

**STATE OF KANSAS**  
**Department of Administration**  
**Office of the Chief Financial Officer**



**COMPREHENSIVE**  
**ANNUAL**  
**FINANCIAL**  
**REPORT**

July 1, 2014 to June 30, 2015

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**DeAnn Hill, CPA**  
**Office of the Chief Financial Officer**



**STATE OF KANSAS**

**Department of  
Administration**

*DeAnn Hill, CPA*  
**Office of the Chief Financial Officer**

State of Kansas  
**Fiscal Year 2015 Financial Report**  
June 30, 2015

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# **INTRODUCTION**

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Sarah L. Shipman, Acting Secretary  
DeAnn Hill, Chief Financial Officer

Sam Brownback, Governor

December 10, 2015

The Honorable Sam Brownback, Governor of the State of Kansas  
Members of the Legislature and  
Citizens of the State of Kansas:

It is my pleasure to submit to you the 62nd Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2015, as provided by Kansas Statutes Annotated (K.S.A.) 75-3735. This Comprehensive Annual Financial Report (CAFR) has been prepared in conformance with generally accepted accounting principles (GAAP). The objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

This report is presented in three sections. The Introductory Section includes this transmittal letter, the organizational chart and a listing of selected officials. The Financial Section includes the independent auditors' report, Management's Discussion and Analysis, the basic Financial Statements and Notes, the Required Supplementary Information, and Other Supplementary Information. The Statistical Section includes unaudited tables and financial trend information.

This report is prepared by the Department of Administration, Office of the Chief Financial Officer. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State government and this office. The enclosed information is accurate in all material respects and is reported to present fairly the financial position and activities of the State of Kansas. All necessary disclosures to enable the reader to understand the State's financial activities have been included.

The State's financial statements have been audited by CliftonLarsonAllen LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State of Kansas for the fiscal year ended June 30, 2015, are free of material misstatement. This independent audit was part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards here also require the auditor to report on the State of Kansas' internal controls and compliance with legal requirements. A copy of the separately issued Single Audit Report can be obtained from the Legislative Division of Post Audit.

## **PROFILE OF THE GOVERNMENT**

The State government comprises three branches: the Executive Branch, with the Governor as chief executive; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 125 members; and the Judicial Branch, which includes the Supreme Court, the Appeals Court and the District Courts. The State provides a full range of services including education, safety, social services, recreation and transportation. The budget serves as the foundation of the State's financial planning and control. On or before October 1 of even-numbered years, agencies are required to submit biennial budget estimates for the next two fiscal years to the Division of Budget. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However, in the case of the regular legislative session immediately following the election of a governor, who was elected to the Office of Governor for the first time, that governor must submit the budget report to the Legislature on or before the 21<sup>st</sup> calendar day of that regular session.

## **FINANCIAL INFORMATION**

Kansas has a centrally maintained computerized double-entry accounting system. Management is responsible for establishing and maintaining an internal control structure to ensure that government assets are protected from loss, theft or misuse, and that adequate data is compiled to prepare meaningful financial statements. Internal accounting controls have been implemented for reasonable, but not absolute, assurance for safeguarding assets and accurately recording financial transactions. "Reasonable assurance" is based upon the premise that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of cost and benefits requires estimates and judgments by management. As a recipient of federal financial assistance, the State is also responsible for implementing internal controls for compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of specific agencies of the government but not statewide.

The State also maintains budgetary restrictions and controls, which are imposed through annual appropriations and limitations, approved by the Legislature. Annual appropriated budgets are adopted for the State General Fund and certain Special Revenue, Capital Project, Enterprise, Internal Service and Trust and Agency funds. The level of budgetary control in the central accounting system is usually established by agency, fund and budget unit. Budgetary control is maintained by mechanisms in the accounting system, which prevents expenditures in excess of appropriations or limitations and/or available cash and purchase orders in excess of appropriations or limitations. Purchase orders are reported as expenditures for budgetary purposes and restricted fund balances in the financial statements included in this report.

## **CASH MANAGEMENT**

On a daily basis, the State monitors receipts to, and expenditures out of, the State Treasury. It also employs cash flow tools and techniques that maximize revenues without incurring undue risk. The State invests idle funds to match anticipated cash flow needs by using government securities, collateralized bank deposits, and high grade commercial paper to provide safety, liquidity, and yield, in that order.

The State maintains investments in addition to idle moneys. Authorized agencies may make investments independently of the State Treasury pooled cash. Generally the Pooled Money Investment Board (PMIB) acts as agent for these investments. Certain funds, such as Kansas Public Employees Retirement System and the Unemployment Insurance Fund, are statutorily exempted from PMIB oversight. Deposits in the Municipal Investment Pool, an investment option established by the 1992 legislature for local governments, are also invested by the PMIB.

## **RISK MANAGEMENT**

The State maintains a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through risk management and various outside entity commercial insurance providers. It is the policy of the State to cover the risk of certain losses to which it may be exposed through risk management activities. In general, the State is self-insured for certain health care claims (two of the four medical health plan options, prescription drug and dental), State employee workers' compensation, long-term disability, tort liability, personal property, and real estate property losses up to the applicable insured deductibles (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles with \$500,000 deductibles and a statewide commercial policy on personal and real property with \$5,000,000 deductibles (except where separate coverage is required by bond covenant).

Risk is managed by positively addressing various benefits and liabilities through review, legislation and administration to assure that claims are promptly and correctly adjudicated and that appropriate and fair benefits and liabilities are reflected in the statutes and regulations. Where cost effective and appropriate, such as limiting the impact of a catastrophic occurrence to the State buildings, the State has limited its exposure through high deductible catastrophic loss insurance.

## **PENSION TRUST FUND OPERATIONS**

The Kansas Public Employees Retirement System is an umbrella organization administering three statewide retirement systems under one plan. These systems are Kansas Public Employee Retirement System, Kansas Police and Firemen's Retirement System and Kansas Retirement System for Judges. Further information on State participation in the retirement system can be found in the Notes to the Financial Statements located in the Financial Section.

