutes, acting as a constituted authority of public agencies under the terms of an Interlocal Cooperating Agreement dated September 19, 2014 and as authorized by the City of Williamsburg, Kentucky, a part to the Interlocal Agreement, by resolution adopted on June 17, 2019 for the Kentucky Communications Network Authority Project. The proceeds are to fund projects related to the acquisition, construction, installation, and equipping of the KentuckyWired Project, the Commonwealth's open-access broadband network. All payments made by the Commonwealth to the non-profit are subject to appropriation by the General Assembly in the General Fund budget.

The Corporation issued no bonds during the fiscal year ended June 30, 2022. There are no lines of credit, significant termination events, nor significant acceleration clauses with finance-related consequences.

In the event of default, the owners of not less than a majority of the aggregate principal amount of Outstanding Bonds shall have the right to interest or principal accounts established for each series of bonds.

The Commission has pledged a security interest in its assets, subject to certain exclusions.

COMMONWEALTH OF KENTUCKY
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June 30, 2022

**The agencies and authorities that issue debt, net of discounts and defeased bonds,
at June 30, 2022, are as follows (Expressed in Thousands)**

Long-Term Obligations	Principal Outstanding	Interest Rate	Annual Maturity To
Agency:			
State Property and Buildings Commission	\$ 2,772,165	0.255%-8.250%	2042
Kentucky School Facilities Construction Commission	1,013,776	0.000%-5.900%	2042
Turnpike Authority of Kentucky	905,335	0.166%-5.720%	2037
Total	\$ 4,691,276		

**Future revenue bond debt service requirements at
June 30, 2022, are as follows (Expressed in Thousands)**

Year Ending June 30	Principal	Interest	Totals
2023	\$ 553,033	\$ 178,761	\$ 731,794
2024	461,331	160,176	621,507
2025	428,259	142,334	570,593
2026	424,557	124,986	549,543
2027	415,948	107,601	523,549
2028-2032	1,490,960	322,998	1,813,958
2033-2037	729,237	116,212	845,449
2038-2042	187,951	13,332	201,283
Total	\$ 4,691,276	\$ 1,166,400	\$ 5,857,676

**Future debt service requirements for aggregated Next Generation Kentucky Information
Highway Project at June 30, 2022, are as follows (Expressed in Thousands)**

Year Ending June 30	Principal	Interest	Totals
2023	\$ 2,804	\$ 15,104	\$ 17,908
2024	3,245	14,995	18,240
2025	3,771	14,859	18,630
2026	4,438	14,664	19,102
2027	5,143	14,432	19,575
2028-2032	37,360	67,656	105,016
2033-2037	61,698	56,477	118,175
2038-2042	94,679	37,977	132,656
2043-2047	85,482	9,547	95,029
Total	\$ 298,620	\$ 245,711	\$ 544,331

Future debt service requirements for Kentucky Communications Network Authority
Project at June 30, 2022, are as follows (Expressed in Thousands)

Year Ending June 30	Direct Placements		Totals
	Principal	Interest	
2023	\$ 1,685	\$ 4,982	\$ 6,667
2024	1,770	4,896	6,666
2025	1,865	4,805	6,670
2026	1,960	4,709	6,669
2027	2,060	4,609	6,669
2028-2032	11,995	21,347	33,342
2033-2037	15,400	17,939	33,339
2038-2042	19,775	13,564	33,339
2043-2047	25,395	7,946	33,341
2048-2052	18,580	1,425	20,005
Total	\$ 100,485	\$ 86,222	\$ 186,707

Component Unit Revenue Bonds Payable as of June 30, 2022, are as follows (Expressed in Thousands)

Component Unit Revenue Bonds Payable	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky Housing Corporation*	\$ 187,615	0.223%-5.000%	2042
Kentucky Infrastructure Authority*	153,105	2.000%-5.000%	2032
Kentucky Higher Education Student Loan Corporation	655,950	1.140%-4.180%	2051
Kentucky Public Transportation Infrastructure Authority	353,990	3.750%-6.875%	2053
University of Kentucky*	974,635	1.030%-3.900%	2047
University of Louisville*	695,607	2.000%-5.600%	2051
Louisville Arena Authority	369,895	2.967%-5.000%	2047
Eastern Kentucky University	87,060	2.000%-5.000%	2038
Western Kentucky University*	206,056	2.000%-5.000%	2037
Murray State University*	68,870	1.000%-5.000%	2035
Morehead State University	56,110	1.000%-5.000%	2036
Kentucky State University	1,775	3.625%-3.875%	2027
Northern Kentucky University*	313,880	0.360%-5.000%	2051
Total	\$ 4,124,548		

* Amounts reflect original issue

**Future revenue bond debt service requirements for bonds issued by the
Commonwealth's Component Units at June 30, 2022, are as follows
(Expressed in Thousands)**

Year Ending June 30	Principal	Interest	Totals
2023	\$ 175,982	\$ 144,218	\$ 320,200
2024	182,147	142,746	324,893
2025	193,390	140,339	333,729
2026	172,985	117,245	290,230
2027	245,631	122,456	368,087
2028-2032	711,168	457,731	1,168,899
2033-2037	571,580	334,903	906,483
2038-2042	407,135	234,541	641,676
2043-2047	326,220	149,718	475,938
2048-2052	737,885	73,303	811,188
2053-2057	46,170	1,605	47,775
Thereafter	354,255	263,290	617,545
Total	\$ 4,124,548	\$ 2,182,095	\$ 6,306,643

NOTES PAYABLE

At June 30, 2022, the following entities had notes payable as follows:

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

The Commission issued no notes payable during fiscal year 2022.

There are no lines of credit, significant termination events, nor significant acceleration clauses with finance-related consequences.

In the event of default, the principal of all the Notes then outstanding (if not then due and payable), either the Trustee or the Holders of not less than 25% of the Notes Outstanding, shall declare the principal of all Notes then Outstanding and the interest accrued thereon to be due and payable immediately.

The Commission has pledged that revenues produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenue debt is not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases the direct revenues generated from the project constitute the entire source of payment. Under the provisions of the Constitution of the Commonwealth, the State Agency is prohibited from entering into financing obligations extending beyond the biennial budget.

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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 liability will be liquidated by the State's governmental and internal service funds that contribute toward the pension funds, based on the statutorily required contribution rates. The General Fund and transportation-related Special Revenue fund will generally liquidate other claims and judgments attributable to the governmental activities.

Memorandum of Understanding (MOU) – The Commonwealth of Kentucky has entered into an understanding with The Lexington-Fayette Urban County Government Public Facilities Corporation (LFUCGPFC). 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.

\$98,995,000 2021 Refunding Lease Revenue Bonds (Forward Delivery) dated June 2, 2021. The bonds mature on June 1, 2022 through June 1, 2033 and carrying an interest rate of 2.770%.The proceeds will be used to refund 2011 Series A bonds. The refunding will result in net savings (increase in cash flows) of \$17,410,832 in future periods and a present value savings of \$14,733,082.

The debt service requirement for the memorandum of understanding is shown on the next chart.

**Future debt service requirements, under Memorandum of Understanding
to be paid with State Funds, at
June 30, 2022, are as follows (Expressed in Thousands)**

Year Ending June 30	Principal	Interest	Totals
2023	\$ 7,265	\$ 2,546	\$ 9,811
2024	7,465	2,345	9,810
2025	7,670	2,138	9,808
2026	7,885	1,926	9,811
2027	8,100	1,707	9,807
2028-2032	43,995	5,044	49,039
2033	9,540	265	9,805
Total	<u>\$ 91,920</u>	<u>\$ 15,971</u>	<u>\$ 107,891</u>

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

A debt payment of \$3,675,000 was made on those Certificates in 2022. The remaining debt service requirement, the trustee fee and management and maintenance fee under the lease agreement are shown below.

Future debt service requirements for Certificates of Participation June 30, 2022, are as follows
(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Operations & Maintenance	Totals
2023	\$ 3,775	\$ 6,901	\$ 1,345	\$ 12,021
2024	3,885	6,749	1,384	12,018
2025	3,995	6,593	1,426	12,014
2026	4,135	6,419	1,468	12,022
2027	4,235	6,270	1,512	12,017
2028-2032	22,970	28,881	8,265	60,116
2033-2037	26,720	23,830	9,575	60,125
2038-2042	31,950	17,104	11,093	60,147
2043-2047	37,010	10,308	12,855	60,173
2048-2052	28,535	2,607	8,001	39,143
Total	<u><u>\$ 167,210</u></u>	<u><u>\$ 115,662</u></u>	<u><u>\$ 56,924</u></u>	<u><u>\$ 339,796</u></u>

Pollution Remediation Liabilities – GASB Statement No. 49 establishes the guidance reporting entities are to use in estimating and reporting potential cost which may be incurred for pollution remediation. GASB Statement No. 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.

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.

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Deferred Outflows and Inflows - GASB Statement No. 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 Statement No. 68, GASB Statement No. 71, and GASB Statement No. 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](#).

Deferred Outflows/Inflows in the
Government-wide Statement of Net Position at June 30, 2022, are as follows
(Expressed in Thousands):

	Governmental Activities	Business-Type Activities	Major Component Units
Deferred Outflow of Resources			
Deferred Loss on Refunding	\$ 9,662	\$ —	\$ 28,675
Pension Related Outflows	5,553,129	42,857	16,334
OPEB Related Outflows	1,050,904	18,300	45,520
Total	\$ 6,613,695	\$ 61,157	\$ 90,529
Deferred Inflow of Resources			
Deferred Gain on Refunding	\$ 47,127	\$ —	\$ 707
External Trusts	—	—	25,218
Forward Delivery Agreement	—	—	2,883
Lessor Contracts	11,232	1,991	665,569
Service Concession Arrangement	—	—	493,628
Pension Related Inflows	5,238,155	11,312	90,703
OPEB Related Inflows	1,324,054	14,402	216,604
Total	\$ 6,620,568	\$ 27,705	\$ 1,495,312

Future debt service requirements for aggregated Notes Payable for the Primary
Government at June 30, 2022, are as follows (Expressed in Thousands):

Year Ending June 30	Principal	Interest	Totals
2023	\$ 111,825	\$ 21,234	\$ 133,059
2024	94,399	16,375	110,774
2025	90,120	12,049	102,169
2026	92,794	7,794	100,588
2027	80,431	3,755	84,186
2028-2032	41,407	4,338	45,745
2033-2037	5,843	2,816	8,659
2038-2042	6,684	1,975	8,659
2043-2047	5,898	1,065	6,963
2048-2052	4,462	427	4,889
2053	855	12	867
Total	\$ 534,718	\$ 71,840	\$ 606,558

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Future debt service requirements for aggregated Notes Payable for the Component Units at June 30, 2022, are as follows (Expressed in Thousands):

Year Ending June 30			Direct Borrowings		Direct Placements		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 6,532	\$ 425	\$ 53,335	\$ 20,696	\$ 598	\$ 4,372	\$ 85,958
2024	2,248	368	28,344	19,579	631	4,346	55,516
2025	2,063	323	12,446	19,149	662	4,315	38,958
2026	2,306	277	12,435	18,996	692	4,284	38,990
2027	1,464	266	3,784	18,838	725	4,251	29,328
2028-2032	6,153	565	39,694	90,663	4,156	20,726	161,957
2033-2037	659	44	70,474	79,678	8,238	19,647	178,740
2038-2042	56	7	103,142	61,466	160,488	2,972	328,131
2043-2047	—	—	119,861	40,119	—	—	159,980
2048-2052	—	—	145,135	14,485	—	—	159,620
Total	\$ 21,481	\$ 2,275	\$ 588,650	\$ 383,669	\$ 176,190	\$ 64,913	\$ 1,237,178

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Changes in long-term liabilities for the fiscal year ended June 30, 2022, are summarized as follows (Expressed in Thousands):

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due In One Year	Due Thereafter
Governmental Activities						
Compensated absences	\$ 266,962	\$ 2,443	\$ (769)	\$ 268,636	\$ 146,817	\$ 121,819
Leases	80,622	170,218	(58,677)	192,163	45,413	146,750
Claims liability	253,887	21,837	(32,967)	242,757	29,242	213,515
Notes payable	602,952	50,417	(118,651)	534,718	111,825	422,893
Certificate of Participation	170,885	—	(3,675)	167,210	3,775	163,435
KCNA - Direct Placements	102,090	—	—	102,090	1,685	100,405
KWIC	300,911	—	(2,291)	298,620	2,804	295,816
Bonds payable	5,112,909	480,191	(901,824)	4,691,276	457,718	4,233,558
Unamortized premiums	461,346	39,091	(77,681)	422,756	44,489	378,267
Unamortized discounts	(7,682)	914	(414)	(7,182)	(673)	(6,509)
Judgments and contingent liabilities	43,069	24,833	(36,572)	31,330	21,990	9,340
LFUCGPFC MOU obligations	98,790	—	(6,870)	91,920	7,265	84,655
Pollution remediation liabilities	10,299	178	(2,206)	8,271	1,519	6,752
Net OPEB liability	3,129,898	—	(430,814)	2,699,084	—	2,699,084
Net pension liability	26,246,788	—	(1,584,842)	24,661,946	—	24,661,946
Total Governmental Activities	36,873,726	790,122	(3,258,253)	34,405,595	873,869	33,531,726
Business-Type Activities						
Compensated absences	7,113	376	(453)	7,036	6,519	517
Lease Obligations	35	2,135	(570)	1,600	537	1,063
Notes Payable	17,484	—	(2,152)	15,332	2,058	13,274
Claims and claims adjustment liability	651,411	130,700	(53,671)	728,440	235,480	492,960
Pollution remediation liabilities	321	71	(28)	364	17	347
Net OPEB liability	65,549	1,192	(4,074)	62,667	—	62,667
Net pension liability	368,659	13,954	(9,981)	372,632	—	372,632
Other Liabilities	164,565	43,291	(28,332)	179,524	160,700	18,824
Total Business-Type Activities	1,275,137	191,719	(99,261)	1,367,595	405,311	962,284
Total Primary Government	\$ 38,148,863	\$ 981,841	\$ (3,357,514)	\$ 35,773,190	\$ 1,279,180	\$ 34,494,010
Major Component Units						
Compensated absences	\$ 133,889	\$ 19,936	\$ (132,926)	\$ 20,899	\$ 6,741	\$ 14,158
Lease Obligations	286,768	39,052	(151,130)	174,690	27,950	146,740
Prize liability	74,211	6,057	(1,650)	78,618	70,071	8,547
Notes payable	14,837	446,568	(321,656)	139,749	15,339	124,410
Direct Borrowings	568,982	46,679	(31,990)	583,671	53,335	535,315
Direct Placements	202,488	4,979	(26,298)	181,169	598	175,592
Bonds payable	2,684,509	777,559	(532,556)	2,929,512	113,663	2,815,849
Net OPEB liability	284,461	36,852	(176,743)	144,570	—	144,570
Net pension liability	352,677	—	(132,177)	220,500	—	220,500
Other Liabilities	581,891	981,069	(311,250)	1,251,710	196,915	1,054,795
Total Major Component Units	\$ 5,184,713	\$ 2,358,751	\$ (1,818,376)	\$ 5,725,088	\$ 484,612	\$ 5,240,476

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.

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, 2022, the estimated liability for annual and compensatory leave was \$268,636,000 for the governmental activities, and \$7,036,000 in the business-type activities.

Compensated absence liabilities for the major component units totaled \$20,899,000 at June 30, 2022.

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, 2022. The estimated accumulated amount of unused sick leave at that date for the governmental and business-type activities was \$461,368,000 and \$13,876,000, respectively.

Construction Projects – The Transportation Cabinet, at June 30, 2022, had contractual commitments of approximately \$1,659,664,000 for the construction, maintenance, and operation of the highway system. It is anticipated that these projects will be funded with approximately 29% State funds, 67% 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, 2022, in the following table:

(expressed in thousands)

Program Name	Sales and Use	Property	Income	Total
	Tax	Tax	Tax	
Kentucky Rural Economic Development Act	\$ —	\$ —	\$ 7,113	\$ 7,113
Kentucky Business Investment	—	—	39,280	39,280
Tax Increment Financing	5,870	1,924	12,403	20,197
Kentucky Tourism Development Act	5,558	—	—	5,558
Other Economic Incentives	—	—	720	720
Total	\$ 11,428	\$ 1,924	\$ 59,516	\$ 72,868

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 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 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.

Non-Reported Tax Abatements - 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, 2022. 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 Reinvestment Act, Kentucky Industrial Development Act, Kentucky Jobs Development Act, Kentucky Tourism Development Act, and Kentucky Investment Fund Act. For more information on the programs, see thinkkentucky.com.

Unemployment Insurance - During fiscal year 2022, a backlog of unemployment claims occurred primarily due to a significant increase in claims filed as a result of the COVID-19 pandemic and an associated increase in fraudulent unemployment claims included in that population. The exact amount of the liability for backlog claims cannot be determined. Based on a range of outstanding claims, the State has recorded an estimated liability of \$22,619,000 in the Unemployment Compensation Fund, a Major Enterprise Fund.

Note 18

SUBSEQUENT EVENTS

The following entities of the Commonwealth issued or agreed to administer State participation in financial obligations incurred after June 30, 2022, and prior to or on January 25, 2023 as described below.

The Kentucky State Property and Buildings Commission issued \$235,485,000 debt subsequent to June 30, 2022, and maturing as to principal through 2042 at interest rates of 3.500% to 5.250%.

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, 2022, and maturing as to principal through 2042 at interest rates of 2.750% to 6.000% as displayed in the table on the following page.

The Turnpike Authority Economic Development issued \$47,480,000 debt subsequent to June 30, 2022, and maturing as to principal through 2042 at interest rates of 3.250% to 5.000%.

State Universities issued 268,815,000 debt with refunding subsequent to June 30, 2022, and maturing as to principal through 2052 at an interest rate of 2.630% -5.000% as displayed in the table on the following page.

In April 2021, the University of Kentucky ("UK") entered into a significant joint venture through the Affiliation, Member Substitution and Formation Agreement dated January 29, 2021 (the "Affiliation Agreement"), by and among King's Daughters Medical Center ("KDMC"), King's Daughters Health System, Inc. ("KDHS"), UK, Beyond Blue Corporation, a component unit of UK (the "UK Member"), and Royal Blue Health LLC, a subsidiary of the UK Member ("RBH"). As of December 1, 2022, the UK Member became a member of the Obligated Group and other related conditions have been satisfied and the UK Member holds 100% of the interests in RBH.

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KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

School District	Delivery Date	Principal at Issue	State Share	Interest Rates (%)
Bardstown Independent	01/05/23	11,285,000	\$ 186,729	4.000%
Dawson Independent	08/03/22	1,680,000	\$ 74,521	3.500%
Elliott County	09/07/22	670,000	670,000	2.750% - 4.000%
Eminence Independent	07/01/22	3,545,000	84,438	3.000% - 4.000%
McCracken County	08/24/22	14,330,000	1,844,932	4.000% - 5.000%
McCreary County	10/25/22	5,850,000	501,384	4.000% - 4.375%
Middlesboro Independent	08/09/22	294,000	294,000	4.000%
Muhlenberg County	08/04/22	1,165,000	1,165,000	3.000% - 4.000%
Nicholas County	08/03/22	5,010,000	114,078	4.000%
Scott County	07/20/22	103,560,000	2,696,221	4.000% - 5.000%
Walton-Verona Independent	01/05/23	25,000,000	435,532	4.00% - 4.250%
Woodford County	08/03/22	73,390,000	1,993,950	4.000% - 6.000%
		\$ 245,779,000	\$ 10,060,785	

COMPONENT UNITS

School District	Delivery Date	Principal at Issue	Amount Refunded	Interest Rates (%)
Eastern Kentucky University	08/02/22	50,530,000	—	4.000% - 5.000%
University of Kentucky	09/06/22	67,825,000	—	3.50% - 5.00%
University of Kentucky	09/06/22	22,850,000	—	4.000%
University of Kentucky	10/24/22	75,610,000	75,300,000	4.000% - 5.000%
Western Kentucky University	8/5/2022	10,315,000	(146,863)	2.630%
Western Kentucky University	8/12/2022	41,685,000	—	3.240%
		\$ 268,815,000	\$ 75,153,137	

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Audited financial statements may be requested at the following addresses:

Bluegrass State Skills Corporation
300 West Broadway
Frankfort, Kentucky 40601
ced.ky.gov

KentuckyWired Infrastructure Company, Inc.
500 Mero St., Suite 1-1
Frankfort, Kentucky 40601
kentuckywired.ky.gov

Turnpike Authority of Kentucky
200 Mero St. 5th Fl.
Frankfort, Kentucky 40622
finance.ky.gov/office-of-the-controller/office-of-financial-management

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

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

Kentucky Economic Development Finance Authority
300 West Broadway Street, Ste 2
Frankfort, Kentucky 40601
ced.ky.gov

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

Kentucky Public Pensions Authority
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
100 Airport Rd., 3rd Floor
Frankfort, Kentucky 40601
kia.ky.gov

Kentucky Judicial Form Retirement System
305 Ann Street #302
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
kysu.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, 2022

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

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

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

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

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

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

Kentucky River Authority
403 Wapping Street, Suite 105
Frankfort, Kentucky 40601
finance.ky.gov/kentucky-river-authority

Council on Postsecondary Education
100 Airport Rd.
Frankfort, Kentucky 40601
cpe.ky.gov

DEP Division of Waste Management,
Underground Storage Tank Branch
300 Sower Boulevard, Second Floor
Frankfort, Kentucky 40601
eec.ky.gov/Environmental-Protection/Waste/underground-storage-tank

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

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

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

The Kentucky Public Employees'
Deferred Compensation Authority
501 High St, 2nd Fl.
Frankfort, Kentucky 40601
kentuckyplans.com

Department of Workplace Standards
Division of Workers' Compensation Funds (Special Fund)
Mayo-Underwood Building
500 Mero Street, 3rd Floor
Frankfort, Kentucky 40601
labor.ky.gov/comp

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

The Kentucky Horse Park Foundation
4075 Iron Works Parkway
Lexington, Kentucky 40511
khpfoundation.org

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

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



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

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Original	Final	Actual	Variance
Revenues				
Budgeted:				
Taxes	\$ 13,091,614	\$ 13,056,814	\$ 14,062,541	\$ 1,005,727
Licenses, fees, and permits	27,831	27,831	25,463	(2,368)
Intergovernmental	12,855	12,855	3,331	(9,524)
Charges for services	4,168	4,168	6,087	1,919
Fines and forfeits	26,847	26,847	29,613	2,766
Interest and other investment income	(126)	(126)	585	711
Lottery proceeds	319,300	319,300	295,000	(24,300)
Other revenues	308,686	308,686	279,839	(28,847)
Tobacco Settlement	104,786	103,000	129,568	26,568
Subtotal of Budgeted Revenues	<u>13,895,961</u>	<u>13,859,375</u>	<u>14,832,027</u>	<u>972,652</u>
Other Budgeted Financial Resources:				
Transfers in (intrafund)	—	—	—	—
Transfers in (interfund)	—	85,399	87,798	2,399
Total Budgeted Revenues	<u>13,895,961</u>	<u>13,944,774</u>	<u>14,919,825</u>	<u>975,051</u>
Total Revenues	<u>13,895,961</u>	<u>13,944,774</u>	<u>14,919,825</u>	<u>975,051</u>
Expenditures				
General Government:				
Executive Office of the Governor	6,106	6,312	6,312	—
Office of Homeland Security	578	586	571	(15)
Kentucky Infrastructure Authority	1,057	1,058	1,058	—
Commonwealth Council on Developmental Disabilities	—	173	173	—
Department of Veterans Affairs	26,121	26,887	26,887	—
Office of State Budget Director	3,609	3,745	3,556	(189)
Western Ky State Aid Funding for Emergencies (SAFE)	—	155,000	146,000	(9,000)
Small Business Advocacy	—	—	—	—
Unified Prosecutorial System:				
Commonwealth Attorneys	60,494	63,035	63,035	—
County Attorneys	56,153	58,596	57,795	(801)
Department of Agriculture	18,850	19,488	19,484	(4)
Office of the Attorney General	12,860	15,275	15,275	—
Auditor of Public Accounts	7,789	8,478	8,478	—
Registry of Election Finance	1,543	1,606	1,606	—
Military Affairs	15,007	51,315	38,551	(12,764)
Governor's Office of Agriculture Policy	—	—	—	—
Governor's Office for Local Development	9,638	19,853	19,020	(833)
Local Government:				
Economic Assistance Fund	21,960	29,091	29,091	—
Economic Development Fund	18,512	26,291	26,291	—
Area Development Fund	—	—	—	—
Secretary of State	—	—	—	—
Department of Treasury	2,665	2,607	4,055	1,448
Board of Elections	3,327	3,513	3,512	(1)
Personnel Board	—	—	—	—
School Facilities Construction Commission	125,835	215,271	213,990	(1,281)
Executive Branch Ethics Commission	563	599	599	—
Commission on Human Rights	1,929	2,001	2,001	—
Council on Postsecondary Education	11,599	34,822	34,815	(7)
Kentucky Communications Network Authority	34,223	40,411	40,411	—
Budget Reserve Trust Fund	154,907	1,482,127	—	(1,482,127)
Personnel:				
General Operations	—	—	—	—
State Fixed Allocation Pension Pool	102,064	102,064	101,055	(1,009)

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Universities:				
Eastern Kentucky University	\$ 74,324	\$ 74,444	\$ 74,444	\$ —
Kentucky State University	27,186	28,058	28,058	—
Morehead State University	43,325	43,325	43,325	—
Murray State University	47,025	47,025	47,025	—
Northern Kentucky University	52,248	55,150	55,150	—
University of Kentucky	266,244	272,330	272,330	—
University of Louisville	127,157	130,129	130,129	—
Western Kentucky University	76,947	78,345	78,345	—
Kentucky Community and Technical College System	175,436	184,262	179,262	(5,000)
Postsecondary Education Performance Fund	17,307	16,209	11,269	(4,940)
Finance and Administration:				
General Administration and Support	7,419	7,784	7,784	—
Office of the Inspector General	—	—	—	—
Special Accounts - Capital Construction	8,170	39,860	39,860	—
Debt Service	528,430	528,430	500,010	(28,420)
Office of the Controller	5,583	5,972	5,972	—
Commonwealth Office of Technology	—	—	—	—
Department for Administration	—	—	—	—
Department for Facilities and Support Services	4,008	6,792	6,792	—
Kentucky Retirement Systems	—	215,000	215,000	—
Kentucky Higher Education Assistance Authority	349,298	336,089	279,315	(56,774)
Special Accounts - Tobacco Settlement	104,786	131,353	129,568	(1,785)
Finance - County Costs	19,744	19,769	18,769	(1,000)
Department of Revenue:				
General Operations	104,203	110,153	110,153	—
Office of Property Valuation Administrators	56,594	59,361	59,361	—
Appropriations Not Otherwise Classified:				
Judgments	22,500	22,500	4,243	(18,257)
Board of Claims Award	200	200	95	(105)
Guardian Ad Litem	11,125	13,214	12,838	(376)
Prior Year Claims	166	166	—	(166)
Unredeemed Checks Refunded	1,752	5,410	5,405	(5)
Involuntary Commitments	65	115	88	(27)
Blanket Employee Bonds	42	43	43	—
Frankfort In Lieu of Taxes	195	195	195	—
Frankfort Cemetery	3	3	—	(3)
Police and Firemen Life Insurance	255	1,135	1,129	(6)
Attorney General Expense	626	306	290	(16)
Medical Malpractice Liability Insurance Reimbursements	97	97	78	(19)
Total General Government	<u>2,829,849</u>	<u>4,803,428</u>	<u>3,179,946</u>	<u>(1,623,482)</u>
Legislative and Judicial:				
General Assembly	29,350	29,777	20,200	(9,577)
Legislative Research Commission	73,980	75,775	53,372	(22,403)
Judicial Retirement System	7,148	7,148	7,148	—
Court of Justice - Court Facility Use	—	—	—	—
Court of Justice - Operation and Administration	268,901	294,530	269,810	(24,720)
Court of Justice - Local Facility Support	119,925	119,925	108,995	(10,930)
Total Legislative and Judicial	<u>499,304</u>	<u>527,155</u>	<u>459,525</u>	<u>(67,630)</u>

Continued

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, 2022
(Expressed in Thousands)

	Original	Final	Actual	Variance
Commerce:				
Economic Development:				
Economic Development	\$ 38,025	\$ 488,812	\$ 53,966	\$ (434,846)
New Business Development	—	3,293	2,838	(455)
Commerce Cabinet:				
Office of the Secretary	3,279	3,282	3,259	(23)
Kentucky State Fair Board	4,170	23,110	23,110	—
Kentucky Horse Park	1,732	1,732	1,732	—
Department of Parks	47,626	49,781	49,780	(1)
Department of Travel	3,209	3,313	3,104	(209)
Berea Artisans Center	1,066	1,116	1,116	—
Total Commerce	99,107	574,439	138,905	(435,534)
Education:				
General Administration and Program Support	8,744	8,859	8,859	—
Commission on the Deaf and Hard of Hearing	972	1,012	1,012	—
Kentucky Heritage Council	739	817	797	(20)
Kentucky Arts Council	1,740	1,787	1,787	—
Department of Education:				
Support Education Excellence In KY (SEEK)	2,922,858	3,062,858	3,016,409	(46,449)
Executive Policy and Management	—	—	—	—
Bureau of Support Services	58,459	84,640	59,266	(25,374)
Learning Results Services	1,084,830	1,038,152	1,036,581	(1,571)
Kentucky Educational Television	15,075	15,647	15,647	—
Kentucky Historical Society	6,464	6,616	6,616	—
Kentucky Center for the Arts	2,084	2,084	2,084	—
Education Professional Standards Board	—	—	—	—
Libraries and Archives:				
Direct Local Aid	4,330	4,330	4,278	(52)
Public Library Facilities Construction Debt Assistance	—	—	—	—
General Operations	6,254	6,424	6,424	—
Teachers' Retirement System	715,294	1,194,536	1,194,536	—
Workforce Investment:				
Office of the Blind	—	1,412	1,412	—
Employment and Training (Operations and Support)	—	597	597	—
Technical Education	—	24,075	18,028	(6,047)
Vocational Rehabilitation	41,547	16,098	16,098	—
Total Education and Humanities	4,869,390	5,469,944	5,390,431	(79,513)
Human Resources:				
Health and Family Services:				
Administrative Services	10,350	2,367	2,367	—
Department for Community Based Services	504,341	550,200	542,907	(7,293)
Department for Disability Determination Services	—	—	—	—
Department for Family Resource Centers and Volunteer Services	12,451	61,395	61,395	—
Office of the Inspector General	—	8,161	8,161	—
Office of Health Policy	482	490	490	—
Department for Aging and Independent Living	45,294	45,989	45,989	—
Department for Income Support	13,617	13,617	13,617	—
Department for Public Health	52,433	53,123	53,124	1
Department for Behavioral Health, Developmental and Intellectual Disabilities	150,032	151,248	148,531	(2,717)
Department for Human Support Services	—	—	—	—
Medicaid Administration	59,310	59,316	59,316	—
Medicaid Services Benefits	1,934,395	1,934,395	1,934,395	—
Commission for Children With Special Health Care Needs	5,852	6,139	6,139	—
Total Human Resources	2,788,557	2,886,440	2,876,431	(10,009)

	Original	Final	Actual	Variance
Justice:				
Justice Administration	\$ 35,817	\$ 40,760	\$ 36,860	\$ (3,900)
Department of State Police	183,805	193,360	193,360	—
Department of Juvenile Justice	98,791	102,421	98,842	(3,579)
Department for Public Advocacy	66,664	69,087	69,087	—
Department of Corrections:				
Management	13,897	14,447	14,447	—
Adult Institutions	359,194	367,126	355,010	(12,116)
Local Jail Allotment	16,780	16,803	16,399	(404)
Community Services and Local Facilities	206,299	239,307	219,872	(19,435)
Total Justice	981,247	1,043,311	1,003,877	(39,434)
Natural Resources and Environmental Protection:				
General Administration and Support	3,773	3,953	3,953	—
Department for Energy Development and Independence	862	874	874	—
Kentucky River Authority	288	301	301	—
Kentucky Nature Preserves Commission	1,258	1,291	1,291	—
Department for Environmental Protection	30,502	32,330	32,330	—
Department for Natural Resources	37,115	20,508	20,508	—
Mine Safety and Licensing	—	10,850	10,850	—
Surface Mining Reclamation and Enforcement	—	7,924	7,924	—
Total Natural Resources and Environmental Protection	73,798	78,031	78,031	—
Public Protection and Regulation:				
General Administration and Support	—	—	—	—
Board of Claims and Crime Victims Compensation	—	—	—	—
Kentucky Claims Commission	—	—	1,012	1,012
Board of Tax Appeals	1,006	1,012	—	(1,012)
Horse Racing Commission	3,686	3,819	3,819	—
Public Service Commission	18,337	18,725	10,708	(8,017)
Mine Safety Review Commission	—	—	—	—
Department of Alcoholic Beverage Control	—	—	—	—
Department of Housing, Buildings, and Construction	2,632	2,704	2,704	—
Labor:				
Workplace Standards	1,775	1,838	1,838	—
General Administration & Support	465	475	475	—
Total Public Protection and Regulation	27,901	28,573	20,556	(8,017)
Transportation:				
General Administration and Support	500	500	321	(179)
Public Transportation	14,930	14,994	7,171	(7,823)
Revenue Sharing	—	—	—	—
Total Transportation	15,430	15,494	7,492	(8,002)
Total Expenditures	12,184,583	15,426,815	13,155,194	(2,271,621)
Excess of Revenues Over (Under) Expenditures	1,711,378	(1,482,041)	1,764,631	
Fund Balance at July 1	—	—	2,231,879	
Non-Budgeted Items	—	—	(1,079)	
Fund Balance at June 30	\$ —	\$ —	\$ 3,995,431	\$ —

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, 2022
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Revenues				
Budgeted:				
Taxes	\$ 1,502,950	\$ 1,502,950	\$ 1,499,469	\$ (3,481)
Licenses, fees, and permits	161,918	161,918	172,861	10,943
Intergovernmental	—	—	(4)	(4)
Charges for services	9,680	9,680	8,068	(1,612)
Fines and forfeits	2	2	18	16
Interest and other investment income	(1,000)	(1,000)	(11,014)	(10,014)
Other revenues	6,550	6,550	6,073	(477)
Subtotal of Budgeted Revenues	<u>1,680,100</u>	<u>1,680,100</u>	<u>1,675,471</u>	<u>(4,629)</u>
Other Budgeted Financial Resources:				
Transfers in (intrafund)	—	—	—	—
Transfers in (interfund)	—	837	899	62
Total Budgeted Revenues	<u>1,680,100</u>	<u>1,680,937</u>	<u>1,676,370</u>	<u>(4,567)</u>
Non-Budgeted:				
Taxes	—	—	—	—
Licenses, fees, and permits	—	—	—	—
Intergovernmental	—	—	—	—
Charges for services	—	—	—	—
Fines and forfeits	—	—	—	—
Interest and other investment income	—	—	—	—
Employer contributions	—	—	—	—
Other revenues	—	—	—	—
Transfers in (interfund)	—	—	—	—
Transfers in (intrafund)	—	—	—	—
Total Non-Budgeted Revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Revenues	<u>1,680,100</u>	<u>1,680,937</u>	<u>1,676,370</u>	<u>(4,567)</u>
Expenditures				
General Government:				
Executive Office of the Governor	—	—	—	—
Office of Homeland Security	—	—	—	—
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	—	—	—	—
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	—	—	—	—

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, 2022
(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	—	—	—	—
Personnel:				
General Operations	—	—	—	—
Public Employee Deferred Compensation Authority	—	—	—	—
Universities:				
Eastern Kentucky University	—	—	—	—
Kentucky State University	—	—	—	—
Morehead State University	—	—	—	—
Murray State University	—	—	—	—
Northern Kentucky University	—	—	—	—
University of Kentucky	—	—	—	—
University of Louisville	—	—	—	—
Western Kentucky University	—	—	—	—
Kentucky Community and Technical College System	—	—	—	—
Finance and Administration:				
General Administration and Support	—	—	—	—
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	—	—	—	—
Office of Property Valuation Administrators	—	—	—	—
Department for Facilities and Support Services	—	—	—	—
Total General Government	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 1,830	\$ 9,130	\$ 3,355	\$ (5,775)	\$ 246	\$ 298	\$ 298	\$ —
—	—	—	—	488	506	332	(174)
—	—	—	—	455	469	405	(64)
—	—	—	—	79	82	79	(3)
—	—	—	—	256	256	249	(7)
—	—	—	—	363	449	423	(26)
—	—	—	—	1,904	1,964	1,951	(13)
—	—	—	—	78	78	67	(11)
—	—	—	—	101	101	83	(18)
—	—	—	—	3,474	3,565	3,414	(151)
—	—	—	—	8,764	9,049	8,405	(644)
—	—	—	—	71	71	68	(3)
—	—	—	—	206	220	220	—
—	—	—	—	11	11	10	(1)
—	—	—	—	212	212	192	(20)
—	—	—	—	246	255	254	(1)
—	—	—	—	134	134	106	(28)
—	—	—	—	—	—	—	—
—	—	—	—	109	109	100	(9)
—	—	—	—	856	906	867	(39)
—	—	—	—	2,505	2,604	2,604	—
—	—	—	—	661	679	594	(85)
—	—	—	—	47	47	41	(6)
—	—	—	—	1,738	1,790	1,412	(378)
—	—	—	—	223	223	188	(35)
—	—	—	—	525	525	441	(84)
—	—	—	—	114	114	82	(32)
—	—	—	—	151	151	113	(38)
—	—	—	—	—	—	—	—
245	245	187	(58)	10	10	3	(7)
3,997	10,084	7,678	(2,406)	4,924	4,941	3,828	(1,113)
—	—	—	—	31,198	31,290	30,607	(683)
—	—	—	—	8,243	8,322	7,220	(1,102)
—	—	—	—	346,111	346,111	84,438	(261,673)
—	—	—	—	44,032	44,032	18,796	(25,236)
—	—	—	—	150,723	150,723	168,754	18,031
—	—	—	—	142,861	142,971	332,942	189,971
—	—	—	—	212,254	213,254	367,914	154,660
—	—	—	—	4,602,905	4,602,905	7,731,552	3,128,647
—	—	—	—	1,191,768	1,191,768	27,938	(1,163,830)
—	—	—	—	313,108	313,108	361,179	48,071
—	—	—	—	671,931	671,931	479,414	(192,517)
—	490,101	232,371	(257,730)	28,880	5,332	4,447	(885)
—	—	—	—	14,180	12,102	11,517	(585)
—	—	—	—	665	665	188	(477)
150	348	348	—	142,971	2,000	775	(1,225)
34	6,103	2,835	(3,268)	32,767	32,837	17,713	(15,124)
—	—	—	—	—	104	102	(2)
—	—	—	—	1,703	1,703	1,122	(581)
—	—	—	—	48,006	49,308	40,483	(8,825)
—	25	8	(17)	12,789	13,105	628	(12,477)
—	—	—	—	3,500	3,786	3,510	(276)
—	—	—	—	54,578	914	821	(93)
191,631	1,127,627	841,327	(286,300)	8,307,110	8,209,732	9,892,188	1,682,456

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, 2022
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Legislative and Judicial:				
General Assembly	\$ —	\$ —	\$ —	\$ —
Legislative Research Commission	—	—	—	—
Judicial Retirement System	—	—	—	—
Court of Justice - Operation and Administration	—	—	—	—
Total Legislative and Judicial	—	—	—	—
Commerce:				
Economic Development:				
Office of the Secretary	—	—	—	—
Financial Incentives	—	—	—	—
Business Development	—	—	—	—
Commerce:				
Office of the Secretary	—	—	—	—
Kentucky State Fair Board	—	—	—	—
Kentucky Horse Park	—	—	—	—
Department of Parks	—	—	—	—
Department of Travel	—	—	—	—
Berea Artisans Center	—	—	—	—
Department of Fish and Wildlife Resources	—	—	—	—
Total Commerce	—	—	—	—
Education:				
Commission on the Deaf and Hard of Hearing	—	—	—	—
Environmental Education Council	—	—	—	—
Kentucky Heritage Council	—	—	—	—
Kentucky Arts Council	—	—	—	—
General Administration and Program Support	—	—	—	—
Department of Education:				
Support Education Excellence In KY (SEEK)	—	—	—	—
Learning Results Services	—	—	—	—
Bureau of Support Services	—	—	—	—
Kentucky Educational Television	—	—	—	—
Kentucky Historical Society	—	—	—	—
Commission on Proprietary Education	—	—	—	—
Education Professional Standards Board	—	—	—	—
Libraries and Archives:				
Direct Local Aid	—	—	—	—
General Operations	—	—	—	—
Kentucky Teachers' Retirement System	—	—	—	—
Workforce Investment:				
Office of the Blind	—	—	—	—
Employment and Training	—	—	—	—
Vocational Rehabilitation	—	—	—	—
Total Education and Humanities	—	—	—	—

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ 1,384	\$ 1,384	\$ —	\$ (1,384)
1	1	—	(1)	1,786	1,786	—	(1,786)
—	—	—	—	—	732	642	(90)
5,977	7,188	3,291	(3,897)	98,353	99,125	38,525	(60,600)
5,978	7,189	3,291	(3,898)	101,523	103,027	39,167	(63,860)
521	118	355	237	2,857	28,220	2,679	(25,541)
—	—	—	—	—	—	—	—
—	403	—	(403)	—	—	—	—
—	88,093	12,832	(75,261)	17,500	17,500	14,676	(2,824)
—	—	—	—	49,768	3,000	—	(3,000)
—	—	—	—	10,980	—	—	—
—	—	—	—	52,261	50	1	(49)
—	—	—	—	23	23	—	(23)
—	—	—	—	1,601	1,606	1,414	(192)
19,412	21,498	20,087	(1,411)	48,576	53,790	91,215	37,425
19,933	110,112	33,274	(76,838)	183,566	104,189	109,985	5,796
—	—	—	—	1,366	1,378	1,200	(178)
316	430	245	(185)	501	510	285	(225)
984	1,017	998	(19)	749	772	399	(373)
759	1,679	1,679	—	353	353	190	(163)
10,996	11,020	2,824	(8,196)	8,910	9,150	8,695	(455)
—	—	—	—	—	—	—	—
561,550	1,910,849	1,520,349	(390,500)	35,017	35,720	19,910	(15,810)
410,127	545,258	544,668	(590)	8,150	8,242	72	(8,170)
—	—	—	—	1,525	1,525	1,518	(7)
170	170	—	(170)	894	894	194	(700)
—	—	—	—	375	517	378	(139)
—	—	—	—	—	—	—	—
—	—	—	—	1,047	1,047	562	(485)
2,579	5,605	4,400	(1,205)	967	967	758	(209)
—	—	—	—	16,321	16,824	20,201	3,377
119,112	2,325	2,607	282	4,670	981	560	(421)
—	67,140	66,347	(793)	—	3,004	903	(2,101)
—	52,736	55,185	2,449	—	2,520	1,194	(1,326)
1,106,593	2,598,229	2,199,302	(398,927)	80,845	84,404	57,019	(27,385)

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, 2022
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Human Resources:				
Health and Family Services:				
Administrative Support	\$ —	\$ —	\$ —	\$ —
Office of Health Benefit Exchange	—	—	—	—
Department for Disability Determination Services	—	—	—	—
Department for Community Based Services	—	—	—	—
Department for Family Resources and Volunteer Services	—	—	—	—
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	—	—	—	—
Total Human Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Justice:				
Office of the Secretary	—	—	—	—
Department of State Police	56,980	56,980	56,980	—
Department for Public Advocacy	—	—	—	—
Department of Juvenile Justice	—	—	—	—
Department of Criminal Justice Training	—	—	—	—
Department of Corrections:				
Management	—	—	—	—
Adult Correctional Institutions	—	—	—	—
Community Service and Local Facilities	—	—	—	—
Total Justice	<u>56,980</u>	<u>56,980</u>	<u>56,980</u>	<u>—</u>
Natural Resources and Environmental Protection:				
General Administration and Support	—	—	—	—
Department for Energy Development and Independence	—	—	—	—
Kentucky River Authority	—	—	—	—
Kentucky Nature Preserves Commission	—	—	—	—
Department for Environmental Protection	—	—	—	—
Department for Natural Resources	—	—	—	—
Mining Safety and Licensing	—	—	—	—
Surface Mining Reclamation and Enforcement	—	—	—	—
Abandoned Mine Lands Reclamation Projects	—	—	—	—
Total Natural Resources and Environmental Protection	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Public Protection and Regulation:				
Office of the Commissioner	—	—	—	—
Board of Claims and Crime Victims Compensation	—	—	—	—
Horse Racing Commission	—	—	—	—
Kentucky Athletic Commission	—	—	—	—
Public Service Commission	—	—	—	—
Occupations and Professions	—	—	—	—
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	—	—	—	—
Total Public Protection and Regulation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ 48,859	\$ 100,392	\$ 97,055	\$ (3,337)	\$ 53,384	\$ 50,861	\$ 42,287	\$ (8,574)
9,288	18,069	16,055	(2,014)	23,302	23,386	12,783	(10,603)
—	54,410	48,582	(5,828)	—	153	141	(12)
650,370	1,152,852	946,739	(206,113)	202,239	203,011	92,359	(110,652)
7,053	24,373	10,314	(14,059)	—	—	—	—
—	—	—	—	—	—	—	—
—	18,534	15,751	(2,783)	—	4,400	3,092	(1,308)
—	—	—	—	—	—	—	—
24,829	60,406	34,580	(25,826)	2,787	2,807	395	(2,412)
91,020	38,034	34,709	(3,325)	12,931	12,942	11,148	(1,794)
263,241	602,795	471,749	(131,046)	87,483	87,834	75,515	(12,319)
95,540	125,876	103,702	(22,174)	211,176	211,426	200,850	(10,576)
165,865	166,061	151,009	(15,052)	12,569	12,980	9,317	(3,663)
11,483,842	12,455,056	12,358,299	(96,757)	1,510,914	1,515,464	599,576	(915,888)
4,565	4,682	3,561	(1,121)	8,983	9,074	8,322	(752)
—	—	—	—	—	—	—	—
12,844,472	14,821,540	14,292,105	(529,435)	2,125,768	2,134,338	1,055,785	(1,078,553)
45,125	45,175	37,651	(7,524)	6,734	6,734	3,326	(3,408)
14,666	16,393	14,924	(1,469)	32,102	34,946	22,991	(11,955)
1,841	2,828	2,252	(576)	5,792	5,870	5,870	—
9,273	10,619	8,889	(1,730)	13,962	13,962	6,540	(7,422)
120	120	—	(120)	83,374	86,757	78,441	(8,316)
75	2,178	711	(1,467)	150	150	—	(150)
30	35,560	30,329	(5,231)	17,922	7,086	1,269	(5,817)
695	6,777	6,269	(508)	9,501	10,501	4,772	(5,729)
71,825	119,650	101,025	(18,625)	169,537	166,006	123,209	(42,797)
2,591	3,770	3,486	(284)	26,394	27,449	16,661	(10,788)
540	1,034	1,053	19	382	411	414	3
—	—	—	—	6,447	9,365	6,220	(3,145)
73	229	153	(76)	1,264	2,128	1,434	(694)
24,054	26,308	26,071	(237)	76,024	48,920	46,645	(2,275)
—	3,986	3,008	(978)	—	3,695	3,464	(231)
—	2,987	2,899	(88)	—	1,075	945	(130)
—	7,873	7,293	(580)	—	647	323	(324)
58,634	44,418	20,454	(23,964)	13,123	6,894	2,455	(4,439)
85,892	90,605	64,417	(26,188)	123,634	100,584	78,561	(22,023)
—	22,500	551	(21,949)	9,294	9,624	9,615	(9)
157	357	304	(53)	911	944	776	(168)
—	—	—	—	42,056	59,492	57,962	(1,530)
—	—	—	—	177	182	155	(27)
703	805	943	138	722	1,877	1,858	(19)
—	—	—	—	708	—	—	—
—	—	—	—	—	—	—	—
439	445	386	(59)	6,388	6,594	7,543	949
—	—	—	—	3,804	3,945	4,060	115
—	—	—	—	12,773	13,280	23,827	10,547
—	200	11	(189)	26,430	27,379	28,677	1,298
576	576	—	(576)	15,623	15,955	54,372	38,417
4,196	4,388	4,132	(256)	8,054	—	—	—
546,699	814,144	815,793	1,649	223,313	16,094	8,826	(7,268)
552,770	843,415	822,120	(21,295)	350,253	155,366	197,671	42,305

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, 2022
(Expressed in Thousands)

	Transportation			
	Original	Final	Actual	Variance
Transportation:				
Administration and Support	\$ 85,493	\$ 86,581	\$ 83,720	\$ (2,861)
Revenue Sharing	501,512	503,406	367,146	(136,260)
Air Transportation	1,806	1,836	1,790	(46)
Highways	1,389,074	1,497,925	949,603	(548,322)
Public Transportation	—	—	—	—
Vehicle Regulation	45,484	46,072	36,224	(9,848)
Debt Service	139,140	139,140	130,276	(8,864)
Transfers to Capital Projects	7,190	10,190	10,190	—
BRAC Economic Development Road Bonds	—	—	—	—
GARVEE Western KY Bridges Project	—	—	—	—
2005 Ed Bond Series	—	—	—	—
Total Transportation	2,169,699	2,285,150	1,578,949	(706,201)
Total Expenditures	2,226,679	2,342,130	1,635,929	(706,201)
Excess of Revenues over (under) Expenditures	(546,579)	(661,193)	40,441	701,634
Other Financing Sources (Uses)				
Proceeds from Trustees	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses			40,441	
Fund Balances at July 1			710,844	
Non-Budgeted Items			(429)	
Fund Balances at June 30	\$ —	\$ —	\$ 750,856	\$ —

Federal				Agency			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ 2,677	\$ 98	\$ 3	\$ (95)
—	—	—	—	—	—	—	—
740	740	145	(595)	40,029	40,107	12,867	(27,240)
1,028,492	1,205,397	992,280	(213,117)	254,701	126,373	105,956	(20,417)
95,682	95,735	24,821	(70,914)	9,207	9,207	4,704	(4,503)
3,127	3,127	2,806	(321)	23,563	23,657	20,559	(3,098)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	6,439	218	(6,221)
—	—	—	—	—	—	—	—
—	—	—	—	—	83,671	30,087	(53,584)
1,128,041	1,304,999	1,020,052	(284,947)	330,177	289,552	174,394	(115,158)
16,007,135	21,023,366	19,376,913	(1,646,453)	11,772,413	11,347,198	11,727,979	380,781
		(253,014)				651,210	
						1,303	
—	—	—	—	—	—	1,303	1,303
		(253,014)				652,513	
		1,640,070				2,578,074	
		(97)				(310,895)	
\$ —	\$ —	\$ 1,386,959	\$ —	\$ —	\$ —	\$ 2,919,692	\$ —

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, 2022

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, 2022, 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, 2022				
Budgetary basis	\$ 3,995,431	\$ 750,856	\$ 1,386,959	\$ 2,919,692
Adjustments:				
Accrued revenues	742,894	124,388	(1,159,069)	76,441
Accrued expenditures	(210,442)	(103,803)	(310,945)	(39,913)
Accrued transfers (net)	—	—	(51,518)	51,518
Total Accruals (1)	<u>532,452</u>	<u>20,585</u>	<u>(1,521,532)</u>	<u>88,046</u>
Reclassifications and other adjustments:				
Inventory balances (1)	7,033	60,113	463	3,141
To reclassify financial and other resources into financial statement fund types (2)	25,357	(556)	(137,324)	(1,606,874)
To record financial resources available as non-budgeted funds (3)	<u>(138,969)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance				
June 30, 2022				
GAAP Basis	<u>\$ 4,421,304</u>	<u>\$ 830,998</u>	<u>\$ (271,434)</u>	<u>\$ 1,404,005</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 expends certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for, under the modified approach, include approximately 64,004 lane miles of roads and approximately 9,039 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 calendar years.

<u>Condition</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Good	37.0%	40.0%	44.7%	46.2%	57.6%
Fair	29.8%	33.7%	28.8%	28.6%	22.5%
Poor	33.2%	26.3%	26.5%	25.2%	19.9%

Bridges

Measurement Scale

KYTC maintains information on its 9,039 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:

COMMONWEALTH OF KENTUCKY
Notes to Required Supplementary Information
June 30, 2022

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

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

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 2019 under the updated condition assessment requirements:

Condition	Calendar Year 2021	Calendar Year 2020	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017
Good	28.1%	29.9%	30.4%	34.1%	35.8%
Fair	67.2%	65.4%	64.8%	61.0%	59.6%
Poor	4.7%	4.6%	4.8%	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):

COMMONWEALTH OF KENTUCKY
Notes to Required Supplementary Information
June 30, 2022

	Roadways	Bridges	Total
<u>Fiscal Year 2023:</u>			
Estimated	\$ 1,327.5	\$ 195.5	\$ 1,523.0
<u>Fiscal Year 2022:</u>			
Estimated	\$ 1,032.3	\$ 231.2	\$ 1,263.5
Actual	\$ 1,219.1	\$ 179.6	\$ 1,398.7
<u>Fiscal Year 2021:</u>			
Estimated	\$ 675.7	\$ 141.7	\$ 817.4
Actual	\$ 895.8	\$ 200.7	\$ 1,096.5
<u>Fiscal Year 2020:</u>			
Estimated	\$ 575.4	\$ 66.7	\$ 642.1
Actual	\$ 976.1	\$ 204.7	\$ 1,180.8
<u>Fiscal Year 2019:</u>			
Estimated	\$ 897.0	\$ 104.8	\$ 1,001.8
Actual	\$ 965.5	\$ 111.9	\$ 1,077.4
<u>Fiscal Year 2018:</u>			
Estimated	\$ 727.0	\$ 76.1	\$ 803.1
Actual	\$ 903.4	\$ 107.9	\$ 1,011.3
<u>Fiscal Year 2017:</u>			
Estimated	\$ 971.9	\$ 75.8	\$ 1,047.7
Actual	\$ 834.4	\$ 87.4	\$ 921.8

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 five calendar years.

<u>Condition</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Good	19.0%	0.0%	90.8%	90.8%	90.8%
Fair	81.0%	100.0%	9.2%	9.2%	9.2%
Poor	0.0%	0.0%	0.0%	0.0%	0.0%

Bridges

Measurement Scale

The Authority maintains information on its 47 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.

COMMONWEALTH OF KENTUCKY
Notes to Required Supplementary Information
June 30, 2022

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

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 2020 to 2017 under the updated condition assessment requirements:

Condition	Calendar Year 2021	Calendar Year 2020	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017
Good	82.3%	82.3%	82.3%	82.0%	80.2%
Fair	17.7%	17.7%	17.7%	18.0%	19.8%
Poor	0.0%	0.0%	0.0%	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 six fiscal years:

COMMONWEALTH OF KENTUCKY
Notes to Required Supplementary Information
June 30, 2022

(Expressed in Thousands)

	<u>Roadways</u>	<u>Bridges</u>	<u>Total</u>
<u>Fiscal Year 2023:</u>			
Estimated*	Not Reported by Component Unit		
<u>Fiscal Year 2022:</u>			
Estimated			\$ 3,939.0
Actual			\$ 1,861.0
<u>Fiscal Year 2021:</u>			
Estimated			\$ 7,400.0
Actual			\$ 7,293.9
<u>Fiscal Year 2020:</u>			
Estimated			\$ 1,279.9
Actual			\$ 3,184.2
<u>Fiscal Year 2019:</u>			
Estimated			\$ 4,069.4
Actual			\$ 1,976.2
<u>Fiscal Year 2018:</u>			
Estimated			
Actual			\$ 3,153.3
<u>Fiscal Year 2017:</u>			
Estimated*			
Actual	\$ 16,589.3	\$ 21,951.0	\$ 38,540.3

*Note: Estimated costs for roadways was not developed for fiscal year ended June 30, 2017 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. The Authority did not provide an estimated spending amount for fiscal year 2023.

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

State Workers' Compensation Program

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Earned Premiums	\$ 24,500	\$ 24,497	\$ 23,017	\$ 21,074	\$ 25,871	\$ 23,892	\$ 21,880	\$ 21,733	\$ 20,331	\$ 20,164
Administrative Expense	955	1,038	1,007	976	914	927	918	887	940	1,043
Incurred Claims as Originally Estimated	23,043	25,619	24,847	22,185	23,536	24,915	21,556	19,014	22,115	24,435
Claims Paid (Cumulative) as of:										
End of Fiscal Year	5,076	7,314	6,221	5,386	6,082	5,829	5,181	3,613	6,200	7,403
One Year Later	7,927	10,235	9,131	8,160	9,098	8,704	7,461	7,223	7,754	
Two Years Later	9,695	12,258	10,994	9,855	11,036	10,115	8,851	8,838		
Three Years Later	10,720	13,170	11,932	10,636	12,007	11,080	9,784			
Four Years Later	11,210	13,631	12,358	10,936	12,592	11,381				
Five Years Later	11,543	14,622	12,739	11,197	13,096					
Six Years Later	11,753	14,933	13,031	11,423						
Seven Years Later	11,929	15,215	13,596							
Eight Years Later	12,119	15,502								
Nine Years Later	12,233									
Re-estimation of Incurred Claims:										
End of Fiscal Year	23,043	25,619	24,847	22,185	23,536	24,915	21,556	19,014	22,115	24,435
One Year Later	20,463	23,517	22,001	20,628	22,247	22,859	20,283	19,450	20,542	
Two Years Later	19,660	23,422	21,866	20,905	22,396	21,574	20,821	18,946		
Three Years Later	19,505	22,971	21,643	19,799	22,680	22,196	20,747			
Four Years Later	18,912	23,606	21,017	20,579	22,834	22,215				
Five Years Later	18,805	23,577	22,107	20,020	22,328					
Six Years Later	18,584	24,412	21,872	19,226						
Seven Years Later	18,563	23,950	21,575							
Eight Years Later	18,350	23,561								
Nine Years Later	18,030									
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation at the End of the Most Recent Fiscal Year	(5,013)	(2,058)	(3,272)	(2,959)	(1,208)	(2,700)	(809)	(68)	(1,573)	—

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Earned Premiums	\$1,597,599	\$1,606,978	\$1,612,540	\$1,624,815	\$1,627,656	\$1,640,342	\$1,639,533	\$1,641,278	\$1,651,453	\$1,678,482
Administrative Expense	81,459	87,108	83,049	73,177	75,515	77,296	76,671	78,105	73,454	75,015
Incurred Claims as										
Originally Estimated	1,530,199	1,460,930	1,347,112	1,348,429	1,402,632	1,479,373	1,593,888	1,624,280	1,726,480	1,843,954
Claims Paid (Cumulative) as of:										
End of Fiscal Year	1,434,661	1,367,500	1,275,354	1,230,810	1,326,155	1,390,162	1,509,462	1,534,110	1,616,850	1,668,256
One Year Later	1,539,862	1,477,144	1,349,674	1,339,032	1,397,381	1,470,797	1,592,883	1,631,554	1,755,702	
Two Years Later	1,537,204	1,476,210	1,353,583	1,327,946	1,396,642	1,460,934	1,592,570	1,635,082		
Three Years Later	1,537,204	1,476,210	1,353,583	1,327,946	1,396,642	1,461,579	1,592,574			
Four Years Later	1,537,204	1,476,210	1,353,583	1,327,946	1,396,642	1,461,579				
Five Years Later	1,537,204	1,476,210	1,353,583	1,327,946	1,396,642					
Six Years Later	1,537,204	1,476,210	1,353,583	1,327,946						
Seven Years Later	1,537,204	1,476,210	1,353,583							
Eight Years Later	1,537,204	1,476,210								
Nine Years Later	1,537,204									
Re-estimation of Incurred Claims:										
End of Fiscal Year	1,530,199	1,460,930	1,347,112	1,348,429	1,402,632	1,479,373	1,593,888	1,624,280	1,726,480	1,843,954
One Year Later	1,537,907	1,474,433	1,351,082	1,339,032	1,396,808	1,469,261	1,591,761	1,631,081	1,757,483	
Two Years Later	1,536,507	1,476,210	1,353,583	1,338,945	1,392,505	1,461,169	1,592,570	1,635,264		
Three Years Later	1,536,507	1,476,210	1,353,583	1,338,945	1,392,505	1,461,579	1,592,574			
Four Years Later	1,536,507	1,476,210	1,353,583	1,338,945	1,392,505	1,461,579				
Five Years Later	1,536,507	1,476,210	1,353,583	1,338,945	1,392,505					
Six Years Later	1,536,507	1,476,210	1,353,583	1,338,945						
Seven Years Later	1,536,507	1,476,210	1,353,583							
Eight Years Later	1,536,507	1,476,210								
Nine Years Later	1,537,507									
Increase (Decrease) in Estimated										
Incurred Claims From the										
Original Estimate Using										
Re-estimation at the End of the										
Most Recent Fiscal Year	6,308	15,281	6,470	(9,484)	(10,127)	(17,794)	(1,313)	10,985	31,003	—

SOURCE: Audited Financial Statements

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

Kentucky Judicial Retirement Plan

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
As of the most recent fiscal year end:				
Actuarially determined contribution	\$ 7,900	\$ 6,743	\$ 9,800	\$ 10,185
Contributions in relation to the actuarially determined contribution	7,148	6,476	8,733	8,732
Contribution deficiency (excess)	<u>\$ 752</u>	<u>\$ 267</u>	<u>\$ 1,067</u>	<u>\$ 1,453</u>
Covered payroll	\$ 29,800	\$ 29,537	\$ 25,600	\$ 25,400
Contributions as a percentage of covered payroll	23.99%	21.93%	34.11%	34.38%

Notes to Schedule as of the Measurement Date:

Valuation date	July 01, 2020	July 01, 2019	July 01, 2019	July 01, 2017
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Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Investment Return	6.50%	6.50%	6.50%	6.24%
Inflation	3.00%	3.00%	3.00%	3.00%
Projected Salary Increase	1% for next 3 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 Rate FY 2022 :

PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projected Scale MP-2020 (male and female scales); i.e., full generational mortality.

Mortality Rates FY: 2021, 2020, 2019, 2018, 2017 and 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.

2018	2017	2016	2015	2014	2013
\$ 11,954	\$ 11,884	\$ 15,171	\$ 15,142	\$ 15,220	\$ 15,220
11,954	11,884	15,171	15,142	10,805	10,399
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,415</u>	<u>\$ 4,821</u>
\$ 27,900	\$ 27,590	\$ 31,936	\$ 31,936	\$ 32,930	\$ 32,930
42.85%	43.07%	47.50%	47.41%	32.81%	31.58%
July 01, 2017	July 01, 2015	July 01, 2015	July 01, 2014	July 01, 2014	July 01, 2013
Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
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
6.24%	6.41%	6.41%	6.41%	6.15%	7.00%
3.00%	3.00%	3.00%	3.00%	3.00%	—%
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	1% for next year 1% the following year 3.5% thereafter

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

Kentucky Legislators' Retirement Plan

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
As of the most recent fiscal year end:				
Actuarially determined contribution	\$ —	\$ 359	\$ 1,235	\$ 4,430
Contributions in relation to the actuarially determined contribution	—	—	—	—
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ 359</u>	<u>\$ 1,235</u>	<u>\$ 4,430</u>
Covered payroll	\$ 4,200	\$ 4,201	\$ 4,347	\$ 4,324
Contributions as a percentage of covered payroll	0%	0%	0%	0%

Notes to Schedule as of the Measurement Date

Valuation date	July 01, 2021	July 01, 2019	July 01, 2019	July 01, 2017
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Methods and assumptions used to determine contributions :

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

Mortality Rates FY 2021, 2020, 2019, 2018, 2017 and 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 IRS 2008 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.