## **ACKNOWLEDGEMENTS**

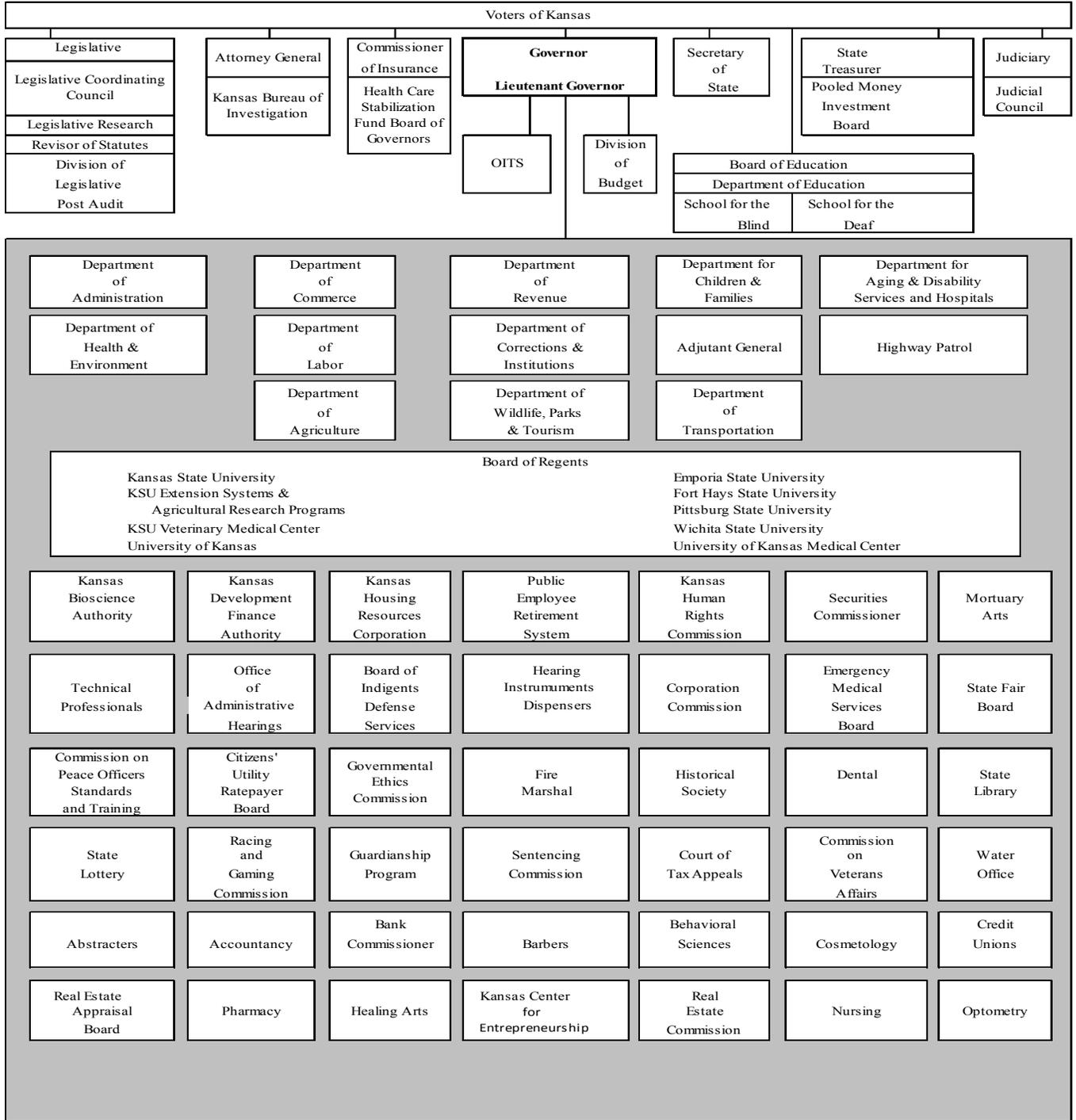
I wish to express my sincere thanks to the CFO Team. It is through their relentless efforts that this report was possible. I would also like to acknowledge the many other individuals in the State agencies, universities and component units. Their hard work and diligence in this process is much appreciated.

Sincerely,

A handwritten signature in blue ink, appearing to read "DeAnn Hill". The signature is fluid and cursive, with the first name "DeAnn" and the last name "Hill" clearly distinguishable.

DeAnn Hill, CPA  
Chief Financial Officer for the State of Kansas

State of Kansas  
June 30, 2015



**Executive Branch**

*Governor*  
Sam Brownback

*Lieutenant Governor*  
Jeff Colyer

*Secretary of State*  
Kris W. Kobach

*State Treasurer*  
Ron Estes

*Attorney General*  
Derek Schmidt

*Commissioner of  
Education*  
Randy Watson

*Commissioner of  
Insurance*  
Ken Selzer

**Legislative Branch**

*Speaker of the House of  
Representatives*  
Ray Merrick

*Speaker Pro Tempore of  
the House of  
Representatives*  
Peggy Mast

*President of the Senate*  
Susan Wagle

*Vice President of the  
Senate*  
Jeff King

*Chief Clerk of the House of  
Representatives*  
Susan W. Kannarr

*Secretary of Senate*  
Corey Carnahan

*Legislative Coordinating  
Council Chair*  
Sen. Susan Wagle

*Legislative Research  
Director*  
Raney Gilliland

**Judicial Branch**

*Supreme Court of Kansas*  
*Chief Justice*  
Lawton Nuss

*Justices*  
Marla J. Luckert  
Carol A. Beier  
Eric S. Rosen  
Lee A. Johnson  
Dan Biles  
Caleb Stegall

*Court of Appeals*  
*Chief Judge*  
Thomas E. Malone

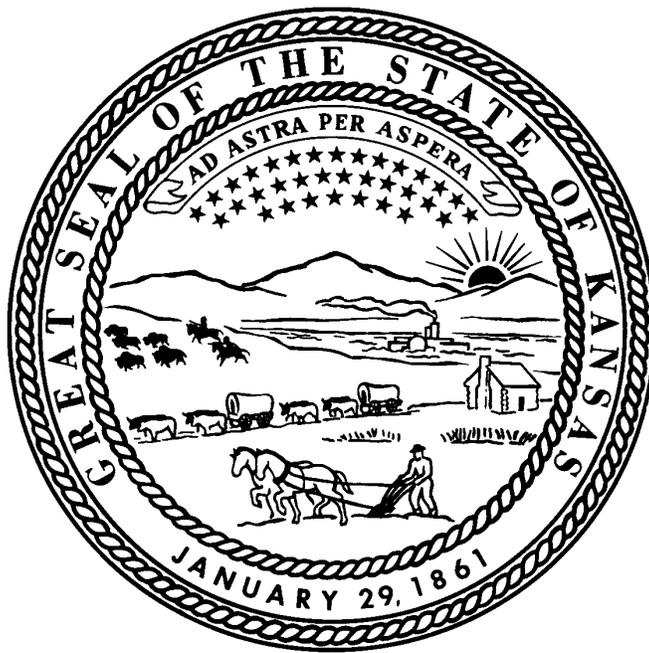
*Judicial Council*  
*Executive Director*  
Nancy J. Strouse

*Judicial Administrator*  
Nancy M. Dixon



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**FINANCIAL  
SECTION**



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## INDEPENDENT AUDITORS' REPORT

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the various component units of the six state universities were not audited in accordance with *Government Auditing Standards*.