2018	2017	2016	2015	2014	2013
\$ 2,400	\$ 2,384	\$ 3,415	\$ 3,409	\$ 3,215	\$ 3,215
2,400	2,384	3,415	3,409	1,825	1,696
\$ —	\$ —	\$ —	\$ —	\$ 1,390	\$ 1,519
\$ 4,407	\$ 4,400	\$ 4,919	\$ 4,919	\$ 4,988	\$ 4,988
54.5%	54.2%	69.4%	69.3%	36.6%	34.0%
July 01, 2017	July 01, 2015	July 01, 2013	July 01, 2013	July 01, 2011	July 01, 2011
Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
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
6.45%	6.45%	6.85%	6.50%	6.50%	7.00%
3.00%	3.00%	3.00%	3.00%	3.00%	0%
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	1% for next two years 3.5% thereafter

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

State Police Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>
As of the most recent fiscal year end:			
Actuarially determined contribution	\$ 62,341	\$ 59,263	\$ 58,358
Contributions in relation to the actuarially determined contribution	277,341	59,650	59,453
Contribution deficiency (excess)	<u>\$ (215,000)</u>	<u>\$ (387)</u>	<u>\$ (1,095)</u>
Covered payroll	\$ 48,061	\$ 47,873	\$ 49,019
Contributions as a percentage of covered payroll	577.06%	124.60%	121.29%

Notes to Schedule as of the Measurement Date:

Valuation date	June 30, 2019	June 30, 2017	June 30, 2017
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Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level percentage of 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
Investment Return	5.25%	5.25%	5.25%
Inflation	2.30%	2.30%	2.30%
Projected Salary Increase	3.55% to 16.05%	3.05% to 15.55%	3.05% to 15.55%

Mortality

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 58,948	\$ 36,033	\$ 35,937	\$ 25,723	\$ 31,444	\$ 25,808	\$ 23,117
60,048	46,877	63,240	25,822	31,990	20,279	18,501
<u>\$ (1,100)</u>	<u>\$ (10,844)</u>	<u>\$ (27,303)</u>	<u>\$ (99)</u>	<u>\$ (546)</u>	<u>\$ 5,529</u>	<u>\$ 4,616</u>
\$ 49,515	\$ 50,346	\$ 54,065	\$ 46,685	\$ 45,765	\$ 44,616	\$ 45,256
121.27%	93.11%	116.97%	55.31%	69.90%	45.45%	40.88%
June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2014	June 30, 2013
Entry age normal	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	Level percentage of payroll closed
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	Five-year smoothed market	Five-year smoothed market
6.75%	6.75%	7.50%	6.75%	7.50%	7.75%	7.75%
3.25%	3.25%	3.25%	3.25%	3.25%	3.50%	3.50%
4.00%	4.00%	4.00%	4.00%	4.00%	4.50%	4.5%-21%

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

Kentucky Employees' Retirement Plan

Non-Hazardous	2022	2021	2020	2019
As of the most recent fiscal year end:				
Actuarially determined contribution	\$ 846,204	\$ 852,134	\$ 781,953	\$ 785,852
Contributions in relation to the actuarially determined contribution	901,072	915,080	691,003	771,005
Contribution deficiency (excess)	<u>\$ (54,868)</u>	<u>\$ (62,946)</u>	<u>\$ 90,950</u>	<u>\$ 14,847</u>
Covered payroll	\$ 1,156,089	\$ 1,162,847	\$ 1,100,878	\$ 1,106,367
Contributions as a percentage of covered payroll	77.94%	78.69%	62.77%	69.69%

Notes to Schedule as of the Measurement Date:

Valuation date	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2016
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Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	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	5.25%	5.25%	5.25%	6.75%
Inflation	2.30%	2.30%	2.30%	3.25%
Projected Salary Increase	3.3% to 15.30%, varies by service	3.55% to 15.55%, varies by service	3.55% to 15.55%, varies by service	4.0%, average

Mortality

System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019

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

2018	2017	2016	2015
\$ 432,329	\$ 361,024	\$ 362,122	\$ 355,949
470,021	361,316	362,639	202,891
<u>\$ (37,692)</u>	<u>\$ (292)</u>	<u>\$ (517)</u>	<u>\$ 153,058</u>
\$1,029,846	\$ 1,148,574	\$ 1,073,430	\$ 1,078,236
45.64%	31.46%	33.78%	18.82%
June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014
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
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
7.50%	6.75%	7.50%	7.75%
3.25%	3.25%	3.25%	3.50%
4.0%, average	4.0%, average, including inflation	4.0%, average, including inflation	4.5% per annum

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

Kentucky Employees' Retirement Plan				
Hazardous	2022	2021	2020	2019
As of the most recent fiscal year end:				
Actuarially determined contribution	\$ 57,672	\$ 69,306	\$ 57,594	\$ 55,230
Contributions in relation to the actuarially determined contribution	57,675	64,454	58,788	55,259
Contribution deficiency (excess)	\$ (3)	\$ 4,852	\$ (1,194)	\$ (29)
Covered payroll	\$ 184,241	\$ 179,039	\$ 167,473	\$ 160,600
Contributions as a percentage of covered payroll	31.30%	36.00%	35.10%	34.41%
Notes to Schedule as of the Measurement Date:				
Valuation date	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2016
Methods and assumptions used to determine contributions :				
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	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	6.25%	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	2.30%	3.25%
Projected Salary Increase	3.55% to 20.05% varies by service	3.55% to 19.55 varies by service	3.55% to 19.55 varies by service	4.0%, average

Mortality

System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019

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

2018	2017	2016	2015
\$ 31,321	\$ 23,690	\$ 27,770	\$ 13,289
<u>43,661</u>	<u>23,759</u>	<u>27,929</u>	<u>11,428</u>
<u>\$ (12,340)</u>	<u>\$ (69)</u>	<u>\$ (159)</u>	<u>\$ 1,861</u>
\$ 152,936	\$ 158,828	\$ 125,942	\$ 126,402
28.55%	14.96%	22.18%	9.04%
June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014
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
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
7.50%	7.50%	7.50%	7.75%
3.25%	3.25%	3.25%	3.50%
4.0%, average	4.0%, average, including inflation	4.0%, average, including inflation	1% per annum

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

Kentucky Teachers' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
As of the most recent fiscal year end:				
Actuarially determined contribution				
Employer	\$ 18,216	\$ 17,452	\$ 17,935	\$ 7,300
Nonemployer special funding	1,152,851	1,100,579	1,087,212	1,051,722
Contributions in relation to the actuarially determined contribution				
Employer	25,488	16,551	7,270	7,300
Nonemployer special funding	1,613,077	1,043,707	1,049,663	1,051,722
Contribution deficiency (excess)	<u>\$ (467,498)</u>	<u>\$ 57,773</u>	<u>\$ 48,214</u>	<u>\$ —</u>
Covered payroll	\$ 3,781,812	\$ 3,547,056	\$ 3,477,587	\$ 3,297,875
Contributions as a percentage of covered payroll	43.33%	29.89%	30.39%	32.11%

Notes to Schedule as of the Measurement Date:

Valuation date	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2017
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Methods and assumptions used to determine contributions :

Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open
Asset Valuation Method	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market
Investment Return	7.5% including inflation	7.5% including inflation	7.5% including inflation	7.5% including inflation
Inflation	3.00%	3.00%	3.00%	3.50%
Projected Salary Increase	3.50%-7.30%	3.50%-7.30%	3.50%-7.30%	4.00%-8.2%

Mortality by Measurement Date

FY 2020 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.

2018	2017	2016	2015
\$ 7,780	\$ 16,540	\$ 15,776	\$ 14,018
1,554,267	934,995	852,845	768,088
8,013	9,359	9,662	9,590
1,600,895	529,083	522,336	525,455
<u>\$ (46,861)</u>	<u>\$ 413,093</u>	<u>\$ 336,623</u>	<u>\$ 247,061</u>
\$ 3,605,115	\$ 4,108,000	\$ 3,284,714	\$ 3,150,875
44.63%	13.11%	16.20%	16.98%
June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of payroll, open
Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market
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
3.00%	3.50%	3.50%	3.50%
3.50%-7.30%	3.50%-7.30%	4.00%-8.20%	4.00%-8.20%

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

	2022			2021		
	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan
Total Pension Liability						
Service Costs	\$ 12,530	\$ 3,563	\$ 525	\$ 13,192	\$ 3,563	\$ 526
Interest	53,417	23,734	4,559	52,697	23,353	4,535
Differences between expected and actual experience	4,127	(5,262)	(1,975)	10,859	—	—
Changes in assumptions	—	9,130	2,619	—	—	—
Benefit payments/refunds	(63,522)	(24,371)	(5,129)	(62,511)	(24,402)	(5,033)
Other	35	—	1	—	—	—
Net change in total pension liability	6,587	6,794	600	14,237	2,514	28
Total pension liability at July 1	1,049,237	372,740	71,968	1,035,000	370,226	71,940
Total pension liability at June 30	<u>\$ 1,055,824</u>	<u>\$ 379,534</u>	<u>\$ 72,568</u>	<u>\$ 1,049,237</u>	<u>\$ 372,740</u>	<u>\$ 71,968</u>
Pension Plan Fiduciary Net Position						
Contributions - employer	\$ 59,650	\$ 6,771	\$ —	\$ 59,453	\$ 8,730	\$ —
Contributions - member	4,752	1,944	267	4,767	1,753	216
Net investment income	61,729	122,790	26,743	6,341	19,513	4,308
Benefit payments/refunds	(63,522)	(24,371)	(5,129)	(62,511)	(24,402)	(5,033)
Administrative expenses	(212)	—	—	(266)	—	—
Other	—	2	1	—	—	—
Net change in plan fiduciary net position	62,397	107,136	21,882	7,784	5,594	(509)
Pension plan fiduciary net position at July 1	293,949	341,304	76,409	286,165	335,710	76,918
Pension plan fiduciary net position at June 30	<u>\$ 356,346</u>	<u>\$ 448,440</u>	<u>\$ 98,291</u>	<u>\$ 293,949</u>	<u>\$ 341,304</u>	<u>\$ 76,409</u>
Net pension liability at June 30	<u>\$ 699,478</u>	<u>\$ (68,906)</u>	<u>\$ (25,723)</u>	<u>\$ 755,288</u>	<u>\$ 31,436</u>	<u>\$ (4,441)</u>
Pension plan fiduciary net position as a % of the total pension liability	33.75%	118.16%	135.45 %	28.02%	91.57%	106.17 %
Covered payroll	\$ 47,873	\$ 29,500	\$ 4,201	\$ 49,019	\$ 30,857	\$ 4,360
Net Pension liability as a % of covered payroll	1,461.1%	-233.6%	(612.3)%	1,540.8%	101.9%	(101.9)%

This is a 10 year schedule. Years will be added to this schedule until 10 years of information is available.
The column is presented based on the measurement date of the prior period.

2020			2019			2018		
State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan
\$ 11,726	\$ 4,126	\$ 698	\$ 11,890	\$ 4,127	\$ 698	\$ 8,297	\$ 4,912	\$ 701
49,301	22,950	4,696	47,978	22,699	4,639	51,768	23,780	5,280
20,952	(71)	(2788)	25,126	—	—	8,143	(8,857)	(6,362)
44,510	(7653)	(310)	—	—	—	136,602	(2,090)	(160)
(60,949)	(24,263)	(4,729)	(58,805)	(23,194)	(4,529)	(56,960)	(23,011)	(4,257)
(163)	—	(1)	162	—	—	—	—	—
65,377	(4,911)	(2,434)	26,351	3,632	808	147,850	(5,266)	(4,798)
969,623	375,137	74,374	943,272	371,505	73,566	795,422	376,771	78,364
<u>\$1,035,000</u>	<u>\$ 370,226</u>	<u>\$ 71,940</u>	<u>\$ 969,623</u>	<u>\$ 375,137</u>	<u>\$ 74,374</u>	<u>\$ 943,272</u>	<u>\$ 371,505</u>	<u>\$ 73,566</u>
\$ 60,048	\$ 8,732	\$ —	\$ 46,877	\$ 12,529	\$ 2,400	\$ 63,240	\$ 11,954	\$ 2,401
5,062	1,550	198	5,522	1,977	232	5,348	1,607	311
14,816	38,593	8,701	18,437	27,067	6,271	26,795	34,713	7,936
(61,112)	(24,262)	(4,729)	(58,805)	(23,194)	(4,528)	(56,960)	(23,011)	(4,257)
(225)	—	—	(194)	—	—	(182)	—	—
3	—	1	(1)	—	—	(517)	—	87
18,592	24,613	4,171	11,836	18,379	4,375	37,724	25,263	6,478
267,573	311,097	72,747	255,737	292,718	68,372	218,013	267,455	61,894
<u>\$ 286,165</u>	<u>\$ 335,710</u>	<u>\$ 76,918</u>	<u>\$ 267,573</u>	<u>\$ 311,097</u>	<u>\$ 72,747</u>	<u>\$ 255,737</u>	<u>\$ 292,718</u>	<u>\$ 68,372</u>
<u>\$ 748,835</u>	<u>\$ 34,516</u>	<u>\$ (4,978)</u>	<u>\$ 702,050</u>	<u>\$ 64,040</u>	<u>\$ 1,627</u>	<u>\$ 687,535</u>	<u>\$ 78,787</u>	<u>\$ 5,194</u>
27.65%	90.68%	106.92 %	27.60%	82.93%	97.81%	27.11%	78.79%	92.94%
\$ 49,515	\$ 30,605	\$ 4,328	\$ 50,346	\$ 30,900	\$ 4,413	\$ 54,065	\$ 30,287	\$ 4,404
1,512.3%	112.8%	(115.0)%	1,394.5%	207.2%	36.9%	1,271.7%	260.1%	117.9%

Continued

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

	2017			2016		
	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan
Total Pension Liability						
Service Costs	\$ 8,402	\$ 4,913	\$ 967	\$ 7,696	\$ 4,952	\$ 1,046
Interest	52,951	23,436	5,161	50,660	22,205	5,077
Differences between expected and actual experience	—	—	—	9,331	4,401	(3,421)
Changes in assumptions	56,191	—	—	40,202	(4,401)	(1,547)
Benefit payments/refunds	(56,279)	(22,868)	(3,999)	(54,851)	(22,243)	(3,690)
Other	—	85	22	—	—	—
Net change in total pension liability	61,265	5,566	2,151	53,038	4,914	(2,535)
Total pension liability at July 1	734,157	371,205	76,213	681,119	366,291	78,748
Total pension liability at June 30	<u>\$ 795,422</u>	<u>\$ 376,771</u>	<u>\$ 78,364</u>	<u>\$ 734,157</u>	<u>\$ 371,205</u>	<u>\$ 76,213</u>
Pension Plan Fiduciary Net Position						
Contributions - employer	\$ 25,822	\$ 15,294	\$ 3,380	\$ 31,990	\$ 15,362	\$ 3,367
Contributions - member	5,262	1,737	335	5,244	1,863	217
Net investment income	(3,841)	8,734	2,067	3,427	25,614	5,550
Benefit payments/refunds	(56,279)	(22,867)	(3,999)	(54,851)	(22,243)	(3,690)
Administrative expenses	(180)	—	—	(201)	—	—
Other	—	91	22	646	—	—
Net change in plan fiduciary net position	(29,216)	2,989	1,805	(13,745)	20,596	5,444
Pension plan fiduciary net position at July 1	247,229	264,466	60,089	260,974	243,870	54,645
Pension plan fiduciary net position at June 30	<u>\$ 218,013</u>	<u>\$ 267,455</u>	<u>\$ 61,894</u>	<u>\$ 247,229</u>	<u>\$ 264,466</u>	<u>\$ 60,089</u>
Net pension liability at June 30	<u>\$ 577,409</u>	<u>\$ 109,316</u>	<u>\$ 16,470</u>	<u>\$ 486,928</u>	<u>\$ 106,739</u>	<u>\$ 16,124</u>
Pension plan fiduciary net position as a % of the total pension liability	27.41%	70.99%	78.98%	33.68%	71.25%	78.84%
Covered payroll	\$ 46,685	\$ 30,000	\$ 4,500	\$ 45,765	\$ 30,000	\$ 4,500
Net Pension liability as a % of covered payroll	1,236.8%	364.4%	366.0%	1,064.0%	355.8%	358.3%

This is a 10 year schedule. Years will be added to this schedule until 10 years of information is available.
The column is presented based on the measurement date of the prior period.

2015		
State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan
\$ 7,142	\$ 4,952	\$ 1,046
50,391	21,906	4,923
—	—	—
—	29,116	3,722
(53,239)	(21,808)	(3,544)
—	—	—
4,294	34,166	6,147
676,825	332,126	72,601
<u>\$ 681,119</u>	<u>\$ 366,292</u>	<u>\$ 78,748</u>
\$ 20,279	\$ 12,404	\$ 1,825
5,076	2,759	273
40,374	33,174	7,934
(53,239)	(21,808)	(3,544)
(214)	—	—
—	—	—
12,276	26,529	6,488
248,698	217,341	48,157
<u>\$ 260,974</u>	<u>\$ 243,870</u>	<u>\$ 54,645</u>
<u>\$ 420,145</u>	<u>\$ 122,422</u>	<u>\$ 24,103</u>
38.32%	66.58%	69.39%
\$ 44,616	\$ 32,930	\$ 4,988
941.7%	371.8%	483.2%

COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMONWEALTH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	2022			2021		
	Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System	Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System
	Non-Hazardous	Hazardous		Non-Hazardous	Hazardous	
Commonwealth's proportionate share of the net pension liability (asset)	80.67%	97.68%	97.73%	76.27%	97.64%	97.54%
Commonwealth's proportionate share of the collective net pension liability (asset)	\$ 10,696,634	\$ 435,217	\$ 13,297,878	\$ 10,800,381	\$ 547,675	\$ 14,485,108
Other employers' proportionate share of the collective net pension liability (asset)	2,620,363	10,410	307,910	3,364,271	13,002	349,932
Total collective net pension liability	<u>\$ 13,316,997</u>	<u>\$ 445,627</u>	<u>\$ 13,605,788</u>	<u>\$ 14,164,652</u>	<u>\$ 560,677</u>	<u>\$ 14,835,040</u>
Commonwealth's covered payroll	\$ 1,157,732	\$ 168,689	\$ 3,556,533	\$ 1,125,864	\$ 167,853	\$ 3,485,070
Commonwealth's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	923.93%	258.00%	373.90%	959.30%	326.28%	415.63%
Pension plan fiduciary net position as a percentage of the total pension liability	18.48%	66.03%	65.60%	14.01%	55.18%	58.30%

	2017			2016		
	Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System	Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System
	Non-Hazardous	Hazardous		Non-Hazardous	Hazardous	
Commonwealth's proportionate share of the net pension liability (asset)	70.42%	98.04%	95.22%	69.51%	97.87%	95.07%
Commonwealth's proportionate share of the collective net pension liability (asset)	\$ 8,027,502	\$ 383,971	\$ 29,446,825	\$ 6,973,383	\$ 335,667	\$ 23,223,555
Other employers' proportionate share of the collective net pension liability (asset)	3,207,893	7,667	1,476,601	3,058,508	7,298	1,476,601
Total collective net pension liability	<u>\$ 11,235,395</u>	<u>\$ 391,638</u>	<u>\$ 30,923,426</u>	<u>\$ 10,031,891</u>	<u>\$ 342,965</u>	<u>\$ 24,700,156</u>
Commonwealth's covered payroll	\$ 1,148,568	\$ 155,715	\$ 3,252,174	\$ 1,073,428	\$ 125,939	\$ 3,284,714
Commonwealth's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	698.91%	246.59%	905.45%	649.64%	266.53%	707.02%
Pension plan fiduciary net position as a percentage of the total pension liability	14.80%	57.41%	35.20%	18.83%	61.70%	42.49%

This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.
The column is presented based on the measurement date of the prior period.

2020			2019			2018		
Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System	Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System	Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System
Non-Hazardous	Hazardous		Non-Hazardous	Hazardous		Non-Hazardous	Hazardous	
75.82%	97.46%	97.43%	74.76%	97.45%	97.11%	74.01%	97.69%	95.54%
\$ 10,605,519	\$ 532,409	\$ 13,954,479	\$ 10,074,599	\$ 492,281	\$ 13,329,602	\$ 9,908,707	\$ 485,618	\$ 27,474,647
3,517,483	13,885	340,406	3,529,176	12,844	397,320	3,479,629	11,483	1,468,941
<u>\$ 14,123,002</u>	<u>\$ 546,294</u>	<u>\$ 14,294,885</u>	<u>\$ 13,603,775</u>	<u>\$ 505,125</u>	<u>\$ 13,726,922</u>	<u>\$ 13,388,336</u>	<u>\$ 497,101</u>	<u>\$ 28,943,588</u>
\$ 1,108,111	\$ 156,518	\$ 3,477,587	\$ 1,124,380	\$ 149,047	\$ 3,355,637	\$ 1,185,969	\$ 174,387	\$ 3,263,192
957.08%	340.16%	401.27%	896.01%	330.29%	397.23%	835.49%	278.47%	841.96%
13.66%	55.49%	58.76%	12.84%	56.10%	59.30%	13.30%	54.80%	39.80%

2015		
Kentucky Employees' Retirement System		Kentucky Teachers' Retirement System
Non-Hazardous	Hazardous	
68.35%	97.93%	94.98%
\$ 6,132,338	\$ 250,075	\$ 20,508,196
2,839,482	5,291	1,084,009
<u>\$ 8,971,820</u>	<u>\$ 255,366</u>	<u>\$ 21,592,205</u>
\$ 1,078,236	\$ 126,402	\$ 3,150,875
568.74%	197.84%	650.87%
22.32%	68.74%	45.59%

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

Kentucky Judicial Retirement Plan				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>As of the most recent fiscal year end:</i>				
Actuarially determined contribution	\$ —	\$ —	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—	—	—
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 29,500	\$ 29,536	\$ 30,857	\$ 30,605
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

Notes to Schedule as of the Measure Date

Valuation date	July 1, 2020	July 1, 2019	July 1, 2019	July 1, 2017
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Method and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Investment Return	6.50%	6.50%	6.50%	6.24%
Inflation	2.50%	2.50%	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	1% for the next 5 years and 3.5% thereafter	1% for the next 5 years and 3.5% thereafter

Mortality Table 2021

Mortality rates were updated to PubG-2010 (A) with full generation projection under Scale MP-2020; The headcount weighted version of the table was used.

Mortality Table for 2020, 2019, 2018 , 2017, 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 IRS 2008 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.

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

2018

\$ 1,218

1,218

\$ —

\$ 27,900

4.37%

July 1, 2017

Entry Age Normal

Interest + 1%
Unfunded Past
Liability

Market Value

6.24%

3.00%

1% for the next 5
years and 3.5%
thereafter

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)

Kentucky Legislators' Retirement Plan

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>As of the most recent fiscal year end:</i>				
Actuarially determined contribution	\$ —	\$ 25	\$ 12	\$ 12
Contributions in relation to the actuarially determined contribution	—	—	—	—
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ 25</u>	<u>\$ 12</u>	<u>\$ 12</u>
Covered payroll	\$ 4,201	\$ 4,201	\$ 4,347	\$ 4,328
Contributions as a percentage of covered payroll	0.0%	0.0%	0.0%	0.0%

Notes to Schedule as of the Measure Date

Valuation date	July 1, 2020	July 1, 2019	July 1, 2019	July 1, 2018
----------------	--------------	--------------	--------------	--------------

Method and Assumptions Used to Determine Contributions:

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

Mortality Table 2021

PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales); i.e., full generational mortality. The, the headcounted weighted version of this table was used.

Mortality Table for 2020, 2019, 2018, 2017, 2016

Mortality rates were based on IRS 2008 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.

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

2018

\$ 2,400

2,400

\$ —

\$ 4,407

54.5%

July 1, 2017

Entry Age Normal

Interest + 1%
Unfunded Past
Liability

Market Value

6.45%

3.00%

1% for the next 5
years and 3.5%
thereafter

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)

State Police Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>As of the most recent fiscal year end:</i>				
Actuarially determined contribution	\$ 8,782	\$ 9,803	\$ 13,113	\$ 13,283
Contributions in relation to the actuarially determined contribution	8,782	9,258	13,155	13,288
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ 545</u>	<u>\$ (42)</u>	<u>\$ (5)</u>
Covered payroll	\$ 48,600	\$ 47,016	\$ 48,231	\$ 48,780
Contributions as a percentage of covered payroll	18.07%	19.69%	27.27%	27.24%

Notes to Schedule as of the Measure Date

Valuation date	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2016
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Method and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
Amortization Period	30-years closed, at June 30, 2019; 20-years for gains/losses after 2019	26 Years, Closed	26 Years, Closed	27 Years, Closed
Asset Valuation Method	market value of assets and the expected actuarial value of assets is recognized	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized	20 % of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment Return	6.25%	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	2.30%	3.25%
Projected Salary Increase	3.05% to 16.05% varies by service	3.05% to 15.55% varies by service	3.05% to 15.55% varies by service	4.00%, average

Mortality Table for 2020, 2019, 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.

2018

\$ 9,062

9,397

\$ (335)

\$ 50,064

18.77%

June 30, 2016

Entry Age Normal
Level Percent of Pay

27 Years, Closed

20 % of the
difference between
the market value of
assets and the
expected actuarial
value of assets is
recognized

6.25%

2.30%

0%, average

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)

Kentucky Employees Retirement Plan				
Non-Hazardous	2022	2021	2020	2019
<i>As of the most recent fiscal year end:</i>				
Actuarially determined contribution	\$ 140,688	\$ 133,422	\$ 136,136	\$ 187,978
Contributions in relation to the actuarially determined contribution	145,013	123,611	156,939	178,964
Contribution deficiency (excess)	<u>\$ (4,325)</u>	<u>\$ 9,811</u>	<u>\$ (20,803)</u>	<u>\$ 9,014</u>
Covered payroll	\$ 1,481,235	\$ 1,108,618	\$ 1,097,874	\$ 1,515,953
Contributions as a percentage of covered payroll	9.79%	11.15%	14.29%	11.81%
Notes to Schedule as of the Measure Date				
Valuation date	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2016
Method and Assumptions Used to Determine Contributions:				
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
Amortization Period	30 year closed period at June, 2019	26 Years, Closed	26 Years, Closed	26 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	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	6.25%	5.25%	6.25%	7.50%
Inflation	2.30%	2.30%	2.30%	3.25%
Projected Salary Increase	3.30% to 15.30%, varies by service	3.55% to 15.55%, varies by service	3.55% to 15.55%, varies by service	0.00%

Mortality Table for 2020, 2019, 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.

2018

\$ 132,365

136,419

\$ (4,054)

\$ 1,573,898

8.67%

June 30, 2016

Entry Age Normal
Level Percent of Pay

26 Years, Closed

20 % of the
difference between
the market value of
assets and the
expected actuarial
value of assets is
recognized

6.25%

2.30%

0.00%

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)

Kentucky Employees Retirement Plan				
Hazardous	2022	2021	2020	2019
<i>As of the most recent fiscal year end:</i>				
Actuarially determined contribution	\$ —	\$ —	\$ 4,368	\$ 3,631
Contributions in relation to the actuarially determined contribution	2,639	—	5,504	4,843
Contribution deficiency (excess)	<u>\$ (2,639)</u>	<u>\$ —</u>	<u>\$ (1,136)</u>	<u>\$ (1,212)</u>
Covered payroll	\$ 184,309	\$ 179,039	\$ 177,586	\$ 147,586
Contributions as a percentage of covered payroll	1.43%	—%	3.10%	3.28%
Notes to Schedule as of the Measure Date				
Valuation date	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2016
Method and Assumptions Used to Determine Contributions:				
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
Amortization Period	30 year closed period at June, 2019	26 Years, Closed	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	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	6.25%	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	2.30%	3.25%
Projected Salary Increase	3.55% to 20.05%, varies by service	3.55% to 19.55%, varies by service	3.55% to 19.55%, varies by service	4.00%, average

Mortality Table for 2020, 2019, 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.

2018

\$ 2,550

5,288

\$ (2,738)

\$ 190,317

2.78%

June 30, 2016

Entry Age Normal
Level Percent of Pay

27 Years, Closed

20 % of the
difference between
the market value of
assets and the
expected actuarial
value of assets is
recognized

6.25%

2.30%

—%

**COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)

Kentucky Teachers' Retirement System				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
As of the most recent fiscal year end:				
Actuarially determined contribution				
Employer	\$ 2,954	\$ 2,476	\$ 700	\$ 1,253
Nonemployer Special Funding	89,780	73,742	19,852	35,395
Contributions in relation to the actuarially determined contribution				
Employer	2,251	2,476	1,829	2,974
Nonemployer Special Funding	68,738	73,742	78,717	82,899
Contribution deficiency (excess)	<u>\$ 21,745</u>	<u>\$ —</u>	<u>\$ (59,994)</u>	<u>\$ (49,225)</u>
Covered payroll	<u>\$ 1,747,078</u>	<u>\$ 1,500,354</u>	<u>\$ 1,603,312</u>	<u>\$ 1,627,143</u>
Contributions as a percentage of covered payroll	4.06%	5.08%	5.02%	5.28%

Notes to Schedule as of the Measure Date

Valuation date

Health	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Life	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Method and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
Amortization Period	26 years, close	21 years, Closed	22 years, Closed	26 Years, Closed
Asset Valuation Method				
Health	Five-year smoothed valued	Five-year smoothed valued	Five-year smoothed valued	Five-year smoothed valued
Life	Five-year smoothed valued	Five-year smoothed valued	Five-year smoothed valued	Five-year smoothed valued
Investment Return				
Health	7.10%	8.00%	8.00%	8.00%
Life	7.10%	7.50%	7.50%	7.50%
Inflation				
Health	3.00%	3.00%	3.00%	3.00%
Life	3.00%	3.00%	3.00%	3.50%
Projected Salary Increase				
Health	3.50% - 7.20%	3.50% - 7.20%	3.50% - 7.20%	3.50% - 7.20%
Life	3.50% - 7.20%	3.50% - 7.20%	3.50% - 7.45%	4.00% - 8.10%

Mortality Table for 2020, 2019, 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.

2018

\$ 30,012
795,264

1,342
81,856

\$ 742,078

\$ 1,607,809

5.17%

June 30, 2016

June 30, 2014

Entry Age Normal
Level Percent of Pay
26 Years, Closed

Five-year smoothed
valued

Market value

8.00%

7.50%

3.00%

4.00%

3.50% - 7.20%

4.00% - 8.10%

COMMONWEALTH OF KENTUCKY
SINGLE EMPLOYER DEFINED BENEFIT OPEB PLANS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(Expressed in Thousands)

	2022		
	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan
Total OPEB Liability			
Service Costs	\$ 5,218	\$ 702	\$ 158
Interest	17,984	3,174	1,301
Changes in benefit terms	101	—	—
Differences between expected and actual experience	(6,318)	(9,283)	(4,799)
Changes in assumptions	21,784	(2,341)	(402)
Benefit payments/refunds	(13,812)	(1,845)	(835)
Other			
Net change in total OPEB liability	24,957	(9,593)	(4,577)
Total OPEB liability at July 1	339,942	48,982	20,244
Total OPEB liability at June 30	<u>\$ 364,899</u>	<u>\$ 39,389</u>	<u>\$ 15,667</u>
OPEB Plan Fiduciary Net Position			
Contributions - employer	\$ 9,381	\$ —	\$ —
Contributions - member	209	53	21
Transfer in payments	—	—	—
Net investment income	50,289	36,668	19,226
Benefit payments/refunds	(13,812)	(1,845)	(835)
Administrative expenses	(89)	—	—
Other	—	—	—
Net change in plan fiduciary net position	45,978	34,876	18,412
OPEB plan fiduciary net position at July 1	201,340	99,039	52,249
OPEB plan fiduciary net position at June 30	<u>\$ 247,318</u>	<u>\$ 133,915</u>	<u>\$ 70,661</u>
Net OPEB liability at June 30	<u>\$ 117,581</u>	<u>\$ (94,526)</u>	<u>\$ (54,994)</u>
Plan fiduciary net position as a % of the total OPEB liability	67.78 %	339.98 %	451.02 %
Covered payroll	\$ 47,155	\$ 29,500	\$ 4,201
Net OPEB liability as a % of covered payroll	249.4 %	(320.4)%	(1309.1)%

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

2021			2020			2019		
State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan	State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan
\$ 5,389	\$ 702	\$ 158	\$ 4,816	\$ 927	\$ 290	\$ 6,087	\$ 927	\$ 290
17,600	2,986	1,232	17,724	3,535	1,490	18,432	3,319	1,403
—	—	—	—	—	—	34	—	—
13,810	—	—	(14,295)	(9,712)	(4,390)	(23,320)	—	—
4,578	—	—	16,483	103	22	(358)	—	—
(13,988)	(1,987)	(811)	(13,187)	(1,966)	(767)	(13,097)	(1,962)	(758)
27,389	1,701	579	11,541	(7,113)	(3,355)	(12,222)	2,284	935
312,553	47,282	19,665	301,012	54,395	23,020	313,234	52,111	22,085
<u>\$ 339,942</u>	<u>\$ 48,983</u>	<u>\$ 20,244</u>	<u>\$ 312,553</u>	<u>\$ 47,282</u>	<u>\$ 19,665</u>	<u>\$ 301,012</u>	<u>\$ 54,395</u>	<u>\$ 23,020</u>
\$ 12,873	\$ —	\$ —	\$ 12,623	\$ —	\$ —	\$ 8,535	\$ 1,218	\$ 5
196	46	18	176	43	13	155	218	9
—	—	—	—	—	—	—	7,610	3,896
1,124	5,656	2,942	10,815	10,965	5,672	16,470	(1,962)	(758)
(13,988)	(1,987)	(811)	(13,187)	(1,966)	(767)	(13,097)	—	—
(71)	—	—	(69)	—	—	(62)	—	—
—	—	—	1	—	—	8	59	—
134	3,715	2,149	10,359	9,042	4,918	12,009	7,143	3,152
201,206	95,326	50,100	190,847	86,284	45,182	178,838	79,141	42,030
<u>\$ 201,340</u>	<u>\$ 99,041</u>	<u>\$ 52,249</u>	<u>\$ 201,206</u>	<u>\$ 95,326</u>	<u>\$ 50,100</u>	<u>\$ 190,847</u>	<u>\$ 86,284</u>	<u>\$ 45,182</u>
<u>\$ 138,602</u>	<u>\$ (50,058)</u>	<u>\$ (32,005)</u>	<u>\$ 111,347</u>	<u>\$ (48,044)</u>	<u>\$ (30,435)</u>	<u>\$ 110,165</u>	<u>\$ (31,889)</u>	<u>\$ (22,162)</u>
59.23%	202.19 %	258.10 %	64.38%	201.61 %	254.77 %	63.40%	158.62 %	196.27 %
\$ 48,231	\$ 55,858	\$ 4,343	\$ 48,780	\$ 30,605	\$ 4,334	\$ 50,064	\$ 30,624	\$ 4,407
287.4%	(89.6)%	(736.9)%	228.3%	(157.0)%	(702.2)%	220.0%	(104.1)%	(502.9)%

Continued

2018		
State Police Retirement System	Kentucky Judicial Retirement Plan	Kentucky Legislators' Retirement Plan
\$ 4,147	\$ 1,221	\$ 452
17,993	4,552	2,012
—	—	—
(572)	(22,068)	(10,568)
57,312	5,640	2,272
(12,123)	(1,943)	(709)
66,757	(12,598)	(6,541)
246,477	64,709	28,626
\$ 313,234	\$ 52,111	\$ 22,085

\$ 7,862	\$ 1,218	\$ 6
131	176	7
—	—	—
21,627	9,385	4,933
(12,123)	(1,943)	(709)
(66)	—	—
—	4	—
17,431	8,840	4,237
161,407	70,301	37,793
\$ 178,838	\$ 79,141	\$ 42,030
\$ 134,396	\$ (27,030)	\$ (19,945)

57.09%	151.87 %	190.31 %
\$ 48,873	\$ 30,297	\$ 4,398
275.0%	(89.2)%	(453.5)%



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

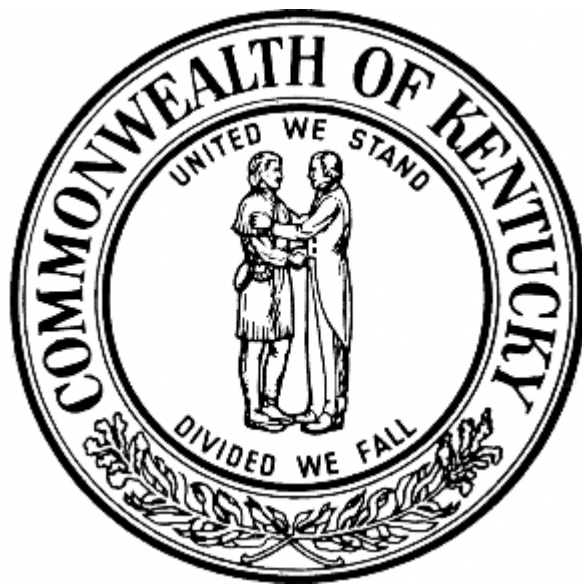
Schedule of Commonwealth's Proportionate Share of the Net OPEB Liability

(Expressed in Thousands)

	Fiscal Year 2022			Fiscal Year 2021		
	Kentucky Employees' OPEB Plan		Kentucky Teachers' OPEB Plan	Kentucky Employees' OPEB Plan		Kentucky Teachers' OPEB Plan
	Non-Hazardous	Hazardous		Non-Hazardous	Hazardous	
Fiscal year (measurement date)						
Commonwealth's proportionate share of the net OPEB liability (asset)	80.09 %	97.67 %	45.37%	76.25 %	97.68 %	45.39%
Commonwealth's proportionate share of the collective net OPEB liability (asset)	\$ 1,825,608	\$ (11,256)	\$ 979,337	\$ 1,935,945	\$ 41,777	\$ 1,161,185
Other employers' proportionate share of the collective net OPEB liability (asset)	453,719	(269)	1,179,448	602,963	992	1,397,277
Total collective net OPEB liability	<u>\$ 2,279,327</u>	<u>\$ (11,525)</u>	<u>\$ 2,158,785</u>	<u>\$ 2,538,908</u>	<u>\$ 42,769</u>	<u>\$ 2,558,462</u>
Commonwealth's covered payroll	\$ 1,168,121	\$ 171,807	\$ 1,621,694	\$ 1,087,164	\$ 177,984	\$ 1,612,586
Commonwealth's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	156.29 %	(6.55)%	60.39%	178.07 %	23.47 %	72.01%
OPEB plan fiduciary net position as a percentage of the total OPEB liability	38.15 %	98.72 %	52.73%	29.47 %	92.42 %	39.10%

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 2020			Fiscal Year 2019			Fiscal Year 2018		
Kentucky Employees' OPEB Plan		Kentucky Teachers' OPEB Plan	Kentucky Employees' OPEB Plan		Kentucky Teachers' OPEB Plan	Kentucky Employees' OPEB Plan		Kentucky Teachers' OPEB Plan
Non-Hazardous	Hazardous		Non-Hazardous	Hazardous		Non-Hazardous	Hazardous	
74.97 %	97.46 %	45.44%	74.48 %	97.46 %	46.90%	72.38%	97.63%	45.49%
\$ 1,666,411	\$ (26,168)	\$ 1,343,974	\$ 1,765,855	\$ (32,325)	\$ 1,640,667	\$ 1,835,540	\$ 5,888	\$ 1,632,050
556,485	(681)	1,613,885	605,057	(843)	1,857,246	700,422	143	1,955,691
<u>\$ 2,222,896</u>	<u>\$ (26,849)</u>	<u>\$ 2,957,859</u>	<u>\$ 2,370,912</u>	<u>\$ (33,168)</u>	<u>\$ 3,497,913</u>	<u>\$ 2,535,962</u>	<u>\$ 6,031</u>	<u>\$ 3,587,741</u>
\$ 1,136,446	\$ 147,601	\$ 1,621,873	\$ 1,124,614	\$ 185,483	\$ 1,620,705	\$ 1,153,084	\$ 167,032	\$ 1,639,967
146.63 %	(17.73)%	82.87%	157.02 %	(17.43)%	101.23%	159.19%	3.53%	99.52%
30.92 %	105.29 %	32.56%	27.32 %	106.83 %	18.09%	24.40%	98.80%	22.58%



OTHER SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES - NON-MAJOR FUNDS**

NON-MAJOR GOVERNMENTAL FUNDS

Debt Service Funds

Turnpike Authority of Kentucky - accounts for and reports financial resources that are restricted, committed, or assigned for the payment of principal, interest, and administrative fees due on debt issued to acquire infrastructure, which is then leased to the Transportation Cabinet of the Commonwealth.

The **Kentucky School Facilities Construction Commission** - accounts for and reports financial resources that 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 that 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, 2022
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Assets			
Cash and cash equivalents	\$ 111,904	\$ —	\$ 495,746
Cash with fiscal agents	—	—	—
Investments, net of amortization	—	—	375,586
Receivables, net	—	—	60,817
Notes receivable	—	—	956
Interfund receivables	—	—	306
Interfund loan receivable	—	—	11,315
Total Assets	<u>\$ 111,904</u>	<u>\$ —</u>	<u>\$ 944,726</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ —	\$ —	\$ 13,015
Interfund payables	—	—	5,362
Total Liabilities	<u>—</u>	<u>—</u>	<u>18,377</u>
Deferred inflows of resources			
Unavailable	<u>—</u>	<u>—</u>	<u>37,522</u>
Fund Balances:			
Restricted for:			
General Government	—	—	159,472
Legislative and Judicial	—	—	—
Commerce	—	—	761
Education and Humanities	—	—	30,343
Human Resources	—	—	672,596
Justice	—	—	39
Natural Resources and Environmental Protection	—	—	1,346
Public Protection and Regulation	—	—	—
Transportation	—	—	343
Debt service	111,904	—	—
Committed to:			
General Government	—	—	16,963
Education and Humanities	—	—	46
Human Resources	—	—	4,780
Justice	—	—	—
Natural Resources and Environmental Protection	—	—	—
Assigned to:			
General Government	—	—	2,138
Education and Humanities	—	—	—
Justice	—	—	—
Transportation	—	—	—
Total Fund Balances	<u>111,904</u>	<u>—</u>	<u>888,827</u>
Total Liabilities and Fund Balances	<u>\$ 111,904</u>	<u>\$ —</u>	<u>\$ 944,726</u>

Special Revenue Funds				
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	KentuckyWired Infrastructure Company, Inc.	Special Benefits	Total Non-Major Governmental Funds
\$ 1,097	\$ 17,668	\$ 15,439	\$ 248,760	\$ 890,614
679	—	—	—	679
8,254	5,843	—	74,125	463,808
—	—	5,594	57,070	123,481
—	—	—	—	956
—	6,277	—	446	7,029
—	—	—	—	11,315
<u>\$ 10,030</u>	<u>\$ 29,788</u>	<u>\$ 21,033</u>	<u>\$ 380,401</u>	<u>\$ 1,497,882</u>
\$ —	\$ 17	\$ 1,474	\$ 15,944	\$ 30,450
—	—	—	28,874	34,236
—	17	1,474	44,818	64,686
—	—	—	52,629	90,151
—	29,771	19,559	19,219	228,021
—	—	—	1	1
—	—	—	13,728	14,489
—	—	—	—	30,343
—	—	—	3,478	676,074
—	—	—	95	134
—	—	—	56,839	58,185
—	—	—	35,027	35,027
—	—	—	—	343
10,030	—	—	—	121,934
—	—	—	91,415	108,378
—	—	—	8,776	8,822
—	—	—	20,898	25,678
—	—	—	5,048	5,048
—	—	—	19,021	19,021
—	—	—	—	2,138
—	—	—	4	4
—	—	—	32	32
—	—	—	9,373	9,373
<u>10,030</u>	<u>29,771</u>	<u>19,559</u>	<u>282,954</u>	<u>1,343,045</u>
<u>\$ 10,030</u>	<u>\$ 29,788</u>	<u>\$ 21,033</u>	<u>\$ 380,401</u>	<u>\$ 1,497,882</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Debt Service Funds		
	Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	Other Special Revenue
Revenues			
Taxes	\$ —	\$ 49	\$ 116,958
Licenses, fees, and permits	—	—	658
Intergovernmental Revenues	—	—	8
Charges for services	—	—	152,849
Fines and forfeits	—	—	15,800
Interest and other investment income	1	—	797
Increase (decrease) in fair value of investments	—	—	(586)
Other revenues	3,192	6	12,003
Total Revenues	3,193	55	298,487
Expenditures			
Current:			
General Government	—	80,395	101,359
Commerce	—	—	602
Education and Humanities	—	—	73,047
Human Resources	—	—	6,287
Justice	—	—	—
Natural Resources and Environmental Protection	—	—	1,322
Public Protection and Regulation	—	—	711
Transportation	—	—	—
Debt service:			
Principal retirement	96,310	91,187	—
Interest and fiscal charges	45,624	28,222	—
Other expenditures	—	2,992	—
Total Expenditures	141,934	202,796	183,328
Excess (Deficiency) of Revenues over (under) Expenditures	(138,741)	(202,741)	115,159
Other Financing Sources (Uses)			
Transfers in	129,515	119,394	344,923
Transfers out	—	—	(118,291)
Issuance of bonds:			
New issues	—	80,381	—
Refunding issues	—	19,177	—
Premiums	—	1,060	—
Discounts	—	(414)	—
Payments to refunded bond escrow agent	—	(16,857)	—
Total Other Financing Sources (Uses)	129,515	202,741	226,632
Net Change in Fund Balances	(9,226)	—	341,791
Fund Balances at July 1	121,130	—	547,036
Fund Balances at June 30	\$ 111,904	\$ —	\$ 888,827

Special Revenue Funds				
Turnpike Authority of Kentucky	Kentucky School Facilities Construction Commission	KentuckyWired Infrastructure Company, Inc.	Special Benefits	Total Non-Major Governmental Funds
\$ —	\$ —	\$ —	\$ 26,322	\$ 143,329
—	—	—	13,869	14,527
—	—	—	8	16
—	—	—	213,921	366,770
—	—	—	2,616	18,416
—	10	132	240	1,180
—	20	—	(2,771)	(3,337)
—	21,583	18,350	190,488	245,622
—	21,613	18,482	444,693	786,523
—	—	20,266	70,561	272,581
—	—	—	3,238	3,840
—	101,448	—	20,612	195,107
—	—	—	21,891	28,178
—	—	—	2,606	2,606
—	—	—	4,610	5,932
—	—	—	12,825	13,536
41,002	—	—	142,347	183,349
—	—	2,291	—	189,788
—	—	—	—	73,846
—	—	—	—	2,992
41,002	101,448	22,557	278,690	971,755
(41,002)	(79,835)	(4,075)	166,003	(185,232)
130,276	109,971	—	28,098	862,177
(129,515)	(19,605)	—	(101,319)	(368,730)
—	—	—	—	80,381
156,350	—	—	—	175,527
20,662	—	—	—	21,722
—	—	—	—	(414)
(166,945)	—	—	—	(183,802)
10,828	90,366	—	(73,221)	586,861
(30,174)	10,531	(4,075)	92,782	401,629
40,204	19,240	23,634	190,172	941,416
\$ 10,030	\$ 29,771	\$ 19,559	\$ 282,954	\$ 1,343,045

SCHEDULE OF FUND ACTIVITIES

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed In Thousands)

	<u>June 30, 2022</u>
Revenues by Source	
Taxes:	
Sales and gross receipts	\$ 6,186,240
Income:	
Individual	6,089,628
Corporations	906,030
Property	728,364
Coal severance	94,754
Licenses and privileges	617
Inheritance and estate	82,111
Miscellaneous	24,614
Total Taxes	<u>14,112,358</u>
Licenses, fees, and permits	23,374
Intergovernmental	3,392
Charges for services	303,860
Fines and forfeits	29,451
Interest and other investment income	6,255
Increase (decrease) in fair value of investments	(3,624)
Other revenues	266,896
Total Revenues by Source	<u>\$ 14,741,962</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed In Thousands)

	June 30, 2022
General Government:	
Personal services	\$ 349,075
Utilities, rentals, and other services	85,845
Commodities and supplies	26,714
Grants and subsidies	1,642,316
Capital outlay	15,385
Travel	1,773
Other	5,254
Total General Government	<u>2,126,906</u>
Legislative and Judicial:	
Personal services	278,065
Utilities, rentals, and other services	130,046
Commodities and supplies	30,869
Grants and subsidies	500
Capital outlay	6,392
Travel	3,031
Judgments and contingent liabilities	50
Total Legislative and Judicial	<u>448,953</u>
Commerce:	
Personal services	13,536
Utilities, rentals, and other services	1,753
Commodities and supplies	504
Grants and subsidies	47,925
Travel	105
Total Commerce	<u>63,823</u>
Education and Humanities:	
Personal services	109,984
Utilities, rentals, and other services	29,292
Commodities and supplies	5,726
Grants and subsidies	5,214,993
Capital outlay	5,450
Travel	434
Judgments and contingent liabilities	256
Total Education and Humanities	<u>5,366,150</u>
Human Resources:	
Personal services	307,143
Utilities, rentals, and other services	29,966
Grants and subsidies	2,418,858
Capital Outlay	55,543
Claims	1
Travel	2,607
Total Human Resources	<u>\$ 2,814,118</u>

	June 30, 2022
Justice:	
Personal services	\$ 559,069
Utilities, rentals, and other services	79,929
Commodities and supplies	50,812
Grants and subsidies	276,269
Capital outlay	77,133
Claims	23
Travel	2,791
Judgments and contingent liabilities	2,490
Total Justice	<u>1,048,516</u>
Natural Resources and Environmental Protection:	
Personal services	64,561
Utilities, rentals, and other services	6,403
Commodities and supplies	2,808
Grants and subsidies	47
Travel	315
Total Natural Resources and Environmental Protection	<u>74,134</u>
Public Protection and Regulation:	
Personal services	17,145
Utilities, rentals, and other services	1,628
Commodities and supplies	221
Grants and subsidies	229
Capital outlay	37
Travel	60
Judgments and contingent liabilities	264
Total Public Protection and Regulation	<u>19,584</u>
Transportation:	
Personal services	323
Grants and subsidies	7,108
Total Transportation	<u>7,431</u>
Total Expenditures	<u>\$ 11,969,615</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES BY TYPE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed In Thousands)

	June 30, 2022
Revenues:	
Taxes	\$ 1,497,076
Licenses, fees and permits	172,866
Charges for services	8,068
Fines and forfeits	18
Interest and other investment income	4,356
Increase (decrease) in fair value of investments	(15,127)
Other revenues	6,258
Total Revenues	<u>1,673,515</u>
Expenditures:	
Transportation:	
General administration and support	74,936
Motor vehicle regulation	39,252
Justice - state police	52,229
Highways	944,120
Aviation	785
Other	414,767
Total Expenditures	<u>\$ 1,526,089</u>

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided on a cost reimbursement basis by one agency of the Commonwealth to other state agencies. Kentucky uses the following Internal Service Funds:

Fleet Management Fund - accounts for expenses incurred and reimbursements received for the management and maintenance of the Commonwealth's motor vehicle fleet.

Computer Services Fund - accounts for expenses incurred and reimbursements received for computer and related data processing services.

Prison Industries Fund - accounts for expenses incurred and reimbursements received for industrial operations within the correctional system.

Central Printing Fund - accounts for expenses incurred and reimbursements received by the Division of Printing.

Property Management Fund - accounts for expenses incurred and reimbursements received for space rental and maintenance operations.

Risk Management Fund accounts for the self-insurance operations administered by the State which include the following programs:

Fire and Tornado Insurance Program - accounts for monies received by the Department of Insurance from State agencies and expended for insuring State property against loss from fires, tornadoes, etc.

State Workers' Compensation Program - accounts for monies received by the Personnel Cabinet from State agencies and expended for claims of job related injuries to State employees.

Transportation Cabinet's Self-Insured Workers' Compensation Trust Program - provides workers' compensation insurance for the employees of the Transportation Cabinet.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2022

(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Assets			
Current assets:			
Cash and cash equivalents	\$ 8,756	\$ 29,192	\$ 1,797
Receivables, net	—	239	162
Interfund receivables	—	8	214
Inventories	14	319	2,026
Prepaid expenses	94	9,232	—
Total Current Assets	8,864	38,990	4,199
Noncurrent assets:			
Investments, net	—	—	—
Land	—	—	657
Improvements other than buildings	—	—	—
Buildings	—	—	5,708
Machinery and equipment	82,229	81,260	5,330
Easements and other intangibles	—	1,675	—
Leased assets	—	9,533	—
Less: Accumulated depreciation	(68,364)	(62,546)	(7,647)
Less: Leased assets accumulated amortization	—	(6,333)	—
Construction in progress	—	—	22
Total Capital Assets	13,865	23,589	4,070
Total Noncurrent Assets, Net	13,865	23,589	4,070
Total Assets	22,729	62,579	8,269
Deferred outflows of resources	1,160	20,393	427
Liabilities			
Current liabilities:			
Accounts payable	1,959	2,425	335
Interfund payables	—	—	3
Interfund loans payable	—	—	—
Claims liability	—	—	—
Claims adjustment liability	—	—	—
Lease obligations	—	10,380	—
Notes Payable	—	—	—
Compensated absences	63	1,352	154
Unearned revenue	—	—	367
Total Current Liabilities	2,022	14,157	859
Noncurrent liabilities:			
Claims liability	—	—	—
Claims adjustment liability	—	—	—
Lease obligations	—	6,071	—
Notes payable	—	—	—
Compensated absences	28	1,780	169
Net pension liability	7,575	154,301	2,173
Net OPEB liability	1,599	26,141	341
Total Noncurrent Liabilities	9,202	188,293	2,683
Total Liabilities	11,224	202,450	3,542
Deferred inflows of resources	573	15,882	136
Net Position			
Net investment in capital assets	13,865	7,138	4,070
Unrestricted	(1,773)	(142,498)	948
Total Net Position	\$ 12,092	\$ (135,360)	\$ 5,018

Central Printing	Property Management	Risk Management	Totals June 30, 2022
\$ —	\$ 7,113	\$ 27,204	\$ 74,062
—	18	54	473
—	916	206	1,344
53	—	—	2,412
—	—	468	9,794
<u>53</u>	<u>8,047</u>	<u>27,932</u>	<u>88,085</u>
—	6,845	1,132	7,977
—	16,077	—	16,734
—	4,100	—	4,100
—	455,760	—	461,468
815	2,406	—	172,040
—	—	—	1,675
—	2,592	—	12,125
(804)	(213,428)	—	(352,789)
—	(2,419)	—	(8,752)
—	26,139	—	26,161
<u>11</u>	<u>291,227</u>	<u>—</u>	<u>332,762</u>
<u>11</u>	<u>298,072</u>	<u>1,132</u>	<u>340,739</u>
<u>64</u>	<u>306,119</u>	<u>29,064</u>	<u>428,824</u>
<u>552</u>	<u>14,149</u>	<u>1,573</u>	<u>38,254</u>
35	1,341	13,071	19,166
—	453	14	470
1,747	5,776	—	7,523
—	—	28,619	28,619
—	—	623	623
—	—	—	10,380
—	969	—	969
24	1,428	75	3,096
—	37	—	404
<u>1,806</u>	<u>10,004</u>	<u>42,402</u>	<u>71,250</u>
—	—	207,643	207,643
—	—	5,872	5,872
—	—	—	6,071
—	1,759	—	1,759
59	75	233	2,344
3,572	77,027	9,083	253,731
<u>636</u>	<u>13,453</u>	<u>1,815</u>	<u>43,985</u>
<u>4,267</u>	<u>92,314</u>	<u>224,646</u>	<u>521,405</u>
<u>6,073</u>	<u>102,318</u>	<u>267,048</u>	<u>592,655</u>
<u>294</u>	<u>5,144</u>	<u>710</u>	<u>22,739</u>
11	291,227	—	316,311
(5,762)	(78,421)	(237,121)	(464,627)
<u>\$ (5,751)</u>	<u>\$ 212,806</u>	<u>\$ (237,121)</u>	<u>\$ (148,316)</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Fleet Management	Computer Services	Prison Industries
Operating Revenues:			
Charges for services	\$ 19,717	\$ 126,562	\$ 8,510
Other revenues	173	19	23
Total Operating Revenues	<u>19,890</u>	<u>126,581</u>	<u>8,533</u>
Operating Expenses:			
Personal services	2,054	41,261	1,713
Utilities, rentals, and other services	4,598	23,726	944
Commodities and supplies	10,609	18,065	2,865
Grants and subsidies	—	—	36
Depreciation and amortization	5,440	12,015	416
Travel	—	19	9
Claims expense	—	—	—
Claims adjustment expense	—	—	—
Total Operating Expenses	<u>22,701</u>	<u>95,086</u>	<u>5,983</u>
Operating Income (Loss)	<u>(2,811)</u>	<u>31,495</u>	<u>2,550</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on sale of capital assets	354	5,425	(49)
Interest expense	—	277	—
Other revenues (expenses)	—	—	—
Total Nonoperating Revenues and Expenses	<u>354</u>	<u>5,702</u>	<u>(49)</u>
Income (Loss) before Transfers	(2,457)	37,197	2,501
Transfers in	—	4,202	—
Transfers out	<u>(439)</u>	<u>(3,016)</u>	<u>—</u>
Change in Net Position	(2,896)	38,383	2,501
Net Position at July 1, As Restated	14,988	(173,743)	2,517
Net Position at June 30	<u>\$ 12,092</u>	<u>\$ (135,360)</u>	<u>\$ 5,018</u>

Central Printing	Property Management	Risk Management	Totals June 30, 2022
\$ 871	\$ 52,710	\$ 31,947	\$ 240,317
—	69	26,720	27,004
<u>871</u>	<u>52,779</u>	<u>58,667</u>	<u>267,321</u>
550	33,408	2,197	81,183
452	20,135	22,850	72,705
162	9,756	80	41,537
—	—	1	37
—	11,655	—	29,526
—	2	4	34
—	—	16,597	16,597
—	—	728	728
<u>1,164</u>	<u>74,956</u>	<u>42,457</u>	<u>242,347</u>
<u>(293)</u>	<u>(22,177)</u>	<u>16,210</u>	<u>24,974</u>
—	(61)	—	5,669
—	(6,801)	—	(6,524)
—	—	583	583
—	(6,862)	583	(272)
(293)	(29,039)	16,793	24,702
—	12,638	—	16,840
—	(435)	(2,588)	(6,478)
(293)	(16,836)	14,205	35,064
<u>(5,458)</u>	<u>229,642</u>	<u>(251,326)</u>	<u>(183,380)</u>
<u>\$ (5,751)</u>	<u>\$ 212,806</u>	<u>\$ (237,121)</u>	<u>\$ (148,316)</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Fleet Management	Computer Services
Cash Flows from Operating Activities		
Cash received from customers - public	\$ 19,715	\$ 261
Cash received from customers - state	2	125,995
Cash payments to suppliers for goods and services	(14,874)	(50,472)
Cash payments for employee salaries and benefits	(1,850)	(52,581)
Cash payments for claims expense	—	—
Cash payments from other sources	173	170
Cash payments to other sources	—	—
Net Cash Provided (Used) by Operating Activities	<u>3,166</u>	<u>23,373</u>
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	—	4,202
Transfers to other funds	(439)	(3,016)
Intergovernmental	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(439)</u>	<u>1,186</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(4,943)	(1,314)
Principal paid on revenue bond maturities and equipment contracts	—	(10,632)
Interest paid on revenue bonds and equipment contracts	—	(75)
Proceeds from the sale of capital assets	376	36
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(4,567)</u>	<u>(11,985)</u>
Cash Flows from Investing Activities		
Purchase of investment securities	—	—
Interest and dividends on investments	—	276
Net Cash Provided (Used) in Investing Activities	<u>—</u>	<u>276</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,840)	\$ 12,850
Cash and Cash Equivalents at July 1	<u>10,596</u>	<u>16,342</u>
Cash and Cash Equivalents at June 30	<u>\$ 8,756</u>	<u>\$ 29,192</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ (2,811)	\$ 31,495
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,440	12,015
Receivables, net	—	(150)
Interfund receivables	(2)	(5)
Inventories	(2)	67
Prepaid expenses	(4)	(4,501)
(Increase) decrease in deferred outflows	37	1,334
Increase (decrease) in liabilities:		
Accounts payable	348	(4,141)
Interfund payables	(8)	(106)
Claims liability	—	—
Claims adjustment liability	—	—
Compensated absences	(7)	(377)
Unearned revenue	—	—
Pension liability	(101)	(12,084)
OPEB liability	(86)	(3,595)
Increase (decrease) in deferred inflows	362	3,421
Net Cash Provided by Operating Activities	<u>\$ 3,166</u>	<u>\$ 23,373</u>
Noncash Investing, Capital, and Financing Activities		
Capital assets acquired through leases	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ —</u>	<u>\$ —</u>

Prison Industries	Central Printing	Property Management	Risk Management	Totals June 30, 2022
\$ 4,053	\$ 871	\$ 489	\$ 26,720	\$ 52,109
3,843	—	51,288	32,131	213,259
(4,583)	(452)	(30,561)	(25,704)	(126,646)
(1,848)	(700)	(18,409)	(2,078)	(77,466)
—	—	—	(28,266)	(28,266)
22	281	69	84	799
(40)	—	—	—	(40)
<u>1,447</u>	<u>—</u>	<u>2,876</u>	<u>2,887</u>	<u>33,749</u>
—	—	12,638	—	16,840
—	—	(435)	(2,588)	(6,478)
—	—	—	1,570	1,570
<u>—</u>	<u>—</u>	<u>12,203</u>	<u>(1,018)</u>	<u>11,932</u>
(98)	—	(4,051)	—	(10,406)
—	—	(934)	—	(11,566)
—	—	(118)	—	(193)
—	—	—	—	412
<u>(98)</u>	<u>—</u>	<u>(5,103)</u>	<u>—</u>	<u>(21,753)</u>
—	—	(3,306)	(410)	(3,716)
—	—	(6,801)	—	(6,525)
<u>—</u>	<u>—</u>	<u>(10,107)</u>	<u>(410)</u>	<u>(10,241)</u>
\$ 1,349	\$ —	\$ (131)	\$ 1,459	\$ 13,687
448	—	7,244	25,745	60,375
<u>\$ 1,797</u>	<u>\$ —</u>	<u>\$ 7,113</u>	<u>\$ 27,204</u>	<u>\$ 74,062</u>
\$ 2,550	\$ (293)	\$ (22,177)	\$ 16,210	\$ 24,974
416	—	11,655	—	29,526
(66)	—	(9)	94	(131)
(53)	—	(794)	99	(755)
(815)	(22)	—	—	(772)
—	—	—	(429)	(4,934)
51	7	(4,268)	6	(2,833)
54	(60)	(614)	(1,456)	(5,869)
(13)	525	(56)	—	342
—	—	—	(11,860)	(11,860)
—	—	—	728	728
(129)	9	343	226	65
(500)	—	(130)	—	(630)
(123)	(136)	14,054	(862)	748
(24)	(69)	1,072	(144)	(2,846)
99	39	3,800	275	7,996
<u>\$ 1,447</u>	<u>\$ —</u>	<u>\$ 2,876</u>	<u>\$ 2,887</u>	<u>\$ 33,749</u>
(98,454)	—	—	—	(98,454)
<u>\$ (98,454)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (98,454)</u>

CAPITAL ASSETS

**COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2022**

(Expressed In Thousands)

	June 30, 2022
Governmental Funds Capital Assets	
Land	\$ 239,633
Improvements other than buildings	36,878
Buildings	1,491,508
Machinery and equipment	712,350
Software/other intangibles	134,151
Easements	102,182
Construction in progress	2,070,670
Infrastructure	<u>22,800,187</u>
Total Governmental Funds Capital Assets	<u>\$ 27,587,559</u>

Investments in Governmental Funds Capital Assets by Source

General Fund	\$ 134,320
Special Revenue Funds	794,768
Donations	171,873
Other	2,108,437
Capital Projects Fund:	
State appropriations	58,035
Revenue bonds	668,761
Federal grants	429,895
Other	252,893
Infrastructure (A)	22,800,187
Capital assets acquired prior to July 1, 1984 (A)	135,192
Capital assets acquired after July 1, 1984 (A)	<u>33,198</u>
Total Governmental Funds Capital Assets by Source	<u>\$ 27,587,559</u>

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

(A) Capital assets with an undetermined funding source.

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	<u>Land</u>	<u>Improvements Other Than Buildings</u>	<u>Buildings</u>
General Government	\$ 35,834	\$ 20,911	\$ 413,142
Legislative & Judicial	2,585	—	10,453
Commerce	130,041	6,585	17,133
Education & Humanities	442	383	36,592
Human Resources	1,660	2,062	225,573
Justice	5,472	6,107	537,244
Natural Resources and Environmental Protection	43,922	408	4,741
Public Protection and Regulation	672	422	9,882
Transportation	19,005	—	236,748
Total Governmental Funds Capital Assets by Function	<u>\$ 239,633</u>	<u>\$ 36,878</u>	<u>\$ 1,491,508</u>

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

Machinery and Equipment	Software / Other Intangibles	Easements	Construction in Progress	Infrastructure	Totals June 30, 2022
\$ 55,863	\$ 48,794	\$ 62,791	\$ 55,020	\$ —	\$ 692,355
21,809	2,346	—	—	—	37,193
34,933	—	113	5,851	—	194,656
23,209	—	12,474	12,809	—	85,909
19,073	77,784	—	23,394	—	349,546
138,092	5,227	—	19,914	—	712,056
46,723	—	21,029	17	—	116,840
7,412	—	—	—	—	18,388
365,236	—	5,775	1,953,665	22,800,187	25,380,616
<u>\$ 712,350</u>	<u>\$ 134,151</u>	<u>\$ 102,182</u>	<u>\$ 2,070,670</u>	<u>\$ 22,800,187</u>	<u>\$ 27,587,559</u>

COMMONWEALTH OF KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>
General Government	\$ 656,936	\$ 81,577	\$ (46,158)	\$ 692,355
Legislative & Judicial	36,597	4,817	(4,221)	37,193
Commerce	184,098	10,565	(7)	194,656
Education & Humanities	86,666	1,205	(1,962)	85,909
Human Resources	381,419	136,024	(167,897)	349,546
Justice	666,512	52,223	(6,679)	712,056
Natural Resources and Environmental Protection	114,145	4,550	(1,855)	116,840
Public Protection and Regulation	16,976	1,577	(165)	18,388
Transportation	24,953,276	1,113,034	(685,694)	25,380,616
Total Governmental Funds Capital Assets by Function	<u>\$ 27,096,625</u>	<u>\$ 1,405,572</u>	<u>\$ (914,638)</u>	<u>\$ 27,587,559</u>

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

PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS

Pension and Other Post Employment Benefit Trust Funds account for monies received for and expenses incurred by the various public employee retirement systems administered by the Commonwealth. Kentucky uses the following Pension Trust Funds:

Kentucky Employees Retirement System (KERS) accounts for pension and (other post employment benefits) administered by the System, which covers substantially all regular full-time employees of any State department, board, or agency directed by Executive Order to participate in the System.

County Employees Retirement System (CERS) accounts for pension and (other post employment benefits) administered by the System, which covers substantially all regular full-time employees of each county, local school board, and additional local agencies electing to participate in the System.

State Police Retirement System (SPRS) accounts for pension and (other post employment benefits) administered by the System, which covers substantially all regular full-time officers of the Kentucky State Police.