We did not audit the financial statements of the various component units of the six state universities which represent 51 percent and 31 percent, respectively, of the assets and deferred outflows of resources and revenues of the discretely presented component units, the Kansas Development Finance Authority (KDFA) which represents less than 1 percent and less than 1 percent, respectively, of assets and deferred outflows of resources and revenues of the discretely presented component units, the Kansas Center for Entrepreneurship (KCE) which represents less than 1 percent and less than 1 percent, respectively, of assets and deferred outflows of resources and revenues of the discretely presented component units, the Kansas Turnpike Authority (KTA) which represents 9 percent and 3 percent, respectively, of assets and deferred outflows of resources and revenues of the discretely presented component units,

the Kansas Housing Resources Corporation (KHRC) which represents less than 1 percent and 3 percent, respectively, of assets and deferred outflows of resources and revenues of the discretely presented component units, the Kansas Bioscience Authority (KBA) which represents 1 percent and less than 1 percent, respectively, of assets and deferred outflows of resources and revenues of the discretely presented component units, the Kansas Universal Services Fund (reported within the State Regulatory Boards and Commissions Fund) which represents less than 1 percent and less than 1 percent, respectively, of the assets and deferred outflows of resources and revenues of the aggregate remaining fund information, and the Kansas Lottery which represents less than 1 percent and 8 percent respectively, of the assets and deferred outflows of resources and revenues of the aggregate remaining fund information. 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 the component units of the six state universities, KDFA, KCE, KTA, KHRC, and KBA in the aggregate discretely presented component units, and the Kansas Universal Services Fund and Kansas Lottery in the aggregate remaining fund information, is based solely on the reports of other auditors.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

The State has an accumulated total fund balance deficit in the General Fund of \$285 million as of June 30, 2015, which has resulted from an operating deficit of \$395.9 million for the year ended June 30, 2014 and an operating deficit of \$282.2 million for the year ended June 30, 2015. The deficit raises significant liquidity risks regarding the State's ability to meet its financial obligations as they come due without raising revenues, cutting costs of services provided, and effectuating financial restructuring. The liquidity risks and management's plans are disclosed in Note 2.A. Our opinions are not modified with respect to this matter.

During fiscal year ended June 30, 2015, the State adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. As a result of the implementation of these standards, the State reported a restatement for the change in accounting principle (see Note IV.E). Fiscal year 2014 was not restated for this change in accounting principle due to fact information not being available to the State to restate net position as of July 1, 2013. Our auditors' opinion was not modified with respect to the restatement.

As discussed in Note III.J to the financial statements, various adjustments were made to the beginning net positions and fund balances to correct errors in the prior year financial statements. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the information needed to support the modified approach for infrastructure reporting, the schedule of the State's proportionate share of the net pension liability, and the schedule of State contributions, as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed described above, and the report of other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

The accompanying introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
December 1, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the State of Kansas Comprehensive Annual Financial Report (CAFR) is provided for readers of the financial statements for the fiscal year ended June 30, 2015. This information is to be used in conjunction with the additional information furnished in the preceding letter of transmittal and with the financial statements that follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL HIGHLIGHTS

#### Government-wide highlights:

- The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2015 by \$9.7 billion (presented as “net position”). Of this amount a negative \$2.0 billion was reported as unrestricted net position, which represents the amount available to be used to meet ongoing obligations to citizens and creditors.
- Total net position decreased by \$2.1 billion (17.8 percent) in fiscal year 2015, including restatements. Net position of governmental activities decreased by \$2.3 billion (20.5 percent), and net position of the business-type activities increased \$146.7 million (16.9 percent).

#### Fund highlights:

- For fiscal year 2015, the governmental funds reported a combined ending fund balance of \$0.9 billion, a decrease of \$193.7 million in comparison with the prior year. Of the total amount, \$512.0 million represents the fund balance of the Non-Major Governmental funds. The General Fund reported an unassigned fund balance for fiscal year 2015 of a negative \$285.0 million, as compared to the prior year unassigned balance of a negative \$5.4 million. See page 17 for additional information on the General Fund budget.

#### Long-term debt:

- The State's total long-term debt obligation (including bonds payable on demand) showed a net increase of \$2.2 billion (56.6%) during the current year. This net increase was primarily due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which increased long-term obligations by \$1.8 billion, a \$565.4 million increase in revenue bonds and the removal of Sales tax obligation bonds of \$105 million.
- The State re-evaluated its accounting policy over the accounting for STAR bonds during fiscal year 2015. Due to the STAR bond agreements not including a guarantee from the State for repayment, the State determined that it did not constitute a long-term liability of the State. In prior years, the State reported the State's proportional share of the principal of, accreted value, and interest on STAR bonds. This change resulted in a decrease to the STAR Bond Fund fund balance of \$31.2 million to remove cash restricted for payment to local governments and a reduction of governmental activities net position of \$75 million to remove the long-term liability and cash balances related to the STAR bond agreements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Kansas basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains

required supplementary information and other supplementary information in addition to the basic financial statements.

### **Basic Financial Statements**

The basic financial statements include two kinds of financial statements that present different views of the State – the *Government-wide Financial Statements* and the *Fund Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

### **Government-wide Financial Statements**

The *Government-wide Financial Statements* provide a broad view of operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the financial position to assist in assessing the State'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. This method is similar to those used by most businesses and takes into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *Statement of Net Position* presents all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as "net position". Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

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, including education, general government, health services, judiciary services, museums, natural resources, public safety, defense, regulatory services, social services, and transportation.

*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.

*Discretely Presented Component Units* – These are operations for which the State has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private sector businesses and the business-type activities described above.

Financial statements of the individual component units can be found in the basic financial statements following the fund statements. Addresses and other additional information about component units are presented in the notes to the financial statements. 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 used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the State government, reporting the operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds financial statements are:

***Governmental Funds Financial Statements*** - Most of the basic services provided by the State are financed through governmental type funds. Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of expendable resources. They also focus on the balances of expendable resources available at the end of the fiscal year. This information may be helpful in evaluating the government's near-term financial requirements. This approach is known as the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of State finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State has five governmental funds considered major funds for presentation purposes. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The five governmental funds are – the General Fund, the Social Services Fund, the Health and Environment Fund, the Education Fund and the Transportation Fund. The basic governmental funds financial statements can be found immediately following the government-wide statements.

***Proprietary Funds Financial Statements*** – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The State's major proprietary funds for presentation purposes are the Unemployment Insurance Fund (within the Department of Labor), the Water Pollution Control and Public Water Supply Revolving Loan Funds (within the Department of Health and Environment) and the Health Care Stabilization Fund.

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

***Fiduciary Funds Financial Statements*** – These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not reflected in the government-wide financial

statements because the resources of these funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The fiduciary funds are the Kansas Public Employees Retirement Fund, the Investment Trust Fund (which accounts for the transactions, assets, liabilities and fund equity of the external investment pool), and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

The basic fiduciary funds financial statements can be found immediately following the proprietary funds financial statements.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the financial statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparisons for the major funds. Comparisons can be made between the original budget, final budget, and actual revenues and expenditures. This section includes reconciliation between budgetary basis and the accrual basis for major funds as presented in the governmental funds financial statements. This section also includes Kansas Department of Transportation modified approach explanation for infrastructure, other post-employment benefit funding progress, schedule of the State's proportionate share of the net pension liability for the Kansas Pension Retirement Plan and schedule of State contributions for the Kansas Pension Retirement Plan.

### **Other Supplementary Information**

#### ***Combining Financial Statements***

The combining financial statements are presented following the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statement.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government. The combined net position of the State (government and business-type activities) totaled \$9.75 billion at the end of 2015, compared to \$11.85 billion at the end of the previous year, a decrease of 17.8 percent.

The largest portion of net position reflects investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related debt used to acquire those assets that are still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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**State of Kansas Net Position – Primary Government**  
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 2,591,479	\$ 3,012,278	\$ 1,742,009	\$ 1,548,394	\$ 4,333,488	\$ 4,560,672
Capital assets	13,202,564	12,942,573	320	299	13,202,884	12,942,872
Total assets	15,794,043	15,954,851	1,742,329	1,548,693	17,536,372	17,503,544
Accumulated decrease in fair value hedging	12,072	23,024	0	0	12,072	23,024
Deferred amounts on refunding	23,384	20,673	16,925	19,725	40,309	40,398
Deferred outflows - pensions	128,536	0	441	0	128,977	0
Total deferred outflows	163,992	43,697	17,366	19,725	181,358	63,422
Non-current liabilities	5,512,316	3,292,667	683,102	663,604	6,195,418	3,956,271
Other liabilities	1,414,106	1,721,139	60,429	36,414	1,474,535	1,757,553
Total liabilities	6,926,422	5,013,806	743,531	700,018	7,669,953	5,713,824
Deferred inflows - pensions	297,942	0	1,107	0	299,049	0
Total deferred inflows	297,942	0	1,107	0	299,049	0
Net investment in capital assets	9,664,367	9,791,994	320	299	9,664,687	9,792,293
Restricted	1,110,905	1,238,216	1,021,260	867,632	2,132,165	2,105,848
Unrestricted	(2,041,601)	(45,468)	(6,523)	469	(2,048,124)	(44,999)
Total net position	\$ 8,733,671	\$ 10,984,742	\$ 1,015,057	\$ 868,400	\$ 9,748,728	\$ 11,853,142

An additional portion of net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the ongoing obligations to citizens and creditors. Internally imposed designations of resources are not represented as restricted net position.

At the end of the current fiscal year, the State is able to report positive balances in the net investment in capital assets and restricted categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. Negative unrestricted net position reported for the government as a whole and for its separate governmental and business-type activities is due in part to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. See Note IV. E. for more information.

**State of Kansas Net Position – Component Units**  
(expressed in thousands)

	Component Units	
	2015	2014
Current assets	\$ 4,757,699	\$ 4,760,704
Capital assets	3,375,147	3,044,584
Total assets	8,132,846	7,805,288
Deferred amounts on refunding	12,550	14,198
Deferred outflows - pensions	18,358	0
Total deferred outflows	30,908	14,198
Non-current liabilities	1,851,418	1,548,361
Other liabilities	400,571	461,690
Total liabilities	2,251,989	2,010,051
Deferred inflows - pensions	46,897	0
Total deferred inflows	46,897	0
Net investment in capital assets	2,177,149	2,040,824
Restricted	2,979,311	3,036,269
Unrestricted	708,408	732,342
Total net position	\$ 5,864,868	\$ 5,809,435

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**Changes in Net Position – Primary Government**

Net position decreased by \$2.1 billion. Approximately 53.7 percent of the total revenue came from taxes, while 28.2 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 14.0 percent of the total revenues. Expenses cover a range of services. The largest expenses of total expenses were for education (38.7 percent), human resources (19.2 percent), and health and environment (17.0 percent).

**State of Kansas Changes in Net Position – Primary Government**  
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 829,508	\$ 922,136	\$ 1,089,191	\$ 1,049,436	\$ 1,918,699	\$ 1,971,572
Operating grants and contributions	3,597,229	3,674,943	5,254	7,697	3,602,483	3,682,640
Capital grants and contributions	209,883	275,963	34,437	46,584	244,320	322,547
General revenues:						
Taxes						
Property taxes	644,964	623,983	0	0	644,964	623,983
Income and inheritance taxes	2,864,790	2,610,490	0	0	2,864,790	2,610,490
Sales and excise taxes	3,607,478	3,599,390	0	0	3,607,478	3,599,390
Gross receipts taxes	215,145	198,479	0	0	215,145	198,479
Investment earnings	7,805	42,199	14,731	12,681	22,536	54,880
Other revenue	474,171	402,911	49,973	96,708	524,144	499,619
Total revenues	<u>12,450,973</u>	<u>12,350,494</u>	<u>1,193,586</u>	<u>1,213,106</u>	<u>13,644,559</u>	<u>13,563,600</u>
<b>Expenses:</b>						
General government	898,782	778,620	0	0	898,782	778,620
Human resources	2,660,656	2,614,673	0	0	2,660,656	2,614,673
Education	5,364,450	5,209,211	0	0	5,364,450	5,209,211
Public safety	576,079	589,939	0	0	576,079	589,939
Agriculture and natural resources	119,297	122,995	0	0	119,297	122,995
Highways and other transportation	887,297	863,577	0	0	887,297	863,577
Health and environment	2,358,837	2,285,022	0	0	2,358,837	2,285,022
Economic development	0	0	0	0	0	0
Interest expense	123,273	138,718	0	0	123,273	138,718
Water pollution and safety	0	0	26,434	26,955	26,434	26,955
Health care stabilization	0	0	88,338	29,729	88,338	29,729
Unemployment insurance	0	0	292,794	369,720	292,794	369,720
Workers' compensation	0	0	6,946	6,734	6,946	6,734
Lottery	0	0	459,748	444,796	459,748	444,796
Intergovernmental transfer program	0	0	80	1,271	80	1,271
Transportation revolving fund	0	0	2,052	2,883	2,052	2,883
Total expenses	<u>12,988,671</u>	<u>12,602,755</u>	<u>876,392</u>	<u>882,088</u>	<u>13,865,063</u>	<u>13,484,843</u>
Increase (decrease) in net assets before transfers	(537,698)	(252,261)	317,194	331,018	(220,504)	78,757
Transfers	164,266	171,891	(164,266)	(171,891)	0	0
Change in net position	(373,432)	(80,370)	152,928	159,127	(220,504)	78,757
Net position, beginning of year	10,984,742	10,998,767	868,400	756,126	11,853,142	11,754,893
Revisions to beginning net position	(1,877,639)	66,345	(6,271)	(46,853)	(1,883,910)	19,492
Net position, beginning of year (restated)	<u>9,107,103</u>	<u>11,065,112</u>	<u>862,129</u>	<u>709,273</u>	<u>9,969,232</u>	<u>11,774,385</u>
Net position, end of year	<u>\$ 8,733,671</u>	<u>\$ 10,984,742</u>	<u>\$ 1,015,057</u>	<u>\$ 868,400</u>	<u>\$ 9,748,728</u>	<u>\$ 11,853,142</u>

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**Changes in Net Position – Component Units**

Component unit net position increased by \$55.4 million or 0.95 percent. Charges for various goods and services provided 41.1 percent of the total revenues. Approximately 33.5 percent of the total revenue came from other revenue, while 24.5 percent resulted from grants and contributions (including federal aid). Expenses cover a range of services and are shown below by component unit below.