Kentucky Teachers' Retirement System (KTRS) accounts for pension and (other post employment benefits) administered by the System, which covers substantially all persons occupying positions in the public elementary and secondary schools for which a certificate is required, faculty members of five regional universities, the Commissioner of Education, and the professional staff members of the Department of Education.

Judicial Retirement Plan accounts for pension and (other post employment benefits) administered by the Plan, which covers all District Judges, Judges of the Court of Appeals, and Judges of the Supreme Court.

Legislators Retirement Plan accounts for pension and (other post employment benefits) administered by the Plan, which covers all members of the General Assembly.

Kentucky Public Employees Deferred Compensation Authority accounts for the monies withheld from participating employees payroll to be placed in an Internal Revenue Code Section 401 or 457 deferred compensation plan. The amounts are deposited with third party administrators which oversee the investment activities of such monies.

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS
June 30, 2022
(Expressed in Thousands)

	Pension Funds	Insurance Funds	Totals June 30, 2022
Assets			
Cash and Short-Term Investments:			
Cash	\$ 443,492	\$ 199,909	\$ 643,401
Short-term investments	5,474,026	507,246	5,981,272
Total Cash and Short-Term Investments	<u>5,917,518</u>	<u>707,155</u>	<u>6,624,673</u>
Receivables:			
Investments - accounts receivable	322,275	44,224	366,499
Interest receivable	42,888	539	43,427
Accounts receivable	140,480	91,394	231,874
Total Receivables	<u>505,643</u>	<u>136,157</u>	<u>641,800</u>
Investments at Fair Value:			
Corporate and government bonds	12,897,167	4,465,833	17,363,000
Common stocks	15,692,974	2,670,414	18,363,388
Alternatives	2,292,265	208,203	2,500,468
Derivatives	(2,864)	(934)	(3,798)
Real estate	2,576,387	530,699	3,107,086
Other	2,328,765	539,417	2,868,182
Total Investments at Fair Value	<u>35,784,694</u>	<u>8,413,632</u>	<u>44,198,326</u>
Invested security collateral	391,751	146,144	537,895
Capital assets, net	9,579	—	9,579
Prepaid expenses	28	—	28
Total Assets	<u>42,609,213</u>	<u>9,403,088</u>	<u>52,012,301</u>
Liabilities			
Investments - accounts payable	158,238	50,719	208,957
Accounts payable	36,707	69,461	106,168
Obligations under securities lending	391,751	146,144	537,895
Total Liabilities	<u>586,696</u>	<u>266,324</u>	<u>853,020</u>
Net Position Restricted for Pensions and Other Post Employment Benefits			
	<u>\$ 42,022,517</u>	<u>\$ 9,136,764</u>	<u>\$ 51,159,281</u>

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Pension Funds	Insurance Funds	Totals June 30, 2022
Additions			
Contributions:			
Employer	\$ 3,968,497	\$ 535,170	\$ 4,503,667
Member	901,784	145,770	1,047,554
Total Contributions	<u>4,870,281</u>	<u>680,940</u>	<u>5,551,221</u>
Other Contributions:			
Participant fees	7,650	—	7,650
Other receipts	38	12	50
Total Other Contributions	<u>7,688</u>	<u>12</u>	<u>7,700</u>
Investment Income:			
Net increase (decrease) in fair value of investments	(4,894,950)	(753,915)	(5,648,865)
Interest	596,130	211,231	807,361
Dividends	255,032	5,789	260,821
Real estate operating income, net	16,231	—	16,231
Securities lending income, net	5,680	770	6,450
Total Investment Income	<u>(4,021,877)</u>	<u>(536,125)</u>	<u>(4,558,002)</u>
Less: Investment expense	242,791	91,136	333,927
Less: Securities lending expense	(441)	(47)	(488)
Net Investment Income	<u>(4,264,227)</u>	<u>(627,214)</u>	<u>(4,891,441)</u>
Total Additions	<u>613,742</u>	<u>53,738</u>	<u>667,480</u>
Deductions			
Benefit payments	4,943,229	8,965	4,952,194
Refunds	69,690	—	69,690
Administrative expenses	59,987	4,767	64,754
Self funding insurance cost	—	5,153	5,153
Healthcare premium subsidies	—	377,014	377,014
Other deductions, net	—	107,232	107,232
Total Deductions	<u>5,072,906</u>	<u>503,131</u>	<u>5,576,037</u>
Change in Net Position	(4,459,164)	(449,393)	(4,908,557)
Net Position - Restricted for Pension and Other Post Employment Benefits			
Net Position at July 1	<u>46,481,681</u>	<u>9,586,157</u>	<u>56,067,838</u>
Net Position at June 30	<u>\$ 42,022,517</u>	<u>\$ 9,136,764</u>	<u>\$ 51,159,281</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
June 30, 2022
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 128	\$ 35	\$ 170	\$ 17
Short-term investments	492,114	77,438	286,875	114,933
Total Cash and Short-Term Investments	<u>492,242</u>	<u>77,473</u>	<u>287,045</u>	<u>114,950</u>
Receivables:				
Investments - accounts receivable	85,356	3,808	120,621	35,408
Interest receivable	—	—	—	—
Contributions/Accounts receivable	16,447	4,627	43,002	14,694
Total Receivables	<u>101,803</u>	<u>8,435</u>	<u>163,623</u>	<u>50,102</u>
Investments at Fair Value:				
Corporate and government bonds	1,710,520	501,677	5,240,642	1,779,370
Common stocks	573,266	169,678	1,692,750	574,070
Alternatives	—	—	—	—
Derivatives	(1,076)	(141)	(1,091)	(373)
Real estate	164,991	45,860	494,607	157,478
Other	60,546	22,364	244,801	80,777
Total Investments at Fair Value	<u>2,508,247</u>	<u>739,438</u>	<u>7,671,709</u>	<u>2,591,322</u>
Invested security collateral	77,505	21,277	208,156	70,856
Capital assets, net	148	5	167	3
Prepaid expenses	—	—	—	—
Total Assets	<u>3,179,945</u>	<u>846,628</u>	<u>8,330,700</u>	<u>2,827,233</u>
Liabilities				
Investments - accounts payable	23,931	5,860	56,042	18,638
Accounts payable	1,766	254	4,156	811
Obligations under securities lending	77,505	21,277	208,156	70,856
Total Liabilities	<u>103,202</u>	<u>27,391</u>	<u>268,354</u>	<u>90,305</u>
Net Position Restricted for Pensions and Other Post Employment Benefits				
	<u>\$ 3,076,743</u>	<u>\$ 819,237</u>	<u>\$ 8,062,346</u>	<u>\$ 2,736,928</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2022
\$ 17	\$ 420,743	\$ 3,693	\$ 2,848	\$ 15,841	\$ 443,492
145,573	1,018,544	—	—	3,338,549	5,474,026
<u>145,590</u>	<u>1,439,287</u>	<u>3,693</u>	<u>2,848</u>	<u>3,354,390</u>	<u>5,917,518</u>
10,606	66,295	150	31	—	322,275
—	—	1,165	245	41,478	42,888
3,263	56,543	—	—	1,904	140,480
<u>13,869</u>	<u>122,838</u>	<u>1,315</u>	<u>276</u>	<u>43,382</u>	<u>505,643</u>
281,277	3,244,797	114,779	24,105	—	12,897,167
88,065	12,267,503	270,643	56,999	—	15,692,974
—	2,292,265	—	—	—	2,292,265
(183)	—	—	—	—	(2,864)
19,823	1,693,628	—	—	—	2,576,387
9,328	1,910,113	459	377	—	2,328,765
<u>398,310</u>	<u>21,408,306</u>	<u>385,881</u>	<u>81,481</u>	<u>—</u>	<u>35,784,694</u>
13,957	—	—	—	—	391,751
—	9,256	—	—	—	9,579
—	28	—	—	—	28
<u>571,726</u>	<u>22,979,715</u>	<u>390,889</u>	<u>84,605</u>	<u>3,397,772</u>	<u>42,609,213</u>
4,782	48,985	—	—	—	158,238
61	29,659	—	—	—	36,707
13,957	—	—	—	—	391,751
<u>18,800</u>	<u>78,644</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>586,696</u>
<u>\$ 552,926</u>	<u>\$ 22,901,071</u>	<u>\$ 390,889</u>	<u>\$ 84,605</u>	<u>\$ 3,397,772</u>	<u>\$ 42,022,517</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - PENSION FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 1,116,856	\$ 59,050	\$ 606,747	\$ 221,924
Member	89,607	20,588	186,648	69,565
Total Contributions	<u>1,206,463</u>	<u>79,638</u>	<u>793,395</u>	<u>291,489</u>
Other Contributions:				
Participant fees	—	—	—	—
Other receipts	—	—	—	—
Total Other Contributions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Investment Income:				
Net increase (decrease) in fair value of investments	(218,584)	(66,952)	(637,765)	(224,085)
Interest	75,029	24,179	239,643	81,324
Dividends	—	—	—	—
Real estate operating income, net	—	—	—	—
Securities lending income, net	321	92	891	308
Total Investment Income	<u>(143,234)</u>	<u>(42,681)</u>	<u>(397,231)</u>	<u>(142,453)</u>
Less: Investment expense	22,683	9,171	103,885	33,016
Less: Securities lending expense	(13)	(11)	(120)	(38)
Net Investment Income	<u>(165,904)</u>	<u>(51,841)</u>	<u>(500,996)</u>	<u>(175,431)</u>
Total Additions	<u>1,040,559</u>	<u>27,797</u>	<u>292,399</u>	<u>116,058</u>
Deductions				
Benefit payments	1,023,375	77,047	858,261	305,790
Refunds	12,116	4,976	19,789	5,766
Administrative expenses	13,339	1,465	22,670	1,995
Total Deductions	<u>1,048,830</u>	<u>83,488</u>	<u>900,720</u>	<u>313,551</u>
Change in Net Position	(8,271)	(55,691)	(608,321)	(197,493)
Net Position - Restricted for Pension and Other Post Employment Benefits				
Net Position at July 1	3,085,014	874,928	8,670,667	2,934,421
Net Position at June 30	<u>\$ 3,076,743</u>	<u>\$ 819,237</u>	<u>\$ 8,062,346</u>	<u>\$ 2,736,928</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators Retirement Plan	Kentucky Public Employees' Deferred Compensation Authority	Totals June 30, 2022
\$ 277,315	\$ 1,679,587	\$ 7,018	\$ —	\$ —	\$ 3,968,497
4,773	356,967	2,443	242	170,951	901,784
<u>282,088</u>	<u>2,036,554</u>	<u>9,461</u>	<u>242</u>	<u>170,951</u>	<u>4,870,281</u>
—	—	—	—	7,650	7,650
—	—	37	1	—	38
—	—	<u>37</u>	<u>—</u>	<u>7,650</u>	<u>7,688</u>
(28,495)	(3,087,473)	(49,521)	(10,207)	(571,868)	(4,894,950)
9,201	152,702	3,768	751	9,533	596,130
—	250,365	4,337	933	(603)	255,032
—	16,231	—	—	—	16,231
40	4,029	—	—	(1)	5,680
<u>(19,254)</u>	<u>(2,664,146)</u>	<u>(41,416)</u>	<u>(8,523)</u>	<u>(562,939)</u>	<u>(4,021,877)</u>
2,894	63,972	349	74	6,747	242,791
—	(259)	—	—	—	(441)
<u>(22,148)</u>	<u>(2,727,859)</u>	<u>(41,765)</u>	<u>(8,597)</u>	<u>(569,686)</u>	<u>(4,264,227)</u>
<u>259,940</u>	<u>(691,305)</u>	<u>(32,267)</u>	<u>(8,355)</u>	<u>(391,085)</u>	<u>613,742</u>
64,121	2,306,018	24,989	5,204	278,423	4,943,228
280	26,745	—	18	—	69,690
273	12,006	302	142	7,795	59,987
<u>64,674</u>	<u>2,344,769</u>	<u>25,291</u>	<u>5,364</u>	<u>286,218</u>	<u>5,072,905</u>
195,266	(3,036,074)	(57,558)	(13,719)	(677,303)	(4,459,164)
357,660	25,937,145	448,447	98,324	4,075,075	46,481,681
<u>\$ 552,926</u>	<u>\$ 22,901,071</u>	<u>\$ 390,889</u>	<u>\$ 84,605</u>	<u>\$ 3,397,772</u>	<u>\$ 42,022,517</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
June 30, 2022
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Assets				
Cash and Short-Term Investments:				
Cash	\$ 91	\$ 25	\$ 101	\$ 19
Short-term investments	187,679	39,120	144,398	46,794
Total Cash and Short-Term Investments	<u>187,770</u>	<u>39,145</u>	<u>144,499</u>	<u>46,813</u>
Receivables:				
Investments - accounts receivable	6,922	2,735	18,395	8,282
Interest receivable	—	—	—	—
Contributions/Accounts receivable	12,995	344	19,338	6,289
Total Receivables	<u>19,917</u>	<u>3,079</u>	<u>37,733</u>	<u>14,571</u>
Investments at Fair Value:				
Corporate and government bonds	758,898	359,069	1,981,604	1,006,493
Common stocks	263,472	126,429	637,910	324,019
Alternatives	—	—	—	—
Derivatives	(202)	(128)	(390)	(185)
Real estate	53,737	39,387	171,044	93,762
Other	27,755	16,365	74,169	39,856
Total Investments at Fair Value	<u>1,103,660</u>	<u>541,122</u>	<u>2,864,337</u>	<u>1,463,945</u>
Invested security collateral	28,391	12,806	66,459	33,425
Total Assets	<u>1,339,738</u>	<u>596,152</u>	<u>3,113,028</u>	<u>1,558,754</u>
Liabilities				
Investments - accounts payable	9,692	3,444	19,633	9,698
Accounts payable	133	—	45,712	11,654
Obligations under securities lending	28,391	12,806	66,459	33,425
Total Liabilities	<u>38,216</u>	<u>16,250</u>	<u>131,804</u>	<u>54,777</u>
Net Position Restricted for Pensions and Other Post Employment Benefits				
	<u>\$ 1,301,522</u>	<u>\$ 579,902</u>	<u>\$ 2,981,224</u>	<u>\$ 1,503,977</u>

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2022
\$ 19	\$ 196,396	\$ 1,127	\$ 2,131	\$ 199,909
13,696	75,559	—	—	507,246
<u>13,715</u>	<u>271,955</u>	<u>1,127</u>	<u>2,131</u>	<u>707,155</u>
1,161	6,660	46	23	44,224
—	—	356	183	539
949	51,479	—	—	91,394
<u>2,110</u>	<u>58,139</u>	<u>402</u>	<u>206</u>	<u>136,157</u>
144,537	162,156	35,041	18,035	4,465,833
50,056	1,143,326	82,573	42,629	2,670,414
—	208,203	—	—	208,203
(29)	—	—	—	(934)
15,064	157,705	—	—	530,699
6,096	374,754	140	282	539,417
<u>215,724</u>	<u>2,046,144</u>	<u>117,754</u>	<u>60,946</u>	<u>8,413,632</u>
5,063	—	—	—	146,144
<u>236,612</u>	<u>2,376,238</u>	<u>119,283</u>	<u>63,283</u>	<u>9,403,088</u>
1,532	6,720	—	—	50,719
2	11,960	—	—	69,461
5,063	—	—	—	146,144
<u>6,597</u>	<u>18,680</u>	<u>—</u>	<u>—</u>	<u>266,324</u>
<u>\$ 230,015</u>	<u>\$ 2,357,558</u>	<u>\$ 119,283</u>	<u>\$ 63,283</u>	<u>\$ 9,136,764</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS - INSURANCE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Kentucky Employees' Retirement System		County Employees' Retirement System	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Additions				
Contributions:				
Employer	\$ 154,757	\$ 3,008	\$ 148,798	\$ 64,650
Member	—	—	—	—
Total Contributions	154,757	3,008	148,798	64,650
Other Contributions:				
Other Receipts	—	—	—	—
Total Other Contributions	—	—	—	—
Investment Income:				
Net increase (decrease) in fair value of investments	(105,578)	(36,877)	(222,332)	(103,271)
Interest	34,138	17,519	89,003	45,282
Dividends	—	—	—	—
Securities lending income, net	134	56	312	154
Total Investment Income	(71,306)	(19,302)	(133,017)	(57,835)
Less: Investment expense	14,262	8,113	37,708	20,634
Less: Securities lending expense	(13)	(9)	(26)	(16)
Net Investment Income	(85,555)	(27,406)	(170,699)	(78,453)
Total Additions	69,202	(24,398)	(21,901)	(13,803)
Deductions				
Benefit payments	—	—	—	—
Administrative expenses	821	125	933	502
Self funding insurance cost	1,525	109	3,288	210
Healthcare Premiums Subsidies	118,451	20,355	134,428	89,319
Other deductions, net	6	—	12	—
Total Deductions	120,803	20,589	138,661	90,031
Change in Net Position	(51,601)	(44,987)	(160,562)	(103,834)
Net Position - Restricted for Pension and Other Post Employment Benefits				
Net Position at July 1	1,353,123	624,889	3,141,786	1,607,811
Net Position at June 30	\$ 1,301,522	\$ 579,902	\$ 2,981,224	\$ 1,503,977

State Police Retirement System	Kentucky Teachers' Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Totals June 30, 2022
\$ 9,353	\$ 154,520	\$ 84	\$ —	\$ 535,170
—	145,682	64	24	145,770
<u>9,353</u>	<u>300,202</u>	<u>148</u>	<u>24</u>	<u>680,940</u>
—	—	12	—	12
—	—	<u>12</u>	<u>—</u>	<u>12</u>
(14,419)	(248,624)	(15,213)	(7,601)	(753,915)
6,861	16,712	1,157	559	211,231
—	3,762	1,332	695	5,789
23	91	—	—	770
<u>(7,535)</u>	<u>(228,059)</u>	<u>(12,724)</u>	<u>(6,347)</u>	<u>(536,125)</u>
3,255	7,002	107	55	91,136
(3)	20	—	—	(47)
<u>(10,787)</u>	<u>(235,081)</u>	<u>(12,831)</u>	<u>(6,402)</u>	<u>(627,214)</u>
<u>(1,434)</u>	<u>65,121</u>	<u>(12,671)</u>	<u>(6,378)</u>	<u>53,738</u>
—	6,178	1,900	887	8,965
73	2,115	92	106	4,767
21	—	—	—	5,153
14,461	—	—	—	377,014
—	107,201	—	13	107,232
<u>14,555</u>	<u>115,494</u>	<u>1,992</u>	<u>1,006</u>	<u>503,131</u>
(15,989)	(50,373)	(14,663)	(7,384)	(449,393)
246,004	2,407,931	133,946	70,667	9,586,157
<u>\$ 230,015</u>	<u>\$ 2,357,558</u>	<u>\$ 119,283</u>	<u>\$ 63,283</u>	<u>\$ 9,136,764</u>

PRIVATE PURPOSE TRUST FUNDS AND CUSTODIAL FUNDS

Private Purpose Trust Funds - are those funds held in a qualifying trust (same definition as Investment trust funds) that are not required to be reported in Pension (and other employee benefit) or Investment trust funds.

Specific activities listed under the Private Purpose Trust Funds are:

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

Commonwealth Choice Program - accounts for flexible benefits spending accounts.

Custodial Funds - are used to report fiduciary activities that are not required to be reported as another fiduciary fund type.

Specific activities listed under Custodial Funds are:

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

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS AND CUSTODIAL FUNDS
June 30, 2022
(Expressed in Thousands)

	Private Purpose Trust Funds			Custodial Funds
	Special Deposit Trust Fund	Commonwealth Choice Program	Totals June 30, 2022	County Fees Trust Fund
Assets				
Cash and cash equivalents	\$ 349,194	\$ —	\$ 349,194	\$ 29,126
Investments, net of amortization	583,896	—	583,896	—
Receivables, net	12,119	2,542	14,661	7,281
Total Assets	<u>\$ 945,209</u>	<u>\$ 2,542</u>	<u>\$ 947,751</u>	<u>\$ 36,407</u>
Liabilities				
Accounts payable	\$ 506,130	\$ 2,542	\$ 508,672	\$ —
Total Liabilities	<u>\$ 506,130</u>	<u>\$ 2,542</u>	<u>\$ 508,672</u>	<u>\$ —</u>
Net Position				
Restricted for:				
Individuals, Organizations, and other Governments	\$ 439,079	\$ —	\$ 439,079	\$ 36,407
Total Net Position	<u>\$ 439,079</u>	<u>\$ —</u>	<u>\$ 439,079</u>	<u>\$ 36,407</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN NET POSITION
PRIVATE PURPOSE TRUST FUNDS AND CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Private Purpose Trust Funds			Custodial Funds
	Special Deposit Trust Fund	Commonwealth Choice Program	Total June 30, 2022	County Fees Trust Fund
Additions				
Contributions:	\$ 216,325	\$ 33,538,595	\$ 33,754,920	\$ —
Total Contributions	<u>216,325</u>	<u>33,538,595</u>	<u>33,754,920</u>	<u>—</u>
Investment Income:				
Net increase (decrease) in fair value of investments	15,044	—	15,044	—
Total Investment Income	<u>15,044</u>	<u>—</u>	<u>15,044</u>	<u>—</u>
Less: Investment expense	—	—	—	—
Less: Securities lending expense	—	—	—	—
Net Investment Income	<u>15,044</u>	<u>—</u>	<u>15,044</u>	<u>—</u>
Collections for other Governments	5,829	—	5,829	188,122
Miscellaneous	301,190	—	301,190	9
Total Additions	<u>538,388</u>	<u>33,538,595</u>	<u>34,076,983</u>	<u>188,131</u>
Deductions				
Administrative expenses	7	—	7	—
Payments to other Governments	378,697	—	378,697	180,520
Beneficiary Payments to individuals	—	33,538,595	33,538,595	—
Other deductions, net	100,386	—	100,386	—
Total Deductions	<u>479,090</u>	<u>33,538,595</u>	<u>34,017,685</u>	<u>180,520</u>
Change in Net Position	59,298	—	59,298	7,611
Net Position at July 1, As Restated	<u>379,781</u>	<u>—</u>	<u>379,781</u>	<u>28,796</u>
Net Position at June 30	<u>\$ 439,079</u>	<u>\$ —</u>	<u>\$ 439,079</u>	<u>\$ 36,407</u>

NON-MAJOR COMPONENT UNITS - COMBINING

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
June 30, 2022

(Expressed in Thousands)

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2022
Assets			
Current assets:			
Cash and cash equivalents	\$ 529,623	\$ 515,014	\$ 1,044,637
Restricted cash	14,198	11,312	25,510
Investments, net of amortization	26,353	—	26,353
Accounts receivable, net	180,063	84,540	264,603
Interest receivable	2,116	525	2,641
Lease receivable	981	1,800	2,781
Inventories	671	4,441	5,112
Prepaid expenses	1,565	12,013	13,578
Other current assets	94,914	2,588	97,502
Total Current Assets	<u>850,484</u>	<u>632,233</u>	<u>1,482,717</u>
Noncurrent assets:			
Restricted cash	73,536	100,389	173,925
Long-term investments	33,547	386,338	419,885
Restricted long-term investments	94,043	296,509	390,552
Long-term receivables, net	1,063,532	22,963	1,086,495
Long-term leases receivables	69,780	—	69,780
Land	121,360	87,851	209,211
Improvements other than buildings	100,420	202,767	303,187
Buildings	953,401	3,002,087	3,955,488
Machinery and equipment	209,272	398,366	607,638
Other capital assets	6,511	115,331	121,842
Leased Assets	7,079	41,433	48,512
Less: Accumulated depreciation and amortization	(509,121)	(1,879,512)	(2,388,633)
Less: Leased assets accumulated amortization	(163)	(4,685)	(4,848)
Construction in progress	12,332	50,195	62,527
Total Capital Assets	<u>901,091</u>	<u>2,013,833</u>	<u>2,914,924</u>
Other assets	5,198	41,376	46,574
Total Noncurrent Assets	<u>2,240,727</u>	<u>2,861,408</u>	<u>5,102,135</u>
Total Assets	<u>3,091,211</u>	<u>3,493,641</u>	<u>6,584,852</u>
Deferred outflows of resources	<u>30,584</u>	<u>232,997</u>	<u>263,581</u>
Liabilities			
Current liabilities:			
Accounts payable and accruals	32,621	72,858	105,479
Current portion of long-term debt:			
Notes payable	3,288	1,040	4,328
Bonds payable	405,590	48,573	454,163
Lease obligations	3,311	3,019	6,330
Compensated absences	1,484	22,421	23,905
Claims liability	—	1,487	1,487
Unearned revenues	6,813	84,429	91,242
Payable from restricted assets	—	3,009	3,009
Other current liabilities	9,274	19,825	29,099
Total Current Liabilities	<u>462,381</u>	<u>256,661</u>	<u>719,042</u>
Noncurrent liabilities:			
Notes payable	2,433	59,105	61,538
Bonds payable	190,226	662,810	853,036
Lease obligations	18,253	70,108	88,361
Compensated absences	608	329	937
Net pension liability	171,273	796,688	967,961
Net OPEB liability	36,760	134,810	171,570
Other long-term liabilities	2,944	44,142	47,086
Total Noncurrent Liabilities	<u>422,497</u>	<u>1,767,992</u>	<u>2,190,489</u>
Total Liabilities	<u>884,878</u>	<u>2,024,653</u>	<u>2,909,531</u>
Deferred inflows of resources	<u>92,955</u>	<u>356,974</u>	<u>449,929</u>
Net Position			
Net investment in capital assets	520,768	1,267,378	1,788,146
Restricted for:			
Debt service	—	1,249	1,249
Capital projects	17,776	33,217	50,993
Other purposes	1,549,244	687,364	2,236,608
Unrestricted	56,174	(644,197)	(588,023)
Total Net Position	<u>\$ 2,143,962</u>	<u>\$ 1,345,011</u>	<u>\$ 3,488,973</u>

**COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)**

	Non-Major Component Units - Authorities	Non-Major Component Units - Universities	Totals June 30, 2022
Expenses:			
Operating and other expenses	\$ 492,085	\$ 1,228,379	\$ 1,720,464
Total expenses	<u>492,085</u>	<u>1,228,379</u>	<u>1,720,464</u>
Program Revenues:			
Charges for services	129,729	619,706	749,435
Operating grants and contributions	356,015	94,663	450,678
Capital grants and contributions	—	6,881	6,881
Total Program Revenues	<u>485,744</u>	<u>721,250</u>	<u>1,206,994</u>
Net Program (Expense) Revenue	<u>(6,341)</u>	<u>(507,129)</u>	<u>(513,470)</u>
General Revenues:			
Unrestricted grants and contributions	42,786	594,076	636,862
Unrestricted investment earnings	(8,088)	(6,145)	(14,233)
Gain on sale of capital assets	(42)	(4,642)	(4,684)
Miscellaneous general	(8,459)	259,411	250,952
Transfers	36,550	—	36,550
Total General Revenues	<u>62,747</u>	<u>842,700</u>	<u>905,447</u>
Change in Net Position	<u>56,406</u>	<u>335,571</u>	<u>391,977</u>
Net Position at July 1, As Restated	<u>2,087,556</u>	<u>1,009,440</u>	<u>3,096,996</u>
Net Position at June 30	<u>\$ 2,143,962</u>	<u>\$ 1,345,011</u>	<u>\$ 3,488,973</u>



NON-MAJOR COMPONENT UNITS - AUTHORITIES

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

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

Bluegrass State Skills Corporation - established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Cabinet for Economic Development 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, 2022
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
Assets				
Current assets:				
Cash and cash equivalents	\$ 389	\$ 47,670	\$ 1	\$ 13,383
Restricted cash	7,703	6,495	—	—
Investments, net of amortization	2,505	—	—	—
Accounts receivable, net	1,838	91,634	—	3,887
Interest receivable	—	396	—	—
Lease receivable	—	—	—	523
Inventories	—	—	—	—
Prepaid expenses	—	—	—	1,015
Other current assets	—	—	2,479	—
Total Current Assets	<u>12,435</u>	<u>146,195</u>	<u>2,480</u>	<u>18,808</u>
Noncurrent assets:				
Restricted cash	—	—	—	3,355
Long-term investments	2	—	8	—
Restricted long-term investments	3,099	81,143	—	—
Long-term receivables, net	—	6,171	—	—
Long-term lease receivables	—	—	—	59,766
Land	547	—	—	27,835
Improvements other than buildings	100,420	—	—	—
Buildings	—	12,075	—	596,442
Machinery and equipment	—	4,866	—	69,615
Other capital assets	—	—	—	5,873
Leased Assets	—	—	—	—
Less: Accumulated depreciation and amortization	(23,760)	(12,193)	—	(253,019)
Less: Leased assets accumulated amortization	—	—	—	—
Construction in progress	789	—	—	10,406
Total Capital Assets	<u>77,996</u>	<u>4,748</u>	<u>—</u>	<u>457,152</u>
Other assets	—	—	—	—
Total Noncurrent Assets, Net	<u>81,097</u>	<u>92,062</u>	<u>8</u>	<u>520,273</u>
Total Assets	<u>93,532</u>	<u>238,257</u>	<u>2,488</u>	<u>539,081</u>
Deferred outflows of resources	<u>786</u>	<u>973</u>	<u>—</u>	<u>10,067</u>
Liabilities				
Current liabilities:				
Accounts payable and accruals	413	15,686	2,479	3,285
Current portion of long-term debt:				
Notes payable	—	—	—	—
Bonds payable	2,385	—	—	4,290
Lease obligations	—	—	—	2,485
Compensated absences	53	161	—	—
Unearned revenues	—	—	—	3,306
Other current liabilities	33	—	—	86
Total Current Liabilities	<u>2,884</u>	<u>15,847</u>	<u>2,479</u>	<u>13,452</u>
Noncurrent liabilities:				
Notes payable	—	—	—	—
Bonds payable	39,583	—	—	1,274
Lease obligations	—	—	—	15,081
Compensated absences	44	—	—	—
Net pension liability	3,903	1,313	—	70,881
Net OPEB liability	664	7,716	—	12,066
Other long-term liabilities	—	950	—	—
Total Noncurrent Liabilities	<u>44,194</u>	<u>9,979</u>	<u>—</u>	<u>99,302</u>
Total Liabilities	<u>47,078</u>	<u>25,826</u>	<u>2,479</u>	<u>112,754</u>
Deferred inflows of resources	<u>266</u>	<u>755</u>	<u>—</u>	<u>69,168</u>
Net Position				
Net investment in capital assets	36,027	4,747	—	434,022
Restricted for:				
Capital projects	13,169	—	—	3,355
Other purposes	—	207,902	9	—
Unrestricted	(2,222)	—	—	(70,151)
Total Net Position	<u>\$ 46,974</u>	<u>\$ 212,649</u>	<u>\$ 9</u>	<u>\$ 367,226</u>

Kentucky Center for the Arts Corporation	Kentucky Authority for Educational Television	Kentucky Economic Development Finance Authority	Kentucky Artisan Center	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation
\$ 10,581	\$ 11,157	\$ 37,992	\$ 50	\$ 383,350	\$ 16,971
—	—	—	—	—	—
271	22,192	—	298	1,087	—
716	1,232	14	7	—	79,749
11	18	44	—	1,647	—
—	458	—	—	—	—
10	—	—	661	—	—
109	217	—	—	—	—
—	215	9,882	—	82,338	—
<u>11,698</u>	<u>35,489</u>	<u>47,932</u>	<u>1,016</u>	<u>468,422</u>	<u>96,720</u>
—	1,753	—	—	—	—
15,170	—	205	—	—	6,035
—	9,801	—	—	—	—
252	—	20,513	—	1,036,596	—
—	10,014	—	—	—	—
129	76	—	1,167	—	—
—	—	—	—	—	—
36,485	17,483	—	6,706	—	—
47,954	48,667	—	619	—	—
—	178	—	360	21	—
6,671	408	—	—	—	—
(59,284)	(50,911)	—	(2,608)	—	—
—	(163)	—	—	—	—
991	146	—	—	—	—
<u>32,946</u>	<u>15,884</u>	<u>—</u>	<u>6,244</u>	<u>21</u>	<u>—</u>
<u>4,769</u>	<u>91</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>53,137</u>	<u>37,543</u>	<u>20,718</u>	<u>6,244</u>	<u>1,036,617</u>	<u>6,035</u>
<u>64,835</u>	<u>73,032</u>	<u>68,650</u>	<u>7,260</u>	<u>1,505,039</u>	<u>102,755</u>
<u>—</u>	<u>12,120</u>	<u>1,478</u>	<u>1,018</u>	<u>4,142</u>	<u>—</u>
2,228	847	112	73	3,060	—
418	147	—	—	—	—
—	—	—	—	23,754	—
673	153	—	—	—	—
156	919	139	56	—	—
1,464	2,043	—	—	—	—
4	—	—	—	9,151	—
<u>4,943</u>	<u>4,109</u>	<u>251</u>	<u>129</u>	<u>35,965</u>	<u>—</u>
2,083	350	—	—	—	—
—	—	—	—	149,369	—
3,076	96	—	—	—	—
—	423	93	48	—	—
—	71,846	11,941	5,039	6,350	—
—	12,341	2,033	858	1,082	—
1,994	—	—	—	—	—
<u>7,153</u>	<u>85,056</u>	<u>14,067</u>	<u>5,945</u>	<u>156,801</u>	<u>—</u>
<u>12,096</u>	<u>89,165</u>	<u>14,318</u>	<u>6,074</u>	<u>192,766</u>	<u>—</u>
<u>—</u>	<u>20,893</u>	<u>1,129</u>	<u>319</u>	<u>425</u>	<u>—</u>
24,571	15,137	—	6,243	21	—
—	1,252	—	—	—	—
6,188	10,673	5,915	—	1,315,969	—
21,980	(51,968)	48,766	(4,358)	—	102,755
<u>\$ 52,739</u>	<u>\$ (24,906)</u>	<u>\$ 54,681</u>	<u>\$ 1,885</u>	<u>\$ 1,315,990</u>	<u>\$ 102,755</u>