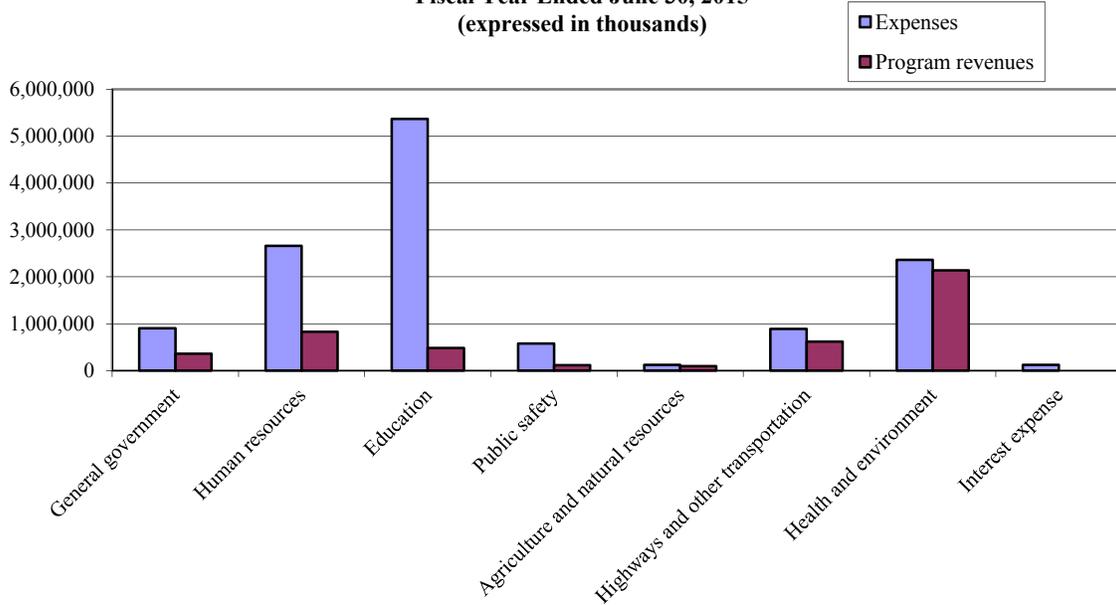
**State of Kansas Changes in Net Position – Component Unit**  
(expressed in thousands)

	Component Units	
	2015	2014
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,339,130	\$ 1,722,829
Operating grants and contributions	676,667	498,564
Capital grants and contributions	121,538	2,317
General revenues:		
Taxes		
Property Tax	7,408	7,084
Sales & excise Tax	0	171
Gross receipts taxes	0	1,294
Investment earnings	22,138	362,467
Other revenue	<u>1,093,301</u>	<u>1,296,850</u>
Total revenues	<u>3,260,182</u>	<u>3,891,576</u>
<b>Expenses:</b>		
Kansas Turnpike Authority	68,782	81,026
Kansas Development Finance Authority	1,751	1,685
Kansas Bioscience Authority	20,470	18,648
State University System	2,860,309	3,089,531
Kansas Center for Entrepreneurship	1,364	
Kansas Housing Resources Corp.	<u>84,318</u>	<u>79,875</u>
Total expenses	3,036,994	3,270,765
Change in net position	223,188	620,811
Net position, beginning of year	5,809,435	5,205,225
Revisions to beginning net position	<u>(167,755)</u>	<u>(16,601)</u>
Net position, beginning of year (restated)	<u>5,641,680</u>	<u>5,188,624</u>
Net position, end of year	<u><u>\$ 5,864,868</u></u>	<u><u>\$ 5,809,435</u></u>

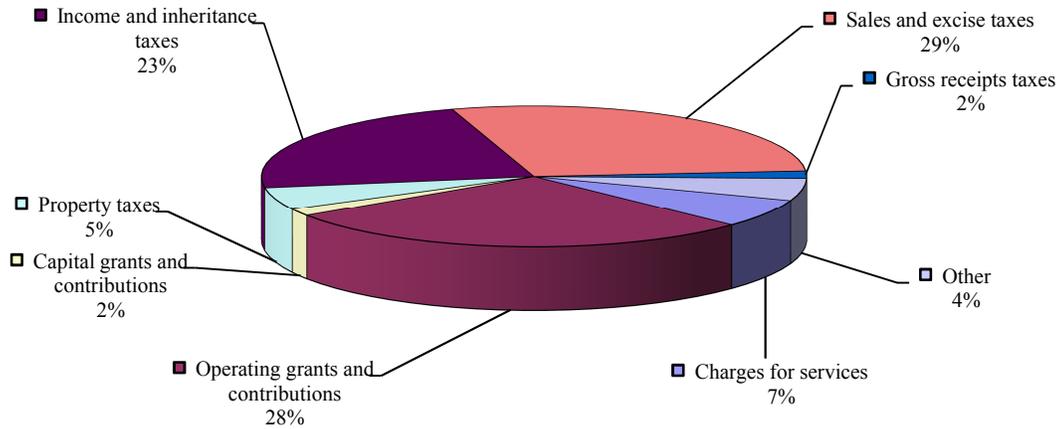
**Governmental Activities**

Governmental activities decreased net position by \$2.3 billion in fiscal year 2015 including various restatements. For the State's governmental activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Governmental Activities**  
**Fiscal Year Ended June 30, 2015**  
 (expressed in thousands)



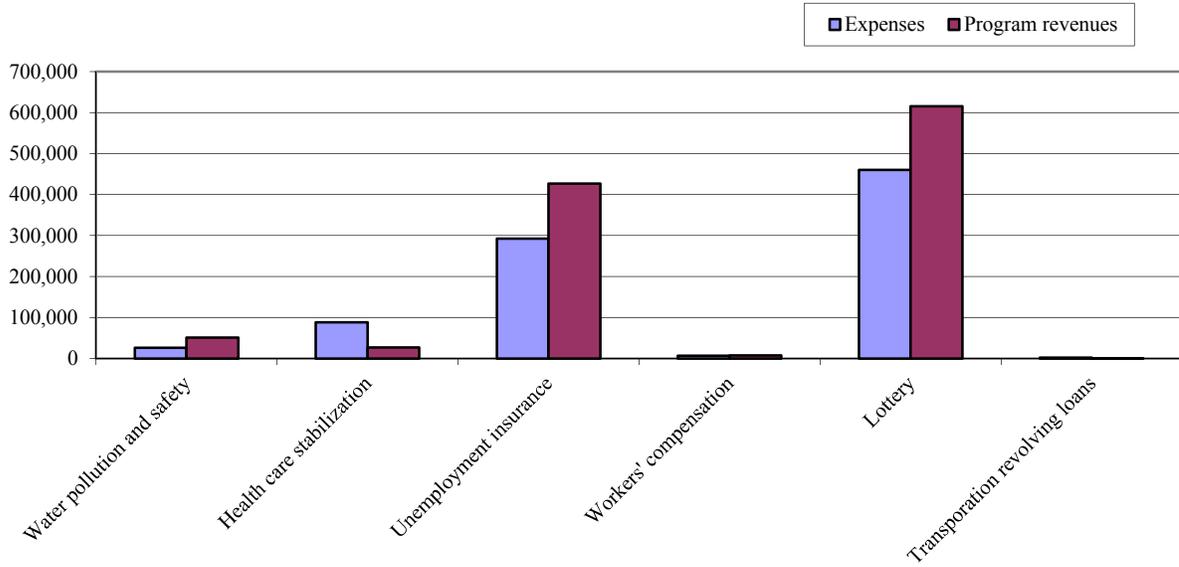
**Revenues by Source - Governmental Activities**  
**Fiscal Year Ended June 30, 2015**



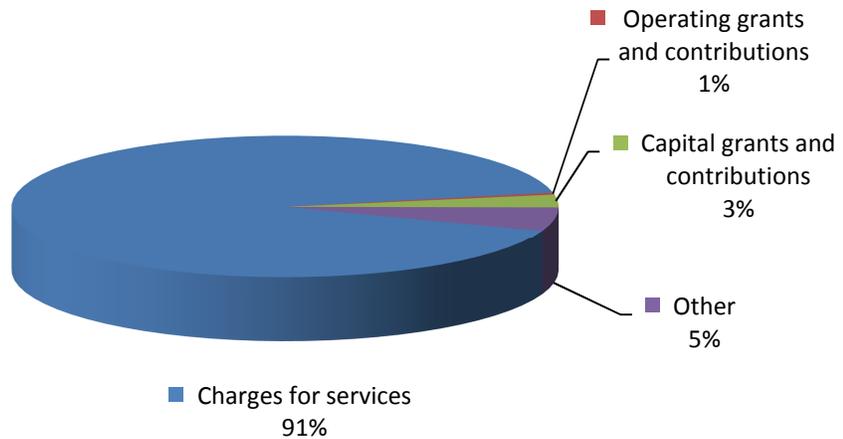
**Business-Type Activities**

The State's business-type activities increased the net position of the State by \$146.7 million. For the State's business-type activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Business-Type Activities**  
**Fiscal Year Ended June 30, 2015**  
 (expressed in thousands)



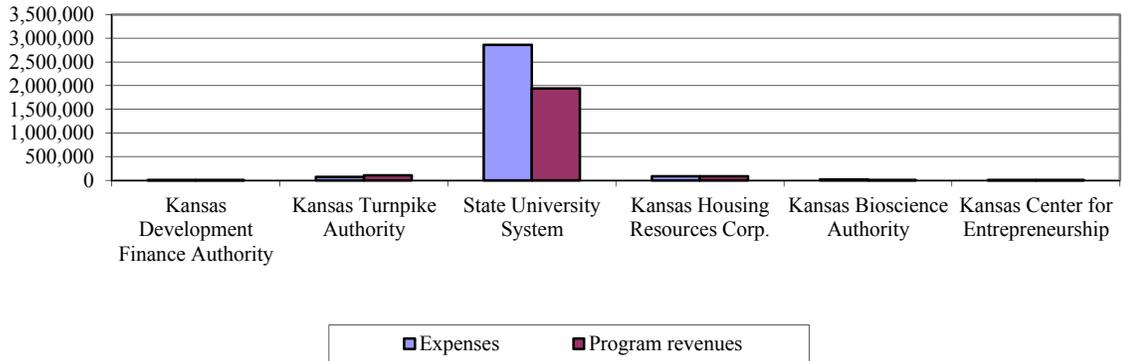
**Revenues by Source - Business-Type Activities**  
**Fiscal Year Ended June 30, 2015**



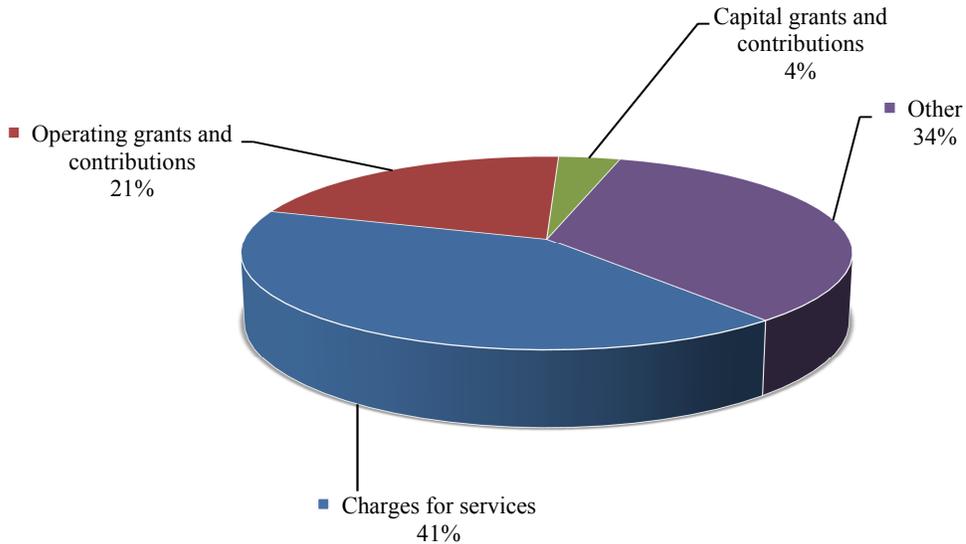
**Component Units**

The State's component units increased the net position of the State by \$55.4 million, including restatements. For the State's component units a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Component Units**  
**Fiscal Year Ended June 30, 2015**  
 (expressed in thousands)



**Revenues by Source - Component Units**  
**Fiscal Year Ended June 30, 2015**



## **FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS**

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements.

For fiscal year 2015, the governmental funds reported a combined ending fund balance of \$0.9 billion, a decrease of \$193.7 million in comparison with the prior year. Part of this fund balance is nonspendable to indicate that it is not available for spending. The major portion of the Fund balance is restricted by the enabling legislation and purpose restricted grant funds.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unassigned fund balance of the General Fund was a negative \$285.0 million, while the total fund balance was a negative \$279.7 million. During fiscal year 2015, the State experienced increased revenue in income, inheritance, sales and excise taxes. During the 2012 Legislative Session, House Bill 2117 was passed and signed into law. This Bill contained a number of provisions (most of which become effective January 1, 2013) which affect Kansas income tax. The cash and investment balance is approximately \$331 million lower in fiscal year 2015 than it was in fiscal year 2014.