Continued

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - AUTHORITIES
June 30, 2022
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Louisville Arena Authority, Inc.	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2022
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,745	\$ 3,750	\$ 584	\$ 529,623
Restricted cash	—	—	—	14,198
Investments, net of amortization	—	—	—	26,353
Accounts receivable, net	—	982	4	180,063
Interest receivable	—	—	—	2,116
Lease receivable	—	—	—	981
Inventories	—	—	—	671
Prepaid expenses	—	221	3	1,565
Other current assets	—	—	—	94,914
Total Current Assets	<u>3,745</u>	<u>4,953</u>	<u>591</u>	<u>850,484</u>
Noncurrent assets:				
Restricted cash	—	68,261	167	73,536
Long-term investments	1,331	—	10,796	33,547
Restricted long-term investments	—	—	—	94,043
Long-term receivables, net	—	—	—	1,063,532
Long-term lease receivables	—	—	—	69,780
Land	—	91,606	—	121,360
Improvements other than buildings	—	—	—	100,420
Buildings	—	284,210	—	953,401
Machinery and equipment	—	37,551	—	209,272
Other capital assets	—	79	—	6,511
Leased Assets	—	—	—	7,079
Less: Accumulated depreciation and amortization	—	(107,346)	—	(509,121)
Less: Leased assets accumulated amortization	—	—	—	(163)
Construction in progress	—	—	—	12,332
Total Capital Assets	<u>—</u>	<u>306,100</u>	<u>—</u>	<u>901,091</u>
Other assets	—	—	338	5,198
Total Noncurrent Assets, Net	<u>1,331</u>	<u>374,361</u>	<u>11,301</u>	<u>2,240,727</u>
Total Assets	<u>5,076</u>	<u>379,314</u>	<u>11,892</u>	<u>3,091,211</u>
Deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>30,584</u>
Liabilities				
Current liabilities:				
Accounts payable and accruals	—	4,422	16	32,621
Current portion of long-term debt:				
Notes payable	—	2,500	223	3,288
Bonds payable	—	375,161	—	405,590
Capital lease obligations	—	—	—	3,311
Compensated absences	—	—	—	1,484
Unearned revenues	—	—	—	6,813
Other current liabilities	—	—	—	9,274
Total Current Liabilities	<u>—</u>	<u>382,083</u>	<u>239</u>	<u>462,381</u>
Noncurrent liabilities:				
Notes payable	—	—	—	2,433
Bonds payable	—	—	—	190,226
Capital lease obligations	—	—	—	18,253
Compensated absences	—	—	—	608
Net pension liability	—	—	—	171,273
Net OPEB liability	—	—	—	36,760
Other long-term liabilities	—	—	—	2,944
Total Noncurrent Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>422,497</u>
Total Liabilities	<u>—</u>	<u>382,083</u>	<u>239</u>	<u>884,878</u>
Deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>92,955</u>
Net Position				
Net investment in capital assets	—	—	—	520,768
Restricted for:				
Capital projects	—	—	—	17,776
Other purposes	—	—	2,588	1,549,244
Unrestricted	<u>5,076</u>	<u>(2,769)</u>	<u>9,065</u>	<u>56,174</u>
Total Net Position	<u>\$ 5,076</u>	<u>\$ (2,769)</u>	<u>\$ 11,653</u>	<u>\$ 2,143,962</u>



COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Kentucky River Authority	Kentucky Higher Education Assistance Authority	Bluegrass State Skills Corporation	Kentucky State Fair Board
Expenses:				
Operating and other expenses	\$ 4,187	\$ 314,464	\$ 4,398	\$ 61,783
Total expenses	<u>4,187</u>	<u>314,464</u>	<u>4,398</u>	<u>61,783</u>
Program Revenues:				
Charges for services	6,783	25,736	—	46,530
Operating grants and contributions	301	300,607	—	—
Total Program Revenues	<u>7,084</u>	<u>326,343</u>	<u>—</u>	<u>46,530</u>
Net Program (Expense) Revenue	<u>2,897</u>	<u>11,879</u>	<u>(4,398)</u>	<u>(15,253)</u>
General Revenues:				
Unrestricted grants and contributions	—	—	—	—
Unrestricted investment earnings	(1,824)	—	—	172
Gain on sale of capital assets	—	—	—	—
Miscellaneous general	—	—	4,148	275
Transfers	—	—	—	36,550
Total General Revenues	<u>(1,824)</u>	<u>—</u>	<u>4,148</u>	<u>36,997</u>
Change in Net Position	<u>1,073</u>	<u>11,879</u>	<u>(250)</u>	<u>21,744</u>
Net Position at July 1, As Restated	<u>45,901</u>	<u>200,770</u>	<u>259</u>	<u>345,482</u>
Net Position at June 30	<u>\$ 46,974</u>	<u>\$ 212,649</u>	<u>\$ 9</u>	<u>\$ 367,226</u>

Kentucky Center for the Arts Corporation	Kentucky Authority for Educational Television	Kentucky Economic Development Finance Authority	Kentucky Artisan Center	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation
\$ 16,266	\$ 33,054	\$ 8,449	\$ 2,689	\$ 29,429	\$ 301
<u>16,266</u>	<u>33,054</u>	<u>8,449</u>	<u>2,689</u>	<u>29,429</u>	<u>301</u>
7,391	3,115	735	1,396	18,580	—
171	12,485	—	—	39,774	1,546
<u>7,562</u>	<u>15,600</u>	<u>735</u>	<u>1,396</u>	<u>58,354</u>	<u>1,546</u>
<u>(8,704)</u>	<u>(17,454)</u>	<u>(7,714)</u>	<u>(1,293)</u>	<u>28,925</u>	<u>1,245</u>
16,197	16,097	—	1,116	9,376	—
(2,131)	(4,152)	—	—	663	—
(42)	—	—	—	—	—
630	107	3,455	—	—	—
—	—	—	—	—	—
<u>14,654</u>	<u>12,052</u>	<u>3,455</u>	<u>1,116</u>	<u>10,039</u>	<u>—</u>
5,950	(5,402)	(4,259)	(177)	38,964	1,245
46,789	(19,504)	58,940	2,062	1,277,026	101,510
<u>\$ 52,739</u>	<u>\$ (24,906)</u>	<u>\$ 54,681</u>	<u>\$ 1,885</u>	<u>\$ 1,315,990</u>	<u>\$ 102,755</u>

Continued

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Kentucky Grain Insurance Corporation	Louisville Arena Authority, Inc.	The Kentucky Horse Park Foundation, Inc.	Totals June 30, 2022
Expenses:				
Operating and other expenses	\$ —	\$ 14,893	\$ 2,172	\$ 492,085
Total expenses	<u>—</u>	<u>14,893</u>	<u>2,172</u>	<u>492,085</u>
Program Revenues:				
Charges for services	—	18,514	949	129,729
Operating grants and contributions	—	—	1,131	356,015
Total Program Revenues	<u>—</u>	<u>18,514</u>	<u>2,080</u>	<u>485,744</u>
Net Program (Expense) Revenue	<u>—</u>	<u>3,621</u>	<u>(92)</u>	<u>(6,341)</u>
General Revenues:				
Unrestricted grants and contributions	—	—	—	42,786
Unrestricted investment earnings	6	21	(843)	(8,088)
Gain on sale of capital assets	—	—	—	(42)
Miscellaneous general	—	(17,074)	—	(8,459)
Transfers	—	—	—	36,550
Total General Revenues	<u>6</u>	<u>(17,053)</u>	<u>(843)</u>	<u>62,747</u>
Change in Net Position	<u>6</u>	<u>(13,432)</u>	<u>(935)</u>	<u>56,406</u>
Net Position at July 1, As Restated	5,070	10,663	12,588	2,087,556
Net Position at June 30	<u>\$ 5,076</u>	<u>\$ (2,769)</u>	<u>\$ 11,653</u>	<u>\$ 2,143,962</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS-AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Totals June 30, 2022
Cash Flows from Operating Activities			
Cash payments to suppliers for goods and services	\$ (299)	\$ —	\$ (299)
Cash payments for employee salaries and benefits	(3)	—	(3)
Cash payments from other sources	2,591	—	2,591
Net Cash Provided (Used) by Operating Activities	<u>2,289</u>	<u>—</u>	<u>2,289</u>
Cash Flows from Investing Activities			
Proceeds from the sale of investment securities	(986)	(96)	(1,082)
Interest and dividends on investments	—	6	6
Net Cash Provided (Used) in Investing Activities	<u>(986)</u>	<u>(90)</u>	<u>(1,076)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,303	(90)	1,213
Cash and Cash Equivalents at July 1	15,668	3,835	19,503
Cash and Cash Equivalents at June 30	<u>16,971</u>	<u>3,745</u>	<u>20,716</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	1,245	—	1,245
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Receivables, net	1,044	—	1,044
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,289</u>	<u>\$ —</u>	<u>\$ 2,289</u>



NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES

Universities, Colleges, and Related Entities

The Universities, Colleges, and Related Entities Funds account for all transactions relating to the State supported universities and the community colleges and technical schools. These institutions maintain their own financial records and are not part of the central accounting system operated by the Finance and Administration Cabinet. The non-major component units-universities are:

Eastern Kentucky University
Western Kentucky University
Morehead State University
Murray State University
Northern Kentucky University
Kentucky State University

Kentucky Council on Postsecondary Education – established in 1997 by the Postsecondary Education Improvement Act to coordinate changes and improvements within Kentucky's postsecondary education system.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
June 30, 2022
(Expressed in Thousands)

	<u>Eastern Kentucky University</u>	<u>Western Kentucky University</u>	<u>Morehead State University</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 74,446	\$ 157,097	\$ 63,059
Restricted cash	—	—	3,580
Accounts receivable, net	27,035	15,574	7,488
Interest receivable	—	61	—
Lease receivable	—	—	—
Inventories	426	118	716
Prepaid expenses	1,659	2,060	679
Other current assets	173	62	589
Total Current Assets	<u>103,739</u>	<u>174,972</u>	<u>76,111</u>
Noncurrent assets:			
Restricted cash	9,707	—	—
Long-term investments	82,305	201,605	70,301
Restricted long-term investments	—	27,965	—
Long-term receivables, net	1,875	5,278	2,661
Land	10,994	21,739	23,280
Improvements other than buildings	65,869	74,718	—
Buildings	669,207	822,478	377,509
Machinery and equipment	38,760	174,643	30,664
Other capital assets	54,917	—	34,856
Leased Assets	2,520	34,867	2,772
Less: Accumulated depreciation and amortization	(355,623)	(533,936)	(240,739)
Less: Leased assets accumulated amortization	(1,113)	(2,118)	(1,052)
Construction in progress	7,591	6,098	575
Total Capital Assets	<u>493,122</u>	<u>598,489</u>	<u>227,865</u>
Other assets	62	7,749	7,107
Total Noncurrent Assets, Net	<u>587,071</u>	<u>841,086</u>	<u>307,934</u>
Total Assets	<u>690,810</u>	<u>1,016,058</u>	<u>384,045</u>
Deferred outflows of resources	<u>92,866</u>	<u>39,230</u>	<u>48,682</u>
Liabilities			
Current liabilities:			
Accounts payable and accruals	14,242	16,825	4,317
Current portion of long-term debt:			
Notes payable	—	590	—
Bonds payable	6,548	17,713	4,201
Lease obligations	615	320	878
Compensated absences	2,945	4,447	2,575
Claims liability	—	1,487	—
Unearned revenues	13,541	49,783	3,897
Payable from restricted assets	—	—	4
Other current liabilities	1,293	10,072	383
Total Current Liabilities	<u>39,184</u>	<u>101,237</u>	<u>16,255</u>
Noncurrent liabilities:			
Notes payable	—	43	53,807
Bonds payable	84,078	192,289	16,873
Lease obligations	26,304	27,857	—
Compensated absences	—	—	—
Net pension liability	245,275	199,582	125,035
Net OPEB liability	39,708	35,398	20,990
Other long-term liabilities	19,580	12,653	3,007
Total Noncurrent Liabilities	<u>414,945</u>	<u>467,822</u>	<u>219,712</u>
Total Liabilities	<u>454,129</u>	<u>569,059</u>	<u>235,967</u>
Deferred inflows of resources	<u>143,355</u>	<u>83,370</u>	<u>38,480</u>
Net Position			
Net investment in capital assets	286,049	337,257	151,502
Restricted for:			
Debt service	—	847	—
Capital projects	18,709	—	—
Other purposes	83,322	236,015	81,116
Unrestricted	(201,888)	(171,260)	(74,338)
Total Net Position	<u>\$ 186,192</u>	<u>\$ 402,859</u>	<u>\$ 158,280</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2022
\$ 98,142	\$ 116,727	\$ 4,352	\$ 1,191	\$ 515,014
—	6,456	—	1,276	11,312
9,655	21,576	3,002	210	84,540
—	29	—	435	525
878	922	—	—	1,800
2,673	508	—	—	4,441
2,883	4,366	—	366	12,013
1,764	—	—	—	2,588
<u>115,995</u>	<u>150,584</u>	<u>7,354</u>	<u>3,478</u>	<u>632,233</u>
71,115	19,567	—	—	100,389
—	3,147	26,832	2,148	386,338
146,472	121,711	—	361	296,509
1,303	11,154	692	—	22,963
15,865	9,698	6,275	—	87,851
18,508	43,672	—	—	202,767
411,059	565,910	155,924	—	3,002,087
39,175	84,272	30,852	—	398,366
13,054	—	12,504	—	115,331
—	1,274	—	—	41,433
(265,591)	(339,742)	(143,881)	—	(1,879,512)
—	(402)	—	—	(4,685)
2,007	2,123	31,801	—	50,195
<u>234,077</u>	<u>366,805</u>	<u>93,475</u>	<u>—</u>	<u>2,013,833</u>
5,228	21,198	32	—	41,376
458,195	543,582	121,031	2,509	2,861,408
574,190	694,166	128,385	5,987	3,493,641
<u>28,376</u>	<u>2,476</u>	<u>18,594</u>	<u>2,773</u>	<u>232,997</u>
9,098	16,781	10,715	880	72,858
450	—	—	—	1,040
4,746	15,110	255	—	48,573
—	319	887	—	3,019
5,759	3,848	2,339	508	22,421
—	—	—	—	1,487
4,307	11,892	1,009	—	84,429
—	3,005	—	—	3,009
4,375	612	3,090	—	19,825
<u>28,735</u>	<u>51,567</u>	<u>18,295</u>	<u>1,388</u>	<u>256,661</u>
5,255	—	—	—	59,105
61,469	306,349	1,752	—	662,810
—	2,700	13,247	—	70,108
—	—	—	329	329
138,336	1,601	64,627	22,232	796,688
23,274	—	11,656	3,784	134,810
6,372	1,518	1,012	—	44,142
<u>234,706</u>	<u>312,168</u>	<u>92,294</u>	<u>26,345</u>	<u>1,767,992</u>
263,441	363,735	110,589	27,733	2,024,653
<u>49,476</u>	<u>13,714</u>	<u>27,066</u>	<u>1,513</u>	<u>356,974</u>
170,198	245,054	77,318	—	1,267,378
402	—	—	—	1,249
11,602	2,906	—	—	33,217
130,790	137,907	16,708	1,506	687,364
(23,343)	(66,674)	(84,702)	(21,992)	(644,197)
<u>\$ 289,649</u>	<u>\$ 319,193</u>	<u>\$ 9,324</u>	<u>\$ (20,486)</u>	<u>\$ 1,345,011</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - UNIVERSITIES, COLLEGES, AND RELATED ENTITIES
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Eastern Kentucky University	Western Kentucky University	Morehead State University
Expenses:			
Operating and other expenses	\$ 253,954	\$ 284,667	\$ 142,319
Total Expenses	<u>253,954</u>	<u>284,667</u>	<u>142,319</u>
Program Revenues:			
Charges for services	140,297	162,574	49,768
Operating grants and contributions	13,347	11,199	18,225
Capital grants and contributions	—	5,779	—
Total Program Revenues	<u>153,644</u>	<u>179,552</u>	<u>67,993</u>
Net Program (Expense) Revenue	<u>(100,310)</u>	<u>(105,115)</u>	<u>(74,326)</u>
General Revenues:			
Unrestricted grants and contributions	138,776	173,788	43,812
Unrestricted investment earnings	(14,767)	33,176	(1,306)
Gain on sale of capital assets	—	(2,583)	—
Miscellaneous general	—	1,650	43,001
Total General Revenues	<u>124,009</u>	<u>206,031</u>	<u>85,507</u>
Change in Net Position	<u>23,699</u>	<u>100,916</u>	<u>11,181</u>
Net Position at July 1, As Restated	<u>162,493</u>	<u>301,943</u>	<u>147,099</u>
Net Position at June 30	<u>\$ 186,192</u>	<u>\$ 402,859</u>	<u>\$ 158,280</u>

Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Council on Postsecondary Education	Totals June 30, 2022
\$ 159,964	\$ 293,670	\$ 70,051	\$ 23,754	\$ 1,228,379
159,964	293,670	70,051	23,754	1,228,379
95,907	149,870	17,088	4,202	619,706
6,515	13,529	23,397	8,451	94,663
—	476	—	626	6,881
102,422	163,875	40,485	13,279	721,250
(57,542)	(129,795)	(29,566)	(10,475)	(507,129)
91,039	104,977	30,470	11,214	594,076
(27,251)	3,149	854	—	(6,145)
(121)	(1,936)	—	(2)	(4,642)
2,188	213,023	—	(451)	259,411
65,855	319,213	31,324	10,761	842,700
8,313	189,418	1,758	286	335,571
281,336	129,775	7,566	(20,772)	1,009,440
\$ 289,649	\$ 319,193	\$ 9,324	\$ (20,486)	\$ 1,345,011



STATISTICAL SECTION

This part of the Commonwealth of Kentucky's annual comprehensive 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)

	2022	2021	2020	2019
General Fund				
Nonspendable:				
Inventories	\$ 7,033	\$ 8,446	\$ 5,375	\$ 7,373
Assigned	115,611	71,815	93,764	74,258
Unassigned	4,298,660	2,411,469	511,169	151,129
Total General Fund	<u>4,421,304</u>	<u>2,491,730</u>	<u>610,308</u>	<u>232,760</u>
All Other Governmental Funds				
Nonspendable:				
Inventories	63,721	65,049	—	64,767
Cash with Fiscal Agents	—	—	—	—
Restricted	3,474,705	2,775,617	2,330,905	1,924,119
Committed	319,350	152,581	134,037	140,030
Assigned	46,419	41,079	30,817	95,113
Unassigned	(271,897)	(127,260)	(101,018)	(33,102)
Total All Other Governmental Funds	<u>3,632,298</u>	<u>2,907,066</u>	<u>2,394,741</u>	<u>2,190,927</u>
 Total Fund Balances - Governmental Funds	 <u>\$ 8,053,602</u>	 <u>\$ 5,398,796</u>	 <u>\$ 3,005,049</u>	 <u>\$ 2,423,687</u>

2018	2017	2016	2015	2014	2013
\$ 5,769	\$ 6,219	\$ 5,465	\$ 6,230	\$ 6,505	\$ 7,299
—	55	30,765	27,069	—	34,700
(64,909)	—	318,790	71,060	(137,295)	159,198
(59,140)	6,274	355,020	104,359	(130,790)	201,197
59,340	75,234	75,254	74,105	54,006	81,264
47,367	15,576	16,136	18,954	13,503	17,918
2,218,345	1,901,478	1,822,185	1,706,764	2,068,293	2,373,349
177,916	74,876	133,075	160,804	188,706	175,676
21,442	17,039	18,014	15,033	13,054	7,019
(50,026)	(765)	(98,045)	(56,950)	(2,582)	(596,756)
2,474,384	2,083,438	1,966,619	1,918,710	2,334,980	2,058,470
\$ 2,415,244	\$ 2,089,712	\$ 2,321,639	\$ 2,023,069	\$ 2,204,190	\$ 2,259,667

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

(Expressed in Thousands)

	2022	2021	2020	2019
Revenues				
Taxes	\$ 16,276,878	\$ 14,535,649	\$ 13,181,585	\$ 12,888,613
Licenses, fees, and permits	469,695	462,701	420,578	444,403
Intergovernmental	19,087,665	17,243,597	13,060,301	11,592,569
Charges for services	1,320,601	1,345,365	1,276,407	1,343,980
Fines and forfeits	54,871	41,318	49,642	58,366
Interest and other investment income	38,981	3,196	61,285	43,378
Increase (decrease) in fair value of investments	(74,441)	10,570	4,939	17,550
Securities lending income	—	—	3,595	10,540
Other revenues	1,397,553	937,057	884,506	692,070
Total Revenues	38,571,803	34,579,453	28,942,838	27,091,469
Expenditures				
Current:				
General government	3,383,335	2,685,781	2,782,509	2,263,964
Legislative and judicial	486,618	137,596	495,212	480,405
Commerce	155,676	116,366	115,467	106,165
Education and humanities	7,799,095	6,154,345	6,029,475	6,183,644
Human resources	18,106,571	17,332,009	14,497,837	13,043,316
Justice	1,234,408	1,096,985	1,134,711	1,089,196
Natural resources and environmental protection	203,946	213,209	215,681	195,068
Public protection and regulation	240,403	912,062	144,515	129,569
Transportation	2,753,252	2,445,657	2,542,904	2,395,765
Debt Service:				
Principal retirement	711,570	701,232	694,576	739,455
Interest and fiscal charges	255,835	297,471	304,750	350,972
Other expenditures	(3,787)	59,668	(6,585)	(4,683)
Securities lending expense	—	—	3,071	9,710
Capital outlay:				
Buildings	187,784	207,776	323,072	289,598
Total Expenditures	35,514,706	32,360,157	29,277,195	27,272,144
Excess (Deficiency) of Revenues over (under) Expenditures	3,057,097	2,219,296	(334,357)	(180,675)
Other Financing Sources (Uses)				
Transfers in	2,147,744	1,954,450	2,191,088	2,213,843
Transfers out	(2,950,747)	(1,983,386)	(2,055,429)	(2,096,464)
Capitalized leases	209,787	1,640	1,703	2,132
Issuance of bonds:				
New issues	165,395	161,155	902,631	80,354
Refunding issues	314,627	198,766	6,076	6,556
Premiums	39,091	49,189	45,120	(725)
Discounts	(414)	(944)	(2,038)	(536)
Certificates of participation	—	—	—	—
Premiums	—	—	—	—
Issuance of notes:				
New issues	—	—	—	—
Refunding issues	—	—	—	—
Payments to refunded bond escrow agent	(325,034)	(211,779)	(176,354)	(21,162)
Total Other Financing Sources (Uses)	(399,551)	169,091	912,797	183,998
Net Change in Fund Balances	\$ 2,657,546	\$ 2,388,387	\$ 578,440	\$ 3,323
Debt service as a percentage of noncapital expenditures	4.05%	4.39%	4.83%	4.05%

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

	2018	2017	2016	2015	2014	2013
\$	12,345,610	\$ 11,888,139	\$ 11,730,500	\$ 11,492,919	\$ 10,954,839	\$ 10,813,909
	391,615	382,398	380,075	386,757	350,454	337,431
	11,004,224	10,792,470	10,824,674	10,135,711	9,008,083	7,143,403
	1,257,259	1,272,133	1,302,541	1,173,174	1,276,821	1,175,388
	54,469	52,338	61,660	64,755	69,531	80,227
	32,557	21,463	31,501	30,590	26,785	13,403
	(13,980)	(6,037)	(6,140)	(13,544)	(9,410)	(7,661)
	11,158	6,616	3,470	2,664	2,696	4,198
	609,703	634,834	584,782	520,001	627,647	678,358
	<u>25,692,615</u>	<u>25,044,354</u>	<u>24,913,063</u>	<u>23,793,027</u>	<u>22,307,446</u>	<u>20,238,656</u>
	2,269,763	2,341,583	2,263,041	2,107,483	2,067,170	2,282,198
	445,112	442,646	444,087	437,109	419,461	406,800
	93,765	111,080	110,490	98,826	97,811	92,312
	6,020,339	6,016,531	5,558,814	5,347,187	5,317,501	5,384,681
	12,506,650	12,227,415	12,095,613	11,437,873	10,399,966	7,963,372
	1,009,506	967,790	874,867	839,455	804,747	825,194
	170,995	181,889	182,296	186,641	185,547	201,048
	110,748	106,215	101,590	103,448	92,600	158,617
	2,290,599	2,339,776	2,566,675	2,661,224	2,566,382	2,263,175
	726,825	611,066	616,543	571,281	547,610	534,078
	313,291	330,631	336,567	352,558	355,438	354,688
	6,242	6,672	14,683	20,431	9,858	12,763
	9,359	4,792	2,421	1,190	1,058	2,362
	<u>338,373</u>	<u>353,165</u>	<u>477,916</u>	<u>231,483</u>	<u>203,514</u>	<u>330,795</u>
	<u>26,311,567</u>	<u>26,041,251</u>	<u>25,645,603</u>	<u>24,396,189</u>	<u>23,068,663</u>	<u>20,812,083</u>
	<u>(618,952)</u>	<u>(996,897)</u>	<u>(732,540)</u>	<u>(603,162)</u>	<u>(761,217)</u>	<u>(573,427)</u>
	2,263,303	2,120,376	1,922,969	2,058,253	2,021,428	1,810,448
	(2,075,678)	(1,912,607)	(1,907,707)	(2,009,118)	(2,013,769)	(1,833,096)
	17,311	1,861	2,634	17,070	27	10,007
	644,402	513,545	826,325	222,922	256,887	221,310
	301,786	56,689	988,677	373,712	141,631	127,644
	112,180	36,078	231,610	76,777	80,769	27,295
	—	(1,161)	(2,420)	(972)	(689)	(408)
	—	—	—	68,575	—	—
	—	—	—	1,621	—	—
	—	—	106,850	—	383,000	163,290
	—	—	—	—	39,765	—
	<u>(306,257)</u>	<u>(50,494)</u>	<u>(1,116,316)</u>	<u>(409,405)</u>	<u>(189,883)</u>	<u>(127,035)</u>
	<u>957,047</u>	<u>764,287</u>	<u>1,052,622</u>	<u>399,435</u>	<u>719,166</u>	<u>399,455</u>
\$	<u>338,095</u>	<u>(232,610)</u>	<u>320,082</u>	<u>(203,727)</u>	<u>(42,051)</u>	<u>(173,972)</u>
	<u>3.94%</u>	<u>3.71%</u>	<u>3.71%</u>	<u>3.78%</u>	<u>3.91%</u>	<u>4.29%</u>

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

	2022	2021	2020	2019
Governmental Activities:				
Net investment in capital assets	\$ 25,573,127	\$ 24,744,234	\$ 24,168,762	\$ 23,433,119
Restricted	2,499,727	2,081,872	1,626,862	1,487,313
Unrestricted	(26,551,501)	(32,600,702)	(37,317,510)	(40,050,216)
Total Governmental Activities Net Position	<u>1,521,353</u>	<u>(5,774,596)</u>	<u>(11,521,886)</u>	<u>(15,129,784)</u>
Business-Type Activities:				
Net investment in capital assets	227,926	240,670	253,466	261,109
Restricted	914,976	286,882	—	779,736
Unrestricted	(248,988)	(166,080)	(253,263)	(133,396)
Total Business-Type Activities Net Position	<u>893,914</u>	<u>361,472</u>	<u>203</u>	<u>907,449</u>
Primary Government:				
Net investment in capital assets	25,801,053	24,984,904	24,422,228	23,694,228
Restricted	3,414,703	2,368,754	1,626,862	2,267,049
Unrestricted	(26,800,489)	(32,766,782)	(37,569,773)	(40,183,612)
Total Primary Government Net Position	<u>\$ 2,415,267</u>	<u>\$ (5,413,124)</u>	<u>\$ (11,520,683)</u>	<u>\$ (14,222,335)</u>

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

2018	2017	2016	2015	2014	2013
\$ 23,354,312	\$ 22,688,638	\$ 21,955,878	\$ 21,288,572	\$ 20,986,040	\$ 20,195,976
1,208,350	954,449	847,543	984,229	1,099,649	1,167,435
(42,257,250)	(40,157,358)	(37,867,160)	(36,414,312)	(11,812,580)	(10,315,863)
(17,694,588)	(16,514,271)	(15,063,739)	(14,141,511)	10,273,109	11,047,548
274,521	287,610	293,958	303,571	315,131	328,382
688,144	562,392	369,431	212,629	63,847	913
(116,858)	(100,405)	(190,882)	(403,957)	(594,125)	(876,277)
845,807	749,597	472,507	112,243	(215,147)	(546,982)
23,628,833	22,976,248	22,249,836	21,592,143	21,301,171	20,524,358
1,896,494	1,516,841	1,216,974	1,196,858	1,163,496	1,168,348
(42,374,108)	(40,257,763)	(38,058,042)	(36,818,269)	(12,406,705)	(11,192,140)
\$ (16,848,781)	\$ (15,764,674)	\$ (14,591,232)	\$ (14,029,268)	\$ 10,057,962	\$ 10,500,566

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

(Expressed in Thousands)

	2022	2021	2020	2019	2018
Function/Program Revenues					
Primary Government:					
Governmental Activities:					
Charges for Services:					
General Government	\$ 645,619	\$ 785,061	\$ 692,112	\$ 770,183	\$ 799,460
Legislative and Judicial	45,633	45,868	42,633	46,607	27,852
Commerce	79,589	62,480	58,587	83,983	73,820
Education and Humanities	78,880	64,098	57,848	53,789	59,137
Human Resources	195,555	231,518	195,329	199,566	221,671
Justice	35,526	27,104	29,395	28,603	27,348
Natural Resources and					
Environmental Protection	46,142	46,092	46,378	44,249	40,587
Public Protection and Regulation	187,429	118,062	106,120	97,604	93,860
Transportation	359,729	345,067	294,743	313,715	297,202
Operating Grants and Contributions	17,974,786	16,331,955	12,125,363	10,704,976	10,211,396
Capital Grants and Contributions	1,028,150	1,033,962	994,683	914,965	825,730
Total Governmental Activities	20,677,038	19,091,267	14,643,191	13,258,240	12,678,063
Business-Type Activities:					
Charges for Services:					
State Parks	48,250	45,415	40,574	52,503	53,320
Kentucky Horse Park	11,833	7,543	7,297	11,488	9,542
Insurance Administration	123,004	108,934	114,048	118,189	116,676
Kentucky Public Employees' Health Plan	1,940,035	1,866,925	1,851,183	1,822,296	1,795,381
Unemployment Compensation	439,675	395,332	348,610	359,080	395,464
Operating Grants and Contributions	—	—	—	13,106	9,946
Capital Grants and Contributions	—	—	—	—	—
Total Business-Type Activities	2,562,797	2,424,149	2,361,712	2,376,662	2,380,329
Total Primary Government	\$ 23,239,835	\$ 21,515,416	\$ 17,004,903	\$ 15,634,902	\$ 15,058,392
Expenses					
Primary Government:					
Governmental Activities:					
General government	\$ 1,574,029	\$ 1,652,327	\$ 405,039	\$ 363,782	\$ 3,112,212
Legislative and Judicial	424,171	520,801	526,102	468,775	489,661
Commerce	165,551	139,689	175,902	152,031	151,184
Education and Humanities	6,065,729	5,027,799	6,070,241	6,213,059	7,138,207
Human Resources	17,809,920	17,077,977	13,760,639	12,938,155	12,488,174
Justice	1,287,731	1,292,316	1,470,004	1,426,465	1,360,214
Natural Resources and					
Environmental Protection	210,835	253,474	254,103	229,066	232,219
Public Protection and Regulation	275,685	563,091	167,030	155,311	148,967
Transportation	2,109,058	1,914,599	1,938,390	1,932,570	1,864,030
Interest expense	202,051	136,111	277,084	287,577	306,124
Total Governmental Activities	30,124,760	28,578,184	25,044,534	24,166,791	27,290,992
Business-Type Activities:					
State Parks	107,211	111,231	122,723	140,307	153,913
Kentucky Lottery Corporation	—	—	—	—	—
Kentucky Horse Park	17,095	15,246	16,993	19,538	20,310
Insurance Administration	118,337	43,278	41,317	(6,593)	(85,034)
Kentucky Public Employees' Health Plan	2,000,400	1,892,458	1,839,500	1,812,826	1,614,792
Unemployment Compensation	570,842	2,720,000	3,890,468	288,755	282,583
Total Business-Type Activities	2,813,885	4,782,213	5,911,001	2,254,833	1,986,564
Total Primary Government	\$ 32,938,645	\$ 33,360,397	\$ 30,955,535	\$ 26,421,624	\$ 29,277,556
Net (Expense)/Revenue					
Governmental Activities	\$ (9,447,722)	\$ (9,486,917)	\$ (10,401,343)	\$ (10,908,551)	\$ (14,612,929)
Business-Type Activities	(251,088)	(2,358,064)	(3,549,289)	121,829	393,765
Total Primary Government Net Expense	\$ (9,698,810)	\$ (11,844,981)	\$ (13,950,632)	\$ (10,786,722)	\$ (14,219,164)