### **Proprietary Funds**

Proprietary funds provide the same type of information found in the government-wide financial statements.

As discussed in the business-type activities previously, the State's net position increased by \$146.7 million as a result of operations in the proprietary funds. This increase resulted from a \$30.2 million increase in the Water Funds and a \$175.6 million increase in the Unemployment Insurance. There was a decrease of \$52.4 million in the Health Care Stabilization Fund and a \$6.8 million decrease in the Other Nonmajor Funds.

### **Component Unit Funds**

Although legally separate from the State, component units are financially accountable to the State, or their relationships are such that exclusion would cause the State's financial statements to be misleading or incomplete. Component units are reported in its own column on the financial statements.

The State's component unit net position increased by \$55.4 million. Approximately half this increase resulted from adding Kansas Center for Entrepreneurship as a component unit in the current fiscal year which increased net position \$27.4 million. The Kansas Turnpike accounted for \$25.6 million of the increase in net position. The State University System with an increase of \$16.6 million. The other three component units accounted for a decrease in net position of \$14.2 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences existed between the original budget and the final budget. Revenue estimates were decreased by approximately \$30.2 million and expenditure estimates were decreased by approximately \$39.7 million. The original estimates provided for revenues less than expenditures of \$401.6 million. The final budget provided for \$392.1 million of revenues less than expenditures. Subsequently, fiscal year 2015 was closed with revenues less than expenditures of \$381.9 million.

Because the state cannot sustain the automatic spending increases built into the school finance formula for non-classroom expenditures, the Governor proposed and the 2015 Legislature approved sun setting the

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current school finance formula, effective July 1, 2015. The Legislature and the Governor will work to reform school finance with a new formula. Until a new formula becomes law, the Governor recommended and the 2015 Legislature adopted a block grant to distribute state funding to districts. The old K-12 funding system consisted of several elements each with its own financing mechanism. The block grant combines several of the financing elements into one lump sum amount. Former school finance formula items that comprise the block grant include General State Aid, Supplemental State Aid, Capital Outlay Aid, Virtual State Aid, certain local tax levies, and KPERS employer obligations. The school finance policy is contained in 2015 House Substitute for Senate Bill 7, which was adopted by the 2015 Legislature and signed into law by the Governor on March 25, 2015.

The 2015 Legislature made a number of changes in law regarding individual income tax, sales and compensating use tax provisions, plus taxes on cigarettes. The changes are as follows:

- A tax amnesty is authorized for penalties and interest relative to certain delinquent taxes provided such taxes are paid in full from September 1, 2015, to October 15, 2015. The amnesty applies to privilege, income, estate, cigarette, tobacco products, liquor enforcement, liquor drink, severance, state sales, state use, local sales, and local use taxes. The amnesty is limited to penalties and interest applied to liabilities associated with tax periods ending on or before December 31, 2013. It is estimated that approximately \$30.0 million in additional revenue will be collected in FY 2016.
- An income tax subtraction modification for certain pass-through non-wage business income has been revised to require that guaranteed payments from businesses are counted as income in determining Kansas adjusted gross income. It is estimated that this change will increase revenue by \$23.7 million in FY 2016.
- Individual income tax rate reductions scheduled for future years are eliminated. The tax year 2015 rates of 2.7 percent for the bottom tax bracket and 4.6 percent for the top tax bracket remain the tax rates through tax year 2017. The tax rates for tax year 2018 and all future years are to be 4.6 percent for the top tax bracket and 2.6 percent for the bottom tax bracket. It is estimated that this change will increase revenue by \$26.4 million in FY 2016. A number of changes were enacted for Kansas itemized deductions retroactive to January 1 (the start of tax year 2015). With the exception of charitable contributions, mortgage interest, and property taxes paid, all Kansas itemized deductions are repealed. The current changes in the percentage that could be deducted being phased in for mortgage interest and property taxes paid relative to the amount that otherwise is allowed for federal income tax purposes is accelerated such that the final 50.0 percent reduction currently scheduled for tax year 2017 are effective immediately. Charitable contributions remain fully deductible for Kansas taxpayers able to itemize at the State level, as under current law. It is estimated that these changes will increase revenue by \$97.0 million in FY 2016. The statewide sales tax and use tax rate was increased from 6.15 percent to 6.50 percent on July 1, 2015. It is estimated that this change will increase revenue by \$164.2 million in FY 2016. The State's cigarette tax is increased by \$0.50 per pack to \$1.29 per pack beginning July 1, 2015. Sen Sub for HB 2109 established an inventory tax for all cigarettes on hand as of July 1, 2015. The inventory tax is \$0.50 per pack for cigarettes on hand as of July 1, 2015. The inventory tax is due on October 31, 2015. A new tax on the privilege of selling or dealing electronic cigarettes is created at a rate of \$0.20 per milliliter of consumable material and a proportionate tax on all fractional parts thereof. This new tax is effective beginning July 1, 2016. It is expected that these taxes will increase revenue by \$40.4 million in FY 2016.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

State investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$13.2 billion. This investment in capital assets includes land, buildings, improvements, equipment, intangible assets, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads and bridges.

The Kansas Department of Transportation (KDOT) used the modified approach for valuing their infrastructure. The roadways' conditions are assessed using a pavement management system. The bridges' conditions are assessed using the Pontis Bridge Management System. The conditions for the roadways and the bridges exceeded KDOT's policy for minimum condition levels.

The total increase in the investment in capital assets for governmental and business-type activities for the current fiscal year was 2.0 percent in terms of net book value. The majority of capital asset expenditures were used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$88.5 million. Additional information on the capital assets can be found in Note III of the notes to the financial statements of this report.

### **Debt Administration**

The State does not have the statutory authority to issue general obligation bonds. The Legislature has authorized the issuance of specific purpose revenue bonds and other forms of long-term obligations.

Kansas Development Finance Authority (K DFA) is a public body politic and corporate, constituting an independent instrumentality of the State. It was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

The total long-term debt obligations increased by \$2.2 billion during the current fiscal year. The key factor in this increase was the implementation of GASB 68 and 71 which recorded a \$1.8 billion net pension liability.

Additional information on long-term debt obligations can be found in Note III of the notes to the financial statements of this report.

## **ECONOMIC FACTORS**

The Kansas economy has improved in fiscal year 2015. The Kansas Department of Labor reports Kansas gained 12,800 non-farm jobs over the last year, a .9 percent increase. Kansas has gained 12,700 private sector jobs since June 2014, a 1.1 percent increase. Nine of the 11 major industries in Kansas reported calendar year job gains, the greatest in:

- Professional and business services increased by 5,900 jobs.
- Trade, transportation and utilities added 3,900 jobs. The growth was primarily in retail trade.
- Construction gained 3,100 jobs with gains particularly in specialty trade contractors.

Government was the only major industry to report statewide calendar year job loss with a decline of 400 jobs.

One major industry, mining and logging, showed no change for calendar year.