	2017	2016	2015	2014	2013
\$	805,329	\$ 818,313	\$ 626,337	\$ 699,518	\$ 681,819
	28,079	27,802	25,866	25,584	25,676
	52,894	51,991	58,617	44,538	41,337
	58,831	59,712	64,776	43,192	67,290
	166,820	208,967	164,793	230,057	—
	26,185	30,880	22,755	23,434	27,369
	38,673	41,941	17,014	45,334	308,890
	92,734	92,908	87,134	83,516	93,172
	283,545	288,126	299,446	269,701	238,296
	9,956,021	9,956,639	9,270,753	8,211,316	6,294,292
	837,491	872,127	865,320	801,353	806,675
	<u>12,346,602</u>	<u>12,449,406</u>	<u>11,502,811</u>	<u>10,477,543</u>	<u>8,584,816</u>
	52,526	51,424	47,931	49,016	48,774
	12,416	12,930	12,407	10,679	9,981
	125,299	130,825	124,106	113,248	112,177
	1,759,562	1,739,913	1,712,136	1,692,801	1,680,011
	545,335	598,144	743,369	561,692	532,298
	5,578	954	—	174,235	408,125
	—	—	149	378	155
	<u>2,500,716</u>	<u>2,534,190</u>	<u>2,640,098</u>	<u>2,602,049</u>	<u>2,791,521</u>
\$	<u>14,847,318</u>	<u>14,983,596</u>	<u>14,142,909</u>	<u>13,079,592</u>	<u>11,376,337</u>
\$	2,771,326	\$ 4,544,453	\$ 2,557,827	\$ 2,840,370	\$ 3,333,535
	489,343	446,233	433,354	420,929	406,949
	299,840	122,430	110,041	112,067	112,296
	7,328,124	4,970,560	5,822,980	5,539,119	5,214,551
	11,988,867	12,088,721	11,098,078	10,000,356	7,618,717
	1,216,143	1,006,195	952,071	933,126	936,118
	191,666	190,919	190,532	192,059	229,245
	150,344	97,921	107,258	92,798	160,071
	1,674,300	1,602,621	1,819,570	2,127,851	1,720,513
	210,456	372,787	341,922	355,842	369,773
	<u>26,320,409</u>	<u>25,442,840</u>	<u>23,433,633</u>	<u>22,614,517</u>	<u>20,101,768</u>
	124,685	113,679	110,220	96,587	92,724
	—	—	—	—	—
	21,143	21,049	19,278	19,511	15,856
	39,370	189,476	116,723	86,063	93,876
	1,510,884	1,498,925	1,420,292	1,642,048	1,677,143
	345,909	343,857	340,223	1,092,231	1,287,408
	<u>2,041,991</u>	<u>2,166,986</u>	<u>2,006,736</u>	<u>2,936,440</u>	<u>3,167,007</u>
\$	<u>28,362,400</u>	<u>27,609,826</u>	<u>25,440,369</u>	<u>25,550,957</u>	<u>23,268,775</u>
\$	(13,973,807)	\$ (12,993,434)	\$ (11,930,822)	\$ (12,136,974)	\$ (11,516,952)
	458,725	367,204	633,362	(334,391)	(375,486)
\$	<u>(13,515,082)</u>	<u>(12,626,230)</u>	<u>(11,297,460)</u>	<u>(12,471,365)</u>	<u>(11,892,438)</u>

Continued

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

(Expressed in Thousands)

	2022	2021	2020	2019	2018
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Sales and gross receipt	\$ 7,951,621	\$ 7,349,827	\$ 6,827,433	\$ 6,543,315	\$ 6,062,029
Individual income	6,180,726	5,212,818	4,831,399	4,561,557	4,604,710
Corporate income	911,952	643,533	395,865	580,131	500,315
Property	725,415	707,461	654,791	648,739	628,810
License and privilege	90,658	68,291	29,257	54,022	38,001
Severance	141,329	106,550	109,176	149,852	142,095
Inheritance and estate	82,953	61,625	48,250	42,903	50,093
Miscellaneous taxes	267,068	270,035	216,749	194,494	208,344
Unrestricted grants and contributions	11,987	14,585	4,597	12,221	9,798
Unrestricted investment earnings	2,593	653	—	—	—
Gain on sale of capital assets	14,003	10,025	7,657	22,007	16,562
Miscellaneous general	1,202,841	814,992	741,366	548,567	505,243
Transfers	—	—	—	—	271,843
Total General Revenues and Transfers	<u>17,583,146</u>	<u>15,260,395</u>	<u>13,866,540</u>	<u>13,357,808</u>	<u>13,037,843</u>
Change in Net Position	7,342,483	5,742,482	3,610,679	2,563,819	(1,575,086)
Net Position at July 1, as Restated	<u>(5,821,130)</u>	<u>(11,517,078)</u>	<u>(15,132,565)</u>	<u>(17,693,603)</u>	<u>(16,119,502)</u>
Net Position at June 30	<u>\$ 1,521,353</u>	<u>\$ (5,774,596)</u>	<u>\$ (11,521,886)</u>	<u>\$ (15,129,784)</u>	<u>\$ (17,694,588)</u>
Business-Type Activities:					
Unrestricted grants and contributions	\$ 360,420	\$ 2,725,486	\$ 2,744,933	\$ —	\$ —
Unrestricted investment earnings	(37,699)	22,254	49,769	54,938	20,086
Gain on sale of capital assets	20	89	44	—	—
Miscellaneous general	217	777	(7,221)	1,751	6,943
Transfers	792,941	30,996	(145,482)	(115,891)	(271,848)
Total General Revenues and Transfers	<u>1,115,899</u>	<u>2,779,602</u>	<u>2,642,043</u>	<u>(59,202)</u>	<u>(244,819)</u>
Change in Net Position	864,811	421,538	(907,246)	62,627	148,946
Net Position at July 1, as Restated	<u>29,103</u>	<u>(60,066)</u>	<u>907,449</u>	<u>844,822</u>	<u>696,861</u>
Net Position at June 30	<u>\$ 893,914</u>	<u>\$ 361,472</u>	<u>\$ 203</u>	<u>\$ 907,449</u>	<u>\$ 845,807</u>
Change in Net Position					
Governmental Activities	\$ 7,342,483	\$ 5,742,482	\$ 3,610,679	\$ 2,563,819	\$ (1,575,086)
Business-Type Activities	<u>864,811</u>	<u>421,538</u>	<u>(907,246)</u>	<u>62,627</u>	<u>148,946</u>
Total Primary Government Changes in Net Position	<u>\$ 8,207,294</u>	<u>\$ 6,164,020</u>	<u>\$ 2,703,433</u>	<u>\$ 2,626,446</u>	<u>\$ (1,426,140)</u>

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

2017	2016	2015	2014	2013
\$ 5,905,042	\$ 5,787,853	\$ 5,714,300	\$ 5,575,312	\$ 5,292,465
4,405,457	4,311,015	4,064,705	3,752,868	3,748,008
458,227	490,033	540,132	456,601	423,093
596,752	584,823	570,998	553,339	556,986
29,310	39,563	13,742	21,170	21,091
145,487	156,245	235,068	251,231	461,866
45,827	48,789	52,616	51,513	20,503
202,836	196,941	190,700	184,605	203,467
11,449	10,403	10,348	12,663	16,332
—	1,650	4,264	(37)	2,179
8,318	7,689	7,259	10,969	8,885
522,299	403,065	413,140	496,504	544,186
192,425	41,497	108,470	(4,214)	(22,093)
<u>12,523,429</u>	<u>12,079,566</u>	<u>11,925,742</u>	<u>11,362,524</u>	<u>11,276,968</u>
(1,450,378)	(913,868)	(5,080)	(774,450)	(239,984)
<u>(15,063,893)</u>	<u>(14,149,871)</u>	<u>(14,136,431)</u>	<u>11,047,559</u>	<u>11,287,532</u>
<u>\$ (16,514,271)</u>	<u>\$ (15,063,739)</u>	<u>\$ (14,141,511)</u>	<u>\$ 10,273,109</u>	<u>\$ 11,047,548</u>
\$ 5,534	\$ —	\$ —	\$ —	\$ —
(1,329)	29,381	14,971	13,546	(16,154)
—	—	—	32	—
6,075	5,176	5,693	648,434	501,411
<u>(192,425)</u>	<u>(41,497)</u>	<u>(108,470)</u>	<u>4,214</u>	<u>22,093</u>
<u>(182,145)</u>	<u>(6,940)</u>	<u>(87,806)</u>	<u>666,226</u>	<u>507,350</u>
276,580	360,264	545,556	331,835	131,864
473,017	112,243	(433,313)	(546,982)	(678,846)
<u>\$ 749,597</u>	<u>\$ 472,507</u>	<u>\$ 112,243</u>	<u>\$ (215,147)</u>	<u>\$ (546,982)</u>
\$ (1,450,378)	\$ (913,868)	\$ (5,080)	\$ (774,450)	\$ (239,984)
<u>276,580</u>	<u>360,264</u>	<u>545,556</u>	<u>331,835</u>	<u>131,864</u>
<u>\$ (1,173,798)</u>	<u>\$ (553,604)</u>	<u>\$ 540,476</u>	<u>\$ (442,615)</u>	<u>\$ (108,120)</u>

**COMMONWEALTH OF KENTUCKY
PERSONAL INCOME TAX INFORMATION
CALENDAR YEARS 2011 and 2020**

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

Ky Federal AGI (from Ky Form 740) Income Level	Calendar Year 2020			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Resident Taxpayer				
Less than \$25,001	692,038	36.37 %	\$ 208,043,636	4.57 %
\$25,001-\$50,000	477,370	25.09 %	665,831,968	14.63 %
\$50,001-\$100,000	438,543	23.05 %	1,176,228,513	25.85 %
\$100,001-\$200,000	228,442	12.01 %	1,204,682,779	26.47 %
\$200,001-\$500,000	54,520	2.87 %	670,573,076	14.74 %
Greater than \$500,000	11,686	0.61 %	625,305,745	13.74 %
Total Resident	1,902,599	100.00 %	4,550,665,717	100.00 %
Non-Resident Taxpayer				
Less than \$25,001	57,490	30.82 %	8,377,686	3.74 %
\$25,001-\$50,000	36,394	19.52 %	19,609,185	8.77 %
\$50,001-\$100,000	35,950	19.28 %	33,432,314	14.94 %
\$100,001-\$200,000	25,245	13.54 %	37,711,148	16.86 %
\$200,001-\$500,000	15,397	8.26 %	36,106,489	16.14 %
Greater than \$500,000	15,996	8.58 %	88,479,321	39.55 %
Total Non-Resident	186,472	100.00 %	223,716,143	100.00 %
Totals	2,089,071		\$ 4,774,381,860	

Personal Income Tax Rates

Tax Years 2011 - 2017

Tax Rate	2.0%	3.0%	4.0%	5.0%
Income Bracket	\$0-3,000	\$3,001-4,000	\$4,001-5,000	\$5,001-8,000

Tax Year 2018-2020

Tax Rate Flat 5% Tax Rate

	2020	(A)	2011
Personal Income Tax Revenue	\$4,774,381,860	(A)	\$3,383,513,455
Personal Income	147,305,258	(B)	103,986,000
Average Effective Rate	3.1%		3.1%

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 2011

<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
754,771	43.71 %	\$ 232,931,015	7.24 %
410,573	23.78 %	518,148,020	16.10 %
383,891	22.24 %	989,966,730	30.76 %
143,237	8.30 %	754,279,145	23.43 %
28,042	1.62 %	378,387,955	11.76 %
6,000	0.35 %	345,092,853	10.71 %
1,726,514	100.00 %	3,218,805,718	100.00 %
47,120	35.86 %	5,241,625	3.18 %
22,776	17.33 %	11,722,806	7.12 %
25,325	19.27 %	22,423,209	13.61 %
16,829	12.81 %	25,296,850	15.36 %
9,971	7.59 %	24,078,668	14.62 %
9,384	7.14 %	75,944,579	46.11 %
131,405	100.00 %	164,707,737	100.00 %
1,857,919		\$ 3,383,513,455	

5.8%
\$8,001 -75,000

6.0%
\$75,001 and Up



**COMMONWEALTH OF KENTUCKY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FOR THE LAST TEN CALENDAR YEARS**

(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
	Estimated		Estimated		Estimated		
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
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%
2019	278,520,440	296,298,340	209,635,314	209,635,314	488,155,754	505,933,654	96.5%
2020	289,521,435	308,001,527	213,311,775	213,311,775	502,833,210	521,313,302	96.5%
2021	305,565,282	325,069,449	227,192,434	227,192,434	532,757,716	552,261,883	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 THE LAST TEN CALENDAR YEARS**

(Expressed in Thousands, Except Percentages)

For the Year Ended December 31	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 **
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
2019	686,082	630,861	92.0 %	12,185	643,046	93.7%	63.51
2020	709,104	684,481	96.5 %	17,995	702,476	99.1%	64.33
2021	721,756	705,862	97.8 %	17,995	723,857	100.3%	67.02

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)

	2022	2021	2.02	2019
Governmental Activities Debt				
Revenue Bonds (2)	\$ 4,691,276	\$ 5,112,908	\$ 5,510,743	\$ 5,820,641
Unamortized premiums (2) (3)	422,756	461,343	470,932	473,786
Unamortized discounts (2) (3)	(7,182)	(7,682)	(7,917)	(8,078)
Notes (2)	534,718	557,126	691,490	835,109
Leases (2)	192,163	80,622	68,407	82,647
Certificate of Participation (2) (4)	167,210	170,885	174,485	175,735
KWIC (2) (5)	298,620	300,911	302,829	304,488
Total Government Activities Debt	6,299,561	6,676,113	7,210,969	7,684,328
Business-Type Activities Debt				
Notes (2)	—	—	—	—
Leases (2)	1,600	17,519	19,644	21,766
Total Business-Type Activities Debt	1,600	17,519	19,644	21,766
Total Primary Government Debt	\$ 6,301,161	\$ 6,693,632	\$ 7,230,613	\$ 7,706,094
Total Debt Ratios				
Ratio of Total Debt to Personal Income	4.28 %	4.92 %	5.41 %	5.96 %
Total Debt Per Capita (1)	\$ 1,397.34	\$ 1,495.03	\$ 1.62	\$ 1,724.57
Net Bonded Debt				
Net General Bonded Debt	\$ 5,106,850	\$ 5,566,569	\$ 5,973,758	\$ 6,286,349
Less: Debt Service Funds	129,539	137,012	212,299	156,295
Net Bonded Debt	\$ 4,977,311	\$ 5,429,557	\$ 5,761,459	\$ 6,130,054
Net Bonded Debt Ratios				
Ratio of Net Bonded Debt to Governmental Funds Revenues	12.90 %	15.70 %	19.91 %	22.63 %
Net Bonded Debt Per Capita (1)	\$ 1,103.76	\$ 1,212.70	\$ 1.29	\$ 1,371.87

(1) Per Capita calculations are based on the population figures for the prior year. (See [Demographics Schedule](#))

(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

	2018	2017	2016	2015	2014	2013
\$	6,310,244	\$ 6,276,003	\$ 6,227,678	\$ 6,154,942	\$ 6,291,646	\$ 6,427,591
	526,979	513,879	534,099	369,790	355,817	309,708
	(8,401)	(9,492)	(10,330)	(10,875)	(11,577)	(12,792)
	1,008,140	1,196,130	1,399,140	1,467,573	1,868,377	1,648,642
	51,002	46,256	58,064	71,493	55,444	58,311
	176,940	67,425	68,575	68,575	—	—
	297,016	283,870	267,494	—	—	—
	<u>8,361,920</u>	<u>8,374,071</u>	<u>8,544,720</u>	<u>8,121,498</u>	<u>8,559,707</u>	<u>8,431,460</u>
	—	—	—	—	—	—
	23,881	10,219	7,730	12,262	13,065	13,748
	<u>23,881</u>	<u>10,219</u>	<u>7,730</u>	<u>12,262</u>	<u>13,065</u>	<u>13,748</u>
\$	<u>8,385,801</u>	<u>8,384,290</u>	<u>8,552,450</u>	<u>8,133,760</u>	<u>8,572,772</u>	<u>8,445,208</u>
	<u>6.73 %</u>	<u>7.00 %</u>	<u>7.15 %</u>	<u>7.04 %</u>	<u>7.65 %</u>	<u>7.82 %</u>
\$	<u>1,882.68</u>	<u>1,889.64</u>	<u>1,932.50</u>	<u>1,842.95</u>	<u>1,950.44</u>	<u>1,927.95</u>
\$	6,828,822	\$ 6,780,390	\$ 6,751,447	\$ 6,513,857	\$ 6,635,886	\$ 6,724,507
	175,892	140,670	136,673	138,192	125,732	124,951
\$	<u>6,652,930</u>	<u>6,639,720</u>	<u>6,614,774</u>	<u>6,375,665</u>	<u>6,510,154</u>	<u>6,599,556</u>
	<u>25.92 %</u>	<u>29.76 %</u>	<u>26.55 %</u>	<u>26.80 %</u>	<u>29.18 %</u>	<u>32.61 %</u>
\$	<u>1,493.63</u>	<u>1,496.45</u>	<u>1,494.66</u>	<u>1,444.60</u>	<u>1,481.16</u>	<u>1,506.61</u>

**COMMONWEALTH OF KENTUCKY
UNIVERSITY AND COLLEGE REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Ratio Data)

Fiscal Year Ending June 30	Revenue Stream		Debt Service Requirement	Coverage Ratio
	Available For Debt Service			
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
2020	5,715,497	**	2,169,149	2.63
2021	6,076,514	**	2,301,921	2.64
2022	6,734,507	**	2,646,352	2.54

SOURCE: Commonwealth of Kentucky Annual Comprehensive 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
CURRENT YEAR AND NINE YEARS AGO**

(Ranked by Number of Employees)

Company	2021			2012		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Ford Motor Company	13,120	1	0.67%	5,378	4	0.29%
United Parcel Service Inc	13,053	2	0.67%	12,635	1	0.68%
Amazon.com	11,250	3	0.57%	5,362	5	0.29%
Toyota Motor Corp	9,826	4	0.50%	10,742	2	0.57%
Humana Inc	8,657	5	0.44%	10,725	3	0.57%
Haier US Appliances Solutions Inc	6,910	6	0.35%			
Fidelity Investments Inc	4,500	8	0.23%			
Conduent, Inc.	3,304	9	0.17%			
Deutsche Post AG	4,888	7	0.25%			
Grupo Proza SA de CV	2,762	10	0.14%			
General Electric Co				4,948	6	0.26%
FMR LLC				3,900	7	0.21%
Berkshire Hathaway Inc.				3,334	8	0.18%
Xerox Corporation				3,284	9	0.18%
Delta Air Lines, Inc				2,700	10	0.14%
	78,270		3.99%	63,008		3.37%

SOURCE: Kentucky Cabinet for Economic Development Annual Business Update, Company Websites, Local Economic Development Organization

**DEMOGRAPHIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS**

For the Year Ended December 31	Estimated Population	Per Capita Income	Unemployment Rate
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%
2019	4,467,673	43,770	4.3%
2020	4,477,251	47,339	5.6%
2021	4,509,394	50,699	4.6%

SOURCE: <https://www.bea.gov/SAINC1>; <https://kystats.ky.gov>

**COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands, Except Percent Data)**

Source	2012*		2013*		2014*		2015**		2016**	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,062,000	0.9%	\$ 1,954,000	1.7%	\$ 1,790,000	1.5%	\$ 1,490,000	1.2%	\$ 106,000	0.1%
Agriculture services, forestry, fisheries and others	330,000	0.3%	346,000	0.3%	399,000	0.3%	397,000	0.3%	525,000	0.4%
Mining	2,224,000	1.9%	1,853,000	1.7%	1,809,000	1.6%	1,570,000	1.2%	698,000	0.6%
Manufacturing	15,736,000	13.1%	15,937,000	14.2%	16,682,000	14.4%	17,371,000	13.4%	18,019,000	15.1%
Construction	5,568,000	4.7%	5,938,000	5.3%	6,662,000	5.8%	6,864,000	5.3%	7,062,000	5.9%
Wholesale and retail trade	12,306,000	10.3%	12,328,000	11.0%	12,727,000	11.0%	13,181,000	10.2%	13,271,000	11.1%
Finance, insurance and real estate	6,931,000	5.8%	7,269,000	6.5%	7,567,000	6.6%	10,020,000	7.8%	10,009,000	8.4%
Transportation and public utilities	6,529,000	5.5%	6,402,000	5.7%	6,745,000	5.8%	7,220,000	5.6%	7,847,000	6.6%
Services	34,471,000	32.1%	36,784,000	32.8%	38,138,000	33.0%	38,121,000	29.5%	39,312,000	32.8%
Government and government enterprises	22,879,000	19.1%	23,180,000	20.8%	22,994,000	20.0%	23,432,000	18.1%	22,856,000	19.1%
Earnings by Place of Work	<u>\$108,036,000</u>	<u>100.0%</u>	<u>\$111,991,000</u>	<u>100.0%</u>	<u>\$115,513,000</u>	<u>100.0%</u>	<u>\$119,666,000</u>	<u>100.0%</u>	<u>\$119,705,000</u>	<u>100.1%</u>
Source	2017**		2018***		2019***		2020***		2021***	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,049,000	0.8%	\$ 1,153,000	0.9%	\$ 1,097,000	0.8%	\$ 1,833,000	1.3%	\$ 1,918,000	1.3%
Agriculture services, forestry, fisheries and others	504,000	0.4%	542,000	0.4%	545,000	0.4%	555,000	0.4%	550,000	0.4%
Mining	531,000	0.4%	791,000	0.6%	931,000	0.7%	677,000	0.5%	765,000	0.5%
Manufacturing	18,397,000	14.8%	19,236,000	14.9%	19,782,000	14.8%	19,273,000	14.2%	20,154,000	13.7%
Construction	7,432,000	6.0%	7,668,000	5.9%	8,029,000	6.0%	8,367,000	6.2%	8,781,000	6.0%
Wholesale and retail trade	13,436,000	10.8%	13,760,000	10.6%	14,216,000	10.6%	14,727,000	10.8%	15,963,000	10.8%
Finance, insurance and real estate	10,802,000	8.7%	11,072,000	8.6%	11,475,000	8.6%	12,224,000	9.0%	13,556,000	9.2%
Transportation and public utilities	8,387,000	6.7%	8,923,000	6.9%	9,425,000	7.1%	9,788,000	7.2%	10,811,000	7.3%
Services	41,157,000	33.0%	43,013,000	33.3%	44,747,000	33.5%	44,775,000	32.9%	49,748,000	33.8%
Government and government enterprises	22,856,000	18.4%	23,078,000	17.9%	23,432,000	17.5%	23,729,000	17.5%	25,060,000	17.0%
Earnings by Place of Work	<u>\$124,551,000</u>	<u>100.0%</u>	<u>\$129,236,000</u>	<u>100.0%</u>	<u>\$133,679,000</u>	<u>100.0%</u>	<u>\$135,948,000</u>	<u>100.0%</u>	<u>\$147,306,000</u>	<u>100.0%</u>

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

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

* Annual estimates computed with BEA table SQ5 by adding 4 quarters of each year and dividing by 4.

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

** Starting in 2015 Annual estimates computed with BEA table SA5N.

*** 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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Personnel										
Number of Full Time Employees-										
Executive Branch	27,582	27,523	27,623	28,913	30,216	31,104	31,977	32,547	31,819	31,961
Health Insurance Expenditures -										
Percentage Increase/(decrease)	3.00%	1.25%	0.00%	0.00%	0.4%	1.1%	2.0%	2.5%	2.0%	7.4%
Education										
K-12 Enrollment	631,773	638,236	647,987	669,449	671,899	655,475	679,686	680,519	678,884	677,394
K-12 Attendance Rate	NA – COVID 19	NA – COVID 19	NA – COVID 19	94.20%	94.40%	94.50%	94.50%	94.50%	94.60%	94.52%
K-12 Graduation Rate	91.00%	91.30%	91.10%	90.60%	89.70%	89.50%	88.60%	87.90%	87.40%	86.10%
Average ACT Score	18.6	19.2	19.5	19.8	20.2	20.1	20	20	19.9	19.6
GED Graduates	2,679	2,080	2,834	3,332	3,404	3,299	3,091	1,663	7,083	8,890
College Going Rate for 9th Graders	NA	NA	NA	NA	NA	NA	NA	NA	46.9%	38.9%
Postsecondary Education Enrollment	192,126	193,837	201,963	202,076	204,506	207,671	208,251	215,509	220,963	225,415
Bachelor's and Higher Degrees Awarded	38,325	40,155	40,521	37,621	35,880	34,326	34,110	32,706	32,374	32,237
Justice and Public Safety										
Incarcerated Population-Daily Average	18,708	18,876	23,061	23,888	23,585	23,168	22,012	21,106	20,446	21,542
Probation and Parole Population - Daily Average	47,777	48,879	49,839	49,421	47,540	46,046	45,956	46,008	45,755	43,196
Health and Family Services										
Medicaid Enrollment-Average	1,616,300	1,631,834	1,385,259	1,383,929	1,427,523	1,404,625	1,375,071	1,243,432	997,556	829,826
Food Stamp Recipients-Monthly Average	541,469	612,325	531,773	515,918	631,686	685,771	686,773	788,485	843,164	869,035
Temporary Assistance for Needy										
Families (TANF)-Monthly Average	27,757	30,576	35,070	38,047	41,298	45,874	38,823	42,995	47,996	49,148
Children with substantiated incidences	14,064	15,205	18,578	21,752	24,783	22,526	20,031	19,858	15,193	17,884
Environmental and Public Protection										
Air Pollution Source Inspections	4,163	2,842	3,919	3,270	3,647	3,724	3,652	3,448	3,939	3,919
Waste Management Inspections	7,414	7,457	6,263	6,706	7,178	6,394	6,761	6,866	6,484	6,239
Acres of Land Reforested	1,475	2,327	1,138	8,748	1,565	6,081	2,626	5,472	3,573	8,309
Mine Permits Issued	165	201	230	334	317	170	381	446	515	606
Mine Reclamation and Enforcement										
Inspections	16,995	18,058	19,498	17,988	16,803	16,682	18,551	20,011	21,450	23,003
Mine Safety-Completed Inspections	863	751	1,033	514	509	924	1,529	2,651	3,023	3,546
Transportation										
Percentage of Total Road System										
Needing Improvement	33.20%	26.30%	26.50%	25.1%	19.6%	17%	17%	17%	19%	19%
Statewide Road Maintainance										
Rating (Target Score = 80)	84.0	81.8	81.4	81	84.5	82.6	84	83.7	82.5	80.5
Daily Miles Traveled-Percentage										
Changed (as compared to 2005 Data)	0.93%	-4.00%	2.61%	4.46%	3.90%	3.82%	1.52%	(0.31%)	(2.09%)	(1.98%)
State-Maintained Lane Miles-										
Annual Percent Change	0.12%	0.19%	0.03%	0.07%	0.25%	0.25%	0.08%	0.13%	0.33%	0.03%
Kentucky Road Construction Cost										
Index-Percent Increase (1987 Base Year)	100.5%	52.7%	82.2%	81.3%	64.0%	47.9%	49.5%	45.4%	43.6%	34.9%

Source: Kentucky Office of the State Budget Director

* 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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<u>General Government</u>										
Number of Buildings	340	340	321	313	367	367	324	312	312	313
Number of Vehicles	343	350	368	328	295	321	341	299	303	305
Land (Acres)	15,321	15,294	15,304	15,304	15,313	15,307	15,307	15,264	15,263	15,251
<u>Commerce</u>										
Number of Resort Parks	17	17	17	17	17	17	17	17	17	17
Number of Recreation Parks	22	22	22	23	23	23	23	23	21	21
Number of Historic Sites	8	8	8	8	11	11	11	11	11	11
Area of State Parks (Acres)	46,685	46,685	46,685	45,370	45,464	45,426	45,409	45,409	45,180	45,180
<u>Education and Humanities</u>										
Number of Buildings	50	50	60	60	61	77	64	65	65	65
Number of Vehicles	41	41	46	56	56	58	65	64	68	83
Land (Acres)	510	510	383	383	384	385	385	385	387	387
<u>Human Resources</u>										
Number of Buildings	146	134	133	136	139	163	167	160	182	182
Number of Vehicles	28	28	19	19	19	17	17	19	18	24
Land (Acres)	1,514	948	948	1,166	1,167	1,192	1,206	1,206	1,206	1,206
<u>Justice</u>										
Number of Buildings	644	443	445	438	443	517	455	447	449	452
Number of Vehicles	2,099	2,060	2,056	1,937	1,878	1,760	1,803	1,720	1,715	1,753
Land (Acres)	8,740	8,735	8,735	8,735	8,735	8,735	8,735	8,735	8,735	8,735
<u>Natural Resources and Environmental Protection</u>										
Number of Buildings	48	48	45	25	25	30	30	22	20	20
Number of Vehicles	837	843	848	840	815	825	832	807	797	793
Land (Acres)	69,854	68,715	67,641	67,142	66,473	66,401	66,187	66,187	65,609	64,585
<u>Public Protection and Regulation</u>										
Number of Buildings	8	8	—	—	—	—	—	—	—	—
Number of Vehicles	228	228	228	220	183	179	157	146	140	149
Land (Acres)	20	20	—	—	—	—	—	—	—	—
<u>Transportation</u>										
Number of Lane Miles -State										
Maintained Highways	64,004	63,983	63,854	63,836	63,836	63,753	63,586	64,187	63,407	63,196
Number of State maintained Bridges	9,039	9,022	9,048	9,033	9,027	8,928	9,016	9,011	9,000	8,976
Land (Acres)	84,737	1,665	1,665	1,665	1,656	1,656	1,656	1,656	1,700	1,653

Source: Kentucky Finance and Administration Cabinet, Office of the Controller.



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

	2022	2021	2020	2019
<u>FULL-TIME EMPLOYEES</u>				
FUNCTION				
General Government	3,953	4,164	4,321	4,552
Legislative and Judicial	3,409	3,590	3,594	3,651
Commerce	1,302	1,330	1,402	1,478
Education and Humanities	1,817	1,781	1,783	1,910
Human Resources	5,879	6,292	6,377	6,389
Justice	6,849	6,962	7,397	7,457
Natural Resources and Environmental Protection	1,200	1,201	1,240	1,225
Public Protection and Regulation	870	964	958	947
Transportation	3,988	4,110	4,145	4,153
Total full-time employees	29,267	30,394	31,217	31,762
<u>PART-TIME and TEMPORARY EMPLOYEES</u>				
FUNCTION				
General Government	650	658	626	683
Legislative and Judicial	152	356	348	379
Commerce	532	531	371	645
Education and Humanities	435	354	256	191
Human Resources	583	425	405	401
Justice	110	95	67	61
Natural Resources and Environmental Protection	183	138	149	169
Public Protection and Regulation	41	40	33	29
Transportation	58	64	113	71
Total part-time and temporary employees	2,744	2,661	2,368	2,629
Total Employees	32,011	33,055	33,585	34,391

2018	2017	2016	2015	2014	2013
4,771	4,565	4,570	4,671	4,775	5,089
4,038	3,772	3,553	3,578	3,540	4,159
1,684	1,685	1,696	1,633	1,699	1,520
2,192	2,392	2,363	2,613	2,671	2,671
7,142	7,197	7,176	7,466	7,523	7,470
7,755	7,784	7,735	7,832	7,896	8,054
1,329	1,396	1,383	1,387	1,445	1,608
982	1,019	1,005	1,124	1,120	1,034
4,528	4,571	4,551	4,629	4,650	4,690
34,421	34,381	34,032	34,933	35,319	36,295
657	666	665	650	662	649
542	422	404	421	445	426
578	518	538	479	494	488
154	153	156	200	212	211
138	158	197	123	137	126
30	12	13	16	19	21
18	15	14	13	13	18
24	15	16	17	14	18
104	124	138	77	68	88
2,245	2,083	2,141	1,996	2,064	2,045
36,666	36,464	36,173	36,929	37,383	38,340

ACKNOWLEDGMENTS

The Commonwealth of Kentucky's Annual Comprehensive Financial Report was prepared by the Finance and Administration Cabinet, Office of the Controller, Office of Statewide Accounting Services, Financial Reporting Branch and the Fixed Assets Branch:

Jackie Green, CPA
Domonique Harris
Rick Harris, MAcc
Anna Haydon
Pam Howarah, CPA
Jason Mach
Dee Dee McCrosky
Joe McDaniel, CFE
Phil Nally, CGFM
Jessica Pinkston
Gina Shall, MPA
Christina Shuffett-Powell, CGFM
Ed Ross

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APPENDIX C

**MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023**

Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (this “Agreement”) is made, entered into, and effective as of June 29, 2023, by and among (i) the COMMONWEALTH OF KENTUCKY ADMINISTRATIVE OFFICE OF THE COURTS, a political agency of the Supreme Court of the Commonwealth of Kentucky, working with the Kentucky Department of Finance (“AOC”); (ii) the COUNTY OF MADISON, KENTUCKY, a county and political subdivision of the Commonwealth of Kentucky (the “County”); and (iii) the MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION, a nonprofit, nonstock public and governmental corporation acting as the agency, instrumentality, and constituted authority of the County (the “Corporation”).

Section 1. Purpose of this Agreement. This Agreement is being executed and delivered by AOC, the County, and the Corporation (each, an “Obligated Person” and collectively, the “Obligated Persons”) to provide for the disclosure of certain information concerning the Bonds (as defined herein) on an ongoing basis, as set forth herein, for the benefit of the Holders (as defined herein) of the Bonds, in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the “Rule”).

Section 2. Definitions; Scope of this Agreement. All terms capitalized but not otherwise defined herein shall have the meanings assigned to such terms in the Authorizing Legislation and the Bonds. In addition, the following capitalized terms shall have the following meanings:

“Annual Financial Information” shall mean a copy of the annual comprehensive financial report prepared for the Commonwealth, which report shall include, if prepared, a balance sheet, a statement of revenues and expenditures, and a statement of changes in fund balances, generally consistent with the information set forth in Appendix B of the Offering Document. All such financial information shall be prepared using generally accepted accounting principles as applied to governmental units; provided, however, that AOC may change the accounting principles used for the preparation of such financial information so long as AOC includes, as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change, and explaining how to compare the financial information provided by the differing financial accounting principles. Any of the items listed above may be set forth in other documents which have been transmitted to the MSRB, including Offering Documents of debt issues of the Commonwealth or any related public entities, or may be included by specific reference to any documents available to the public on the MSRB’s Electronic Municipal Market Access (EMMA) system or filed with the SEC. The Commonwealth or AOC shall clearly identify each such other document so incorporated by reference.

“Authorizing Legislation” means (i) the resolution adopted by the Board of Directors of the Corporation on May 23, 2023 authorizing the issuance of the Bonds and (ii) the resolution adopted by the Fiscal Court of the County on May 23, 2023 directing the Corporation to issue the Bonds for the benefit of the County.

“Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to or to dispose of ownership of any of the Bonds (including any persons holding the Bonds through nominees, depositories, or other intermediaries).

“Bonds” means the \$22,690,000* aggregate principal amount of the Corporation’s First Mortgage Revenue Bonds (Judicial Center Project), Series 2023 dated June 29, 2023.

“Commonwealth” means the Commonwealth of Kentucky.

“Disclosure Agent” shall initially mean the Corporation and, subsequently, any other disclosure agent that is appointed or engaged by the Corporation, and any such successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto.

“Event,” with respect to the Bonds, means any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

* Preliminary, subject to change.

- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of any proposed or final determinations of taxability, any Notices of Proposed Issue (IRS Form 5701-TEB), or any other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution, or sale of any property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or similar event of an Obligated Person (Note – This event is considered to occur upon the occurrence of any of the following: The appointment of a receiver, fiscal agent, or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over all of the assets or business of an Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of an Obligated Person in possession of such assets or business but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over all of the assets or business of an Obligated Person);
- (xiii) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of any definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or any other similar terms of a Financial Obligation of an Obligated Person, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi), although some of such events may not be applicable to the Bonds or a particular Obligated Person.

“Financial Obligation” means (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Holders” means any holder or Beneficial Owner of the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board.

“Offering Document” means the Official Statement dated June 15, 2023.

“Operating Data” means an update of the operating data, if any, regarding AOC contained in the annual comprehensive financial report of the Commonwealth generally consistent with the information set forth in Appendix B of the Offering Document.

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Obligations.

“SEC” means the Securities and Exchange Commission.

Section 3. Disclosure of Information.

(a) Information Provided to the Public by AOC. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 4 hereof, AOC shall make, or shall cause the Disclosure Agent to make, public the information set forth in subsections (i), (ii), and (iii) below:

(i) Annual Financial Information and Operating Data. The Annual Financial Information and Operating Data of AOC, at least annually, within nine months after the end of the fiscal year ending June 30, commencing with the fiscal year ended June 30, 2023, and continuing with each fiscal year thereafter. If the Disclosure Agent is an entity or person other than AOC, then AOC shall provide the Annual Financial Information and Operating Data to the Disclosure Agent no later than fifteen business days before the disclosure date referenced above. The Annual Financial Information and Operating Data may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Commonwealth may be submitted separately from the other Annual Financial Information.

(ii) Event Notices. Notice of the occurrence of an Event related to AOC and impacting the Bonds (but not otherwise required to be disclosed by the Corporation under Section 3(b) herein), in a timely manner, within ten business days after the occurrence of the Event.

(iii) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of AOC to provide the Annual Financial Information or Operating Data by the disclosure date required by subsection (a)(ii) of this Section.

(b) Information Provided to the Public by The Corporation. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 4 hereof, the Corporation shall make, or shall cause the Disclosure Agent to make, public all notices of the occurrence of an Event related to the Corporation or the Bonds, in a timely manner, within ten business days after the occurrence of the Event. For purposes of clarity, the Corporation shall be responsible to provide notice of Events related to the payment, redemption, and administration of the Bonds for so long as they remain outstanding.

(c) Information Provided to the Public by The County. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 4 hereof, the County shall make, or shall cause the Disclosure Agent to make, public all notice of the occurrence of an Event related to the County and impacting the Bonds (but not otherwise required to be disclosed by the Corporation under Section 3(b) herein), in a timely manner, within ten business days after the occurrence of the Event.

(d) Dates Information is to be Provided to the Public. The Annual Financial Information and Operating Data and, subject to the timing requirement set forth in subsection (a)(ii) of this Section, notices of all Event occurrences shall be made public on the same day as notice thereof is given to the Holders of the outstanding Bonds, if such notice is required under the terms of the Authorizing Legislation or the Bonds, and such information shall not be made public before the date of any such notice.

(e) Means of Making Information Public.

(i) Information shall be deemed to have been made public by an Obligated Person or the Disclosure Agent under this Agreement if such information is transmitted as provided in subsection (e)(ii) of this Section, by the following means:

(A) to the Holders of the outstanding Bonds, by first class mail, postage prepaid;

(B) to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB; or

(C) to the SEC, by (1) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (2) first class mail, postage prepaid; provided, however, that the applicable Obligated Person or the Disclosure Agent is authorized to transmit information to the SEC by whatever means are mutually acceptable to the applicable Obligated Person or the Disclosure Agent, as the case may be, and the SEC.

(ii) The following information shall be transmitted to the following parties:

(A) All information required to be provided to the public in accordance with subsections (a), (b), or (c) of this Section shall also be transmitted to the MSRB.

(2) All information required to be provided to the public in accordance with subsection (A) of this Section shall also be made available, upon request, to any Holder of the Bonds, but need not be transmitted to the Holders of the Bonds who do not so request.

(iii) To the extent AOC is obligated to file any Annual Financial Information and Operating Data with the MSRB under this Agreement, such Annual Financial Information and Operating Data may be set forth in the document or set of documents transmitted to the MSRB or may be included by specific reference to documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system or filed with the SEC.

(iv) Any Obligated Person or the Disclosure Agent may require payment from the Holders of the Bonds in connection with any request from a Holder for periodic information regarding the finances or operational data of such Obligated Person or for information regarding the occurrence of an Event pursuant to subsection (e)(ii)(B) of this Section, by charging any Holder that makes such a request for (A) the reasonable costs incurred by such Obligated Person or the Disclosure Agent in duplicating and transmitting the requested information to such Holder and (B) the reasonable administrative expenses incurred by such Obligated Person or the Disclosure Agent in providing the requested information to such Holder.

Section 4. Amendment or Modification. Notwithstanding any other provision of this Agreement to the contrary, the Obligated Persons may collectively amend this Agreement and waive any provision hereof, so long as such amendment or waiver is supported by an opinion of nationally recognized bond counsel with expertise in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in the Rule or the official interpretation thereof, as well as any change in circumstance.

Section 5. Miscellaneous.

(a) Termination. The obligations of the Obligated Persons and any Disclosure Agent under this Agreement shall terminate when all of the Bonds are, or are deemed to be, no longer outstanding by reason of redemption or legal defeasance or at maturity.

(b) Additional Information. Nothing in this Agreement shall be deemed to prevent the Obligated Persons from (i) disseminating any other information using the means of dissemination set forth in this Agreement or any other means of communication or (ii) including any other information, in addition to the information that is required by this Agreement, in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided hereunder. If any Obligated Person chooses to include any other information in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event in addition to that which is specifically required by this Agreement, such Obligated Person shall have no obligation under this Agreement to update such additional information or to include it in any future Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided hereunder.

(c) Defaults; Remedies. If an Obligated Person or the Disclosure Agent fails to comply with any of the provisions of this Agreement, any Holder of the Bonds may take such action as may be necessary and appropriate, including seeking an action in mandamus or specific performance, to cause such Obligated Person or the Disclosure Agent, as the case may be, to comply with its respective obligations hereunder. Any default under this Agreement shall not constitute a default on the Bonds, and the sole remedy available in any proceeding to enforce this Agreement shall be an action to compel specific performance.

SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COUNTY OF MADISON, KENTUCKY

By: _____
Judge/Executive

Attest:

Fiscal Court Clerk

MADISON COUNTY, KENTUCKY PUBLIC
PROPERTIES CORPORATION

By: _____
President

Attest:

Secretary

COMMONWEALTH OF KENTUCKY ADMINISTRATIVE
OFFICE OF THE COURTS

By: _____
Director of Finance and Administration

By: _____
Budget Director

APPENDIX D

**MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023**

Form of Bond Counsel Opinion

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion after the date of such opinion.

Madison County, Kentucky
Public Properties Corporation
Richmond, Kentucky

County of Madison, Kentucky
Richmond, Kentucky

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the issue of \$22,690,000* First Mortgage Revenue Bonds (Judicial Center Project), Series 2023 dated June 29, 2023 (the “Bonds”) of the Madison County, Kentucky Public Properties Corporation (the “Corporation”), acting as the agency, instrumentality, and constituted authority of the County of Madison, Kentucky (the “County”), bearing interest and maturing as set forth in a Mortgage Deed of Trust dated as of June 1, 2023 (the “Mortgage”) by and between the Corporation to U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The Bonds are authorized under the Constitution and laws of the Commonwealth of Kentucky, including, particularly, Sections 58.010 through 58.150, inclusive, of the Kentucky Revised Statutes, a resolution adopted by the Fiscal Court of the County on May 23, 2023, and a resolution adopted by the Board of Directors of the Corporation on May 23, 2023.

The facilities to be financed and refinanced with the proceeds of the Bonds (the “Project”) have been leased by the Corporation to the Administrative Office of the Courts of the Commonwealth of Kentucky (“AOC”) and the County under a Contract, Lease Agreement, and Option dated as of June 1, 2023 (the “Lease”), which provides for rental payments sufficient to pay the principal of and interest on the Bonds. The County and the Corporation are under no obligation to make payments on the Bonds except from the proceeds of the Bonds and the payments made by AOC under the Lease. The County has agreed to operate, maintain, insure, and repair the Project so long as any of the Bonds remain outstanding, but solely from payments to be made by AOC.

The Bonds are secured by a mortgage lien created by the Mortgage and all receipts derived therefrom. The Lease has been assigned to the Trustee.

We have examined a specimen Bond of this issue and approve its form.

Based on the foregoing, we are of the opinion that:

1. The Corporation is a duly organized and existing nonprofit no-stock corporation, organized, and existing under the provisions of Chapter 58 and Chapter 273 of the Kentucky Revised Statutes to act as the agency and instrumentality of the County.
2. The Bonds, the Lease, and the Mortgage have been duly authorized, executed, and delivered by the Corporation and constitute valid, binding, and enforceable obligations of the Corporation and the Lease has been duly authorized, executed, and delivered by AOC and constitutes a valid, binding, and enforceable obligation of AOC.
3. The Bonds constitute special and limited obligations of the Corporation and the principal of and interest and any premium on the Bonds (collectively, “debt service”), are payable solely from the revenues and other moneys pledged and assigned by the Mortgage to secure that payment. The Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation and the Bonds do not represent or constitute an indebtedness of the County or AOC or a pledge of the faith and credit or the taxing power of the County, the Commonwealth of Kentucky or any political subdivision thereof.

* Preliminary, subject to change.

4. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for federal income tax purposes, under the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax; however, interest on any Bonds held by an applicable corporation (as defined in Section 59(k) of the Code) is taken into account in determining adjusted financial statement income for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on applicable corporations for tax years beginning after December 31, 2022. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding, or disposing of the Bonds.

5. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

Neither Corporation nor the County has designated the Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

This opinion is based upon laws, regulations, rulings and decisions in effect on the date hereof. In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by the Corporation, the County, AOC, and others which we have not independently verified. It is to be understood that the enforceability of the Bonds, the Mortgage and the Lease may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors' rights, and to exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

APPENDIX E

**MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023**

Book-Entry Only System

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered under the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except if use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all of the Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an

Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Corporation or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent, the disbursement of such payments to Direct Participants will be the responsibility of DTC, and the disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Corporation or the Paying Agent. Under such circumstances, if a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Corporation may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

APPENDIX F

**MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023**

Official Terms and Conditions of Bond Sale

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$22,690,000*

MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT), SERIES 2023

Notice is hereby given that electronic bids will be received by the Madison County, Kentucky Public Properties Corporation (the "Corporation"), until 12:00 p.m. E.T. on June 15, 2023 for the purchase of the \$22,690,000* principal amount of Madison County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2023 (the "Bonds") (or at such later time and date announced at least forty-eight hours in advance via the BiDCOMP™/PARITY™ system). Alternatively, written sealed or facsimile bids for the Bonds by the designated time will be received by the County Judge/Executive of Madison County, Kentucky (the "County") at 135 West Irvine Street, 3rd Floor, Madison County Courthouse Annex, Richmond, Kentucky 40475 (FAX: (859) 624-4027). Electronic bids must be submitted through BiDCOMP™/PARITY™ as described herein and no other provider of electronic bidding services will be accepted. Bids will be opened and acted upon later that same day.

STATUTORY AUTHORITY, PURPOSE OF ISSUE, AND SECURITY

The Bonds are authorized under the Constitution and Statutes of the Commonwealth of Kentucky, particularly Sections 58.010 through 58.150, inclusive, of the Kentucky Revised Statutes, a resolution of the County, and a resolution of the Corporation. The Bonds will, upon their issuance, be secured by a foreclosable first mortgage lien on the project being financed by the Bonds (the "Project"). The Bonds will also be secured by the assignment by the Corporation of its right, title, and interest in and to a Contract, Lease, and Option dated as of June 1, 2023 (the "Lease"), by and among the Corporation, the County, and the Administrative Office of the Courts of the Commonwealth of Kentucky ("AOC") providing for the lease of the Project and the Project Site to AOC and the County on an automatically renewable biennial and annual basis, respectively, and rental payments adequate to meet the maturing principal and interest payments of the Bonds to the due date of the Bonds.

The Bonds are being issued to (i) refund in advance of maturity a portion of the outstanding County of Madison, Kentucky General Obligation Note, Series 2020N-1, the proceeds of which, among other things, provided interim financing for the renovation of the existing County administration building for future use as a judicial center (the "Project"); (ii) finance additional costs of the Project; and (iii) pay the costs of issuance of the Bonds.

BOND MATURITIES, OPTIONAL REDEMPTION PROVISIONS, AND TRUSTEE AND PAYING AGENT

The Bonds will be dated their date of initial delivery, bearing interest from such date, payable on each June 1 and December 1, commencing December 1, 2023, and are scheduled to mature as follows:

Maturity (June 1)	Principal Amount*	Maturity (June 1)	Principal Amount*
2024	\$ 850,000	2034	\$1,110,000
2025	\$ 805,000	2035	\$1,150,000
2026	\$ 835,000	2036	\$1,200,000
2027	\$ 865,000	2037	\$1,250,000
2028	\$ 895,000	2038	\$1,300,000
2029	\$ 930,000	2039	\$1,360,000
2030	\$ 960,000	2040	\$1,420,000
2031	\$ 995,000	2041	\$1,485,000
2032	\$1,030,000	2042	\$1,555,000
2033	\$1,070,000	2043	\$1,625,000

The Bonds maturing on and after June 1, 2032 shall be subject to optional redemption before their maturity on any date on or after June 1, 2031, in whole or in part, in such order of maturity as may be selected by the Corporation and by lot

* Preliminary, subject to change.

within a maturity at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption.

U.S. Bank Trust Company, National Association, Louisville, Kentucky (the "Trustee"), has been appointed Trustee, Paying Agent, Register for the Bonds under the Mortgage Deed of Trust dated as of June 1, 2023, by and between the Corporation and the Trustee governing the Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

- (A) Bids for the Bonds must be submitted through BiDCOMP™/PARITY™ system and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid for the Bonds. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in BiDCOMP™/PARITY™ conflict with the any of the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the BiDCOMP™/PARITY™ facilities shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed, and written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Forms. Written sealed bids (in a sealed envelope marked "Official Bid for Bonds") or facsimile bids for the Bonds delivered by the designated time will be received by the County Judge/Executive of the County at 135 West Irvine Street, 3rd Floor, Madison County Courthouse Annex, Richmond, Kentucky 40475 (FAX: (859) 624-4027). An Official Bid Form, together with a Preliminary Official Statement, may be obtained at the office of the Financial Advisor, RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Attention: Joseph Lakofka, Telephone: (859) 977-6600.
- (B) All bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$22,236,200.00 (98.00% of par) (excluding any original issue discount, if applicable), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.
- (C) Interest rates for the Bonds must be in multiples of one-eighth of one percent (0.125%) and/or one-twentieth of one percent (0.05%), which rates are not required to be on an ascending scale, in that the rate on the applicable series of Bonds in any maturity may be more or less than the rate on the applicable series of Bonds for any preceding maturity, and all Bonds of the same maturity and series shall bear the same and a single interest rate from the date thereof to maturity.
- (D) The determination of the best bid for the Bonds will be made on the basis of the lowest true interest rate to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds, as set forth in the Official Bid Form, for exactly \$22,690,000 principal amount of Bonds as offered for sale hereunder. Upon determination of the lowest true interest rate, the principal amounts of the Bonds shall be immediately adjusted by the Corporation to determine the maturities of its final bond issue. The successful bidder will be required to accept the final Bonds in the amounts so computed, whether the principal amount has been increased by up to \$24,960,000 or decreased by any amount (the "Permitted Adjustment") and to pay the purchase price based upon the aggregate amount of the final issue.

The Corporation also has the right to adjust individual principal maturity amounts within either series, even if the total amount of the Bonds does not change, in order to promote desired annual debt service levels. If the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering

price for each maturity and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

The successful bidder for the Bonds will be notified by no later than 3:00 p.m. (Eastern Time), on the sale date of the exact revisions and/or adjustment required, if any.

- (E) Bidders have the option of specifying that Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.
- (F) The successful bidder will be required to pay the cost for obtaining CUSIP identification numbers for the Bonds. CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.
- (G) The Corporation will provide to the successful purchaser a final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in electronic form to the successful bidders, in sufficient time to meet the delivery requirements of the successful bidders under SEC and Municipal Securities Rulemaking Board delivery requirements. The successful bidders will be required to pay for the printing of the final Official Statement.
- (H) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the Corporation an amount equal to 2% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount will be forfeited as liquidated damages upon a failure of the successful bidder to take delivery of such Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within forty-five days from the date the bid is accepted.
- (I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (each, a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or any securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners of the Bonds will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except if use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Financial Advisor within twenty-four hours of the award that standard bond certificates be issued. If certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.
- (J) The Corporation reserves the right to reject any and all bids, to waive any informality in any bid, or, upon twenty-four hours advance notice before the sale date given through the BiDCOMP™/PARITY™ system,

to postpone the sale date of the Bonds. The Bonds are offered for sale subject to the principal and interest on the Bonds not being subject to federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, all in accordance with the final approving legal opinions of Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel for the Bonds, which opinions will be qualified in accordance with the section hereof on TAX TREATMENT.

- (K) Bidders are advised that RSA Advisors, LLC, Lexington, Kentucky, has been employed as Financial Advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.
- (L) The purchasers of the Bonds will be required to certify to the Corporation regarding certain of their activities regarding any reoffering of the Bonds to the public, including any reoffering prices for the Bonds. This information from the purchasers of the Bonds shall also be made available to the Financial Advisor immediately after the sale of the Bonds.
- (M) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest cost for each of the Bonds to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semiannually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds, exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the respective series of Bonds. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, the President of the Corporation, upon the advice of the President of the Corporation shall determine (in his sole discretion) which of the bidders shall be awarded the Bonds.
- (N) Additional information, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale, and the Official Bid Form for the Bonds, may be obtained from the Corporation's Financial Advisor, RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Attention: Joseph Lakofka, Telephone: (859) 977-6600. Further information regarding BiDCOMP™/PARITY™ may be obtained from BiDCOMP™/PARITY™, 1359 Broadway – 2nd Floor, New York, New York 10018, Telephone: (800) 850-7422.
- (O) At the election and cost of the purchaser of the Bonds, one or more maturities of any of the Bonds may be insured under a municipal bond insurance policy. In such event, the Corporation agrees to cooperate with the purchaser to qualify such Bonds for bond insurance; however the Corporation will not assume any of the expenses incident to the issuance of such a bond insurance policy, other than the costs for securing a rating of the Bonds from Moody's Investors Services, Inc.
- (P) The winning bidder for the Bonds shall assist the Corporation in establishing the issue price of the Bonds and shall execute and deliver to the Corporation, at closing, an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Corporation, and Bond Counsel. All actions to be taken by the Corporation under these Official Terms and Conditions of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the Corporation by the Financial Advisor identified herein and any notice or report to be provided to the Corporation shall be provided to the Financial Advisor.

The Corporation intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of each of the Bonds (the "competitive sale requirements") because:

- (i) the Corporation shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the Corporation may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (iv) the Corporation anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted under these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

- (Q) If the competitive sale requirements are not satisfied, the Corporation shall so advise the applicable winning bidder. The Corporation will treat the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation if the Corporation determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, the winning bidder for the Bonds shall assist the Corporation in establishing the issue price of the Bonds and shall execute and deliver to the Corporation at Closing an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) substantially in the form attached hereto as Exhibit A-2, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Corporation, and Bond Counsel.

- (R) The Corporation acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (ii) if a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (iii) if an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Corporation further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.
- (S) By submitting a bid, each bidder confirms that (i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

In accordance with the Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”), and so long as the Bonds are outstanding, the Corporation, the County, and AOC will agree, under a continuing disclosure agreement to be dated as of the date of issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

- (i) AOC shall agree to provide to the Municipal Securities Rulemaking Board (the “MSRB”), or to any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic Municipal Market Access (“EMMA”) system, as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the SEC, for each fiscal year of the Commonwealth of Kentucky (the “Commonwealth”), the annual comprehensive financial report of the Commonwealth contained in Appendix B to the Official Statement (the “Annual Financial Information”). The Annual Financial Information shall be provided within nine months after the end of the fiscal year ending June 30, commencing with the fiscal year ending on June 30, 2023; provided, however, that if the Annual Financial Information is not available by such date, it will be made available immediately upon delivery thereof by the auditors for the Commonwealth; and

- (ii) Except as otherwise provided below, the Corporation, the County, and AOC (each, an “Obligated Person” and together the “Obligated Persons”), to the extent applicable to each such Obligated Person, shall agree to provide to the MSRB, through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (i) Defeasances;
 - (j) Release, substitution, or sale of property securing repayment of the securities, if material;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership, or similar event of such Obligated Person (Note – This event is considered to occur upon the occurrence of any of the following: The appointment of a receiver, fiscal agent, or similar officer for such Obligated Person in any proceeding under the U.S. Bankruptcy Code or under any other state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of such Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession of such assets or business but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of such Obligated Person);
 - (m) The consummation of a merger, consolidation, or acquisition involving such Obligated Person or the sale of all or substantially all of the assets of such Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than under its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (o) Incurrence of a financial obligation of an Obligated Person, if material, or any agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an Obligated Person, any of which affect security holders, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an Obligated Person, any of which reflect financial difficulties.

Notwithstanding the foregoing, to the extent a required notice relates directly to the Bonds and not a condition particular to the County or AOC, such notice shall be provided by the Corporation on behalf of each Obligated Person.

- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which AOC has knowledge) of AOC to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights upon a failure by an Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds; and
- (c) there are no liquidity providers applicable to the Bonds.

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”), for purposes of the federal alternative minimum tax; however, interest on any Bonds held by an “applicable corporation,” as defined in Section 59(k) of the Code, will be included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on applicable corporations for tax years beginning after December 31, 2022. Furthermore, Bond Counsel is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Corporation has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other relevant documents may be changed and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of the other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such consequences may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; increasing the federal tax liability of certain insurance companies under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, under Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

Neither the County nor the Corporation has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

/s/ Regan Taylor
President
Madison County, Kentucky
Public Properties Corporation

EXHIBIT A-1
TO
OFFICIAL TERMS AND CONDITIONS OF BOND SALE

FORM OF ISSUE PRICE CERTIFICATE
[In case of receipt of at least three qualified bids for the Bonds]

* * * * *

ISSUE PRICE CERTIFICATE

Dated June 29, 2023

Re: \$22,690,000* Madison County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2023 dated June 29, 2023

The undersigned, on behalf of [Name of Underwriter] (the “[Underwriter]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule A attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Schedule B hereto is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

(b) The Underwriter was not given the opportunity to review other bids before submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. CUSIP Number. The CUSIP number assigned to the final maturity of the Bonds is [CUSIP Number].

3. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

4. Weighted Average Maturity. The “weighted average maturity” of the Bonds has been calculated to be ____ years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

5. Defined Terms.

(a) “Issuer” means the Madison County, Kentucky Public Properties Corporation.

(b) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

* Preliminary, subject to change.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 15, 2023.

(e) "Underwriter" means (i) any person that agrees, under a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph, to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF UNDERWRITER]

By: _____
Name: _____

SCHEDULE A
TO
ISSUE PRICE CERTIFICATE
EXPECTED OFFERING PRICES

(See attachment)

SCHEDULE B
TO
ISSUE PRICE CERTIFICATE

COPY OF BID

(See attachment)

EXHIBIT A-2
TO
OFFICIAL TERMS AND CONDITIONS OF BOND SALE

FORM OF ISSUE PRICE CERTIFICATE
[In case of receipt of less than three qualified bids for the Bonds]

* * * * *

ISSUE PRICE CERTIFICATE

Dated June 29, 2023

Re: \$22,690,000* Madison County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2023 dated June 29, 2023

The undersigned, on behalf of [Name of Underwriter] ([“[Short Name of Underwriter]”]), [on behalf of itself and [Names of other Underwriters] (together, the “Underwriting Group”),] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) [Short Name of Underwriter][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Official Terms and Conditions of Bond Sale, [Short Name of Underwriter] has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Under such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. CUSIP Number. The CUSIP number assigned to the final maturity of the Bonds is [CUSIP Number].

4. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds is the Initial Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

5. Weighted Average Maturity. The “weighted average maturity” of the Bonds has been calculated to be [_____] years. The weighted average maturity is the sum of the products of the respective Initial Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Initial Offering Prices of the Bonds as of the date hereof.

6. Defined Terms.

* Preliminary, subject to change.

(a) “General Rule Maturities” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) “Hold-the-Offering-Price” Maturities means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) “Holding Period” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (June 15, 2023), or (ii) the date on which [Short Name of Underwriter][the Underwriting Group] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “Issuer” means the Madison County, Kentucky Public Properties Corporation.

(e) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(g) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 15, 2023.

(h) “Underwriter” means (i) any person that agrees, under a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph, to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF UNDERWRITER][as Representative of the Underwriter Group]

By: _____
Name: _____

SCHEDULE A
TO
ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(See attachment)

SCHEDULE B
TO
ISSUE PRICE CERTIFICATE

PRICING WIRE OR EQUIVALENT COMMUNICATION

(See attachment)

APPENDIX G
MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023

Official Bid Form

OFFICIAL BID FORM
MADISON COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (JUDICIAL CENTER PROJECT),
SERIES 2023

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$22,690,000* of Madison County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2023, dated their date of initial issuance and delivery (the “Bonds”), offered for sale by the Madison County, Kentucky Public Properties Corporation (the “Corporation”) in accordance with the Preliminary Official Statement dated June 6, 2023, to which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$22,690,000* principal amount of the Bonds, the total sum of \$_____ (not less than \$22,236,200) at the following annual rate(s), payable semiannually (rates are not required to be on an ascending scale, number of interest rates unlimited):

Maturity (June 1)	Principal Amount*	Interest Rate	Maturity (June 1)	Principal Amount*	Interest Rate
2024	\$ 850,000	_____ %	2034	\$1,110,000	_____ %
2025	\$ 805,000	_____ %	2035	\$1,150,000	_____ %
2026	\$ 835,000	_____ %	2036	\$1,200,000	_____ %
2027	\$ 865,000	_____ %	2037	\$1,250,000	_____ %
2028	\$ 895,000	_____ %	2038	\$1,300,000	_____ %
2029	\$ 930,000	_____ %	2039	\$1,360,000	_____ %
2030	\$ 960,000	_____ %	2040	\$1,420,000	_____ %
2031	\$ 995,000	_____ %	2041	\$1,485,000	_____ %
2032	\$1,030,000	_____ %	2042	\$1,555,000	_____ %
2033	\$1,070,000	_____ %	2043	\$1,625,000	_____ %

Bids may be submitted electronically via PARITY® under this Notice until the appointed date and time, but no bid will be received after such time. Notwithstanding the foregoing, completed bid forms may be submitted until the appointed date and time (i) in a sealed envelope marked “Official Bid for Bonds” or (ii) by facsimile transmission, in each case delivered to the office of the County Judge/Executive of the County of Madison, Kentucky, 135 W Irvine Street, 3rd Floor, Madison County Courthouse Annex, Richmond, Kentucky 40475 (FAX: (859) 624-4027). Neither the Corporation nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the Corporation at the time of acceptance of the best bid.

It is understood that concurrently with the delivery of the Bonds, the Corporation will furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel for the Bonds.

No certified or bank cashier’s check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount will be applied (without interest) to the purchase price when the Bonds are tendered for delivery.

* Preliminary, subject to change.

If we are the successful bidder, we agree to accept and make payment for the Bonds in federal funds within forty five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

Telephone Number

By: _____
Signature

Total interest cost: Date of Delivery (estimated to be June 29, 2023) to Final Maturity	\$ _____
(Less Premium) or Plus Discount, if any	\$ _____
True interest cost	\$ _____
True interest cost (%)	_____ %

The above computation of true interest cost is submitted for information only and is not a part of this Bid.

Accepted by the President of the Madison County, Kentucky Public Properties Corporation for \$ _____ principal amount of Bonds at the price of \$ _____ as follows:

Maturity (June 1)	Principal Amount*	Interest Rate	Maturity (June 1)	Principal Amount*	Interest Rate
2024	\$ _____	_____ %	2034	\$ _____	_____ %
2025	\$ _____	_____ %	2035	\$ _____	_____ %
2026	\$ _____	_____ %	2036	\$ _____	_____ %
2027	\$ _____	_____ %	2037	\$ _____	_____ %
2028	\$ _____	_____ %	2038	\$ _____	_____ %
2029	\$ _____	_____ %	2039	\$ _____	_____ %
2030	\$ _____	_____ %	2040	\$ _____	_____ %
2031	\$ _____	_____ %	2041	\$ _____	_____ %
2032	\$ _____	_____ %	2042	\$ _____	_____ %
2033	\$ _____	_____ %	2043	\$ _____	_____ %

President
Madison County, Kentucky
Public Properties Corporation