The agriculture sector suffered from drought related declines in 2014, affecting some aspects of the Kansas economy. It caused the natural resources and mining industry to be the only one that experienced a decline in GDP.

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The unemployment rate was 4.7 percent in June 2015, compared to 4.8 percent in June 2014. There were 81,504 continued unemployment claims in June, 2015, down from 81,790 in June, 2014. Additional demographic and economic information may be found in the Statistical Section of this report.

#### FISCAL YEAR 2015 STATE GENERAL FUND ALLOTMENTS

The first of two allotments for FY 2015 was announced in December 2014. The use of an allotment plan is provided for in K.S.A. 75-3722. The first allotment was done after considering current consensus revenue estimates, consensus caseload adjustments and the FY 2015 approved budget. It was determined that the resources of the State General Fund were likely to be insufficient to cover the appropriations made against the State General Fund. A second allotment was enacted in February 2015 because State General Fund collections through January 2015 were below estimates.

Additional information can be found in Note IV of the notes to the financial statements of this report.

#### FISCAL YEAR 2016 STATE GENERAL FUND REDUCTIONS AND TRANSFERS

The Director of the Budget is authorized through 2015 Senate Substitute for House Bill 2135 to make expenditure reductions or revenue transfers of up to \$100.0 million in FY 2016. The budget of the Legislature, the Judicial Branch budget, debt service, KPERS employer contributions, and aid to local schools are excluded from the provisions of the bill. A total of \$43.1 million in adjustments were made using the authority under the bill. Of this amount, \$20.8 million was from expenditure reductions and \$22.3 million was from revenue transfers.

A second set of budget adjustments were announced on November 6, 2015 as a result of State General Fund revenue estimates that were revised downward. For FY 2016, the estimate was decreased by \$159.1 million, or 2.5 percent, below the previous estimate, which was made in April and subsequently adjusted for legislation enacted during the veto session of the 2015 Legislature. The budget adjustments total \$123.8 million from expenditure reductions and transfers.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of State finances for all of Kansas's citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate State 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:

DeAnn Hill, CPA  
Chief Financial Officer for the State of Kansas  
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# **Financial Statements**

State of Kansas  
**Financial Statements**  
June 30, 2015

**Government Wide - Statement of Net Position**

**June 30, 2015**

*(expressed in thousands)*

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,334,901	\$ 179,461	\$ 1,514,362	\$ 805,205
Investments	79,964	202,852	282,816	432,624
Receivables (net)	966,969	658,595	1,625,564	533,096
Due from primary government:				
Investment in direct financing leases, due within one year	0	0	0	630
Investment in direct financing leases, due in more than one year	0	0	0	2,830
Internal balances	4,807	(4,807)	0	0
Inventories	35,287	3,080	38,367	14,157
Other current assets	0	0	0	35,818
Restricted cash and cash equivalents	151,926	445,550	597,476	231,029
Restricted investments	15,790	257,278	273,068	2,656,392
Capital assets not being depreciated	12,115,451	0	12,115,451	974,636
Capital assets, net of accumulated depreciation	1,087,113	320	1,087,433	2,400,511
Other noncurrent assets	1,835	0	1,835	45,918
Total assets	<u>15,794,043</u>	<u>1,742,329</u>	<u>17,536,372</u>	<u>8,132,846</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	12,072	0	12,072	0
Deferred amounts on refunding	23,384	16,925	40,309	12,550
Deferred outflows - pensions	128,536	441	128,977	18,358
Total deferred outflows of resources	<u>163,992</u>	<u>17,366</u>	<u>181,358</u>	<u>30,908</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	1,224,352	46,957	1,271,309	287,145
Due to component unit:				
Lease revenue bonds payable, due within one year	630	0	630	0
Lease revenue bonds payable, due in more than one year	2,830	0	2,830	0
Unearned revenue	18,183	13,472	31,655	113,426
Derivative instrument - interest rate swap	21,111	0	21,111	0
Bonds payable on demand	147,000	0	147,000	0
Noncurrent liabilities:				
Due within one year	301,903	72,454	374,357	149,338
Due in more than one year	5,210,413	610,648	5,821,061	1,702,080
Total liabilities	<u>6,926,422</u>	<u>743,531</u>	<u>7,669,953</u>	<u>2,251,989</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	297,942	1,107	299,049	46,897
Total deferred inflows of resources	<u>297,942</u>	<u>1,107</u>	<u>299,049</u>	<u>46,897</u>
<b>NET POSITION</b>				
Net investment in capital assets	9,664,367	320	9,664,687	2,177,149
Restricted for:				
Capital projects	44,972	0	44,972	210,789
Debt service	0	38,382	38,382	65,610
Other purposes	643,057	982,878	1,625,935	2,702,912
Highways and other transportation	422,876	0	422,876	0
Unrestricted	<u>(2,041,601)</u>	<u>(6,523)</u>	<u>(2,048,124)</u>	<u>708,408</u>
Total net position	<u>\$ 8,733,671</u>	<u>\$ 1,015,057</u>	<u>\$ 9,748,728</u>	<u>\$ 5,864,868</u>

The notes to the financial statements are an integral part of this statement.

State of Kansas  
**Financial Statements**  
June 30, 2015

**Government Wide - Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 898,782	\$ 296,550	\$ 60,372	\$ 0
Human resources	2,660,656	119,201	710,223	104
Education	5,364,450	6,085	478,293	0
Public safety	576,079	60,498	54,913	115
Agriculture and natural resources	119,297	73,105	21,665	1,287
Highways and other transportation	887,297	218,788	191,169	208,377
Health and environment	2,358,837	55,281	2,080,594	0
Interest expense	123,273	0	0	0
<b>Total governmental activities</b>	<b>12,988,671</b>	<b>829,508</b>	<b>3,597,229</b>	<b>209,883</b>
Business-type activities:				
Water pollution and safety	26,434	17,094	0	34,437
Health care stabilization	88,338	27,372	0	0
Unemployment insurance	292,794	421,735	5,254	0
Workers' compensation	6,946	7,613	0	0
Lottery	459,748	615,051	0	0
Intergovernmental transfer program	80	0	0	0
Transportation revolving loans	2,052	326	0	0
<b>Total business-type activities</b>	<b>876,392</b>	<b>1,089,191</b>	<b>5,254</b>	<b>34,437</b>
<b>Total primary government</b>	<b>\$ 13,865,063</b>	<b>\$ 1,918,699</b>	<b>\$ 3,602,483</b>	<b>\$ 244,320</b>
<b>Component units:</b>				
Kansas Turnpike Authority	\$ 68,782	\$ 105,389	\$ 1,675	\$ 571
Kansas Development Finance Authority	1,751	1,654	0	0
Kansas Bioscience Authority	20,470	324	11	0
Kansas Center for Entrepreneurship	1,364	5,590	74	0
State University System	2,860,309	1,222,507	596,380	120,967
Kansas Housing Resources Corporation	84,318	3,666	78,527	0
<b>Total component units</b>	<b>\$ 3,036,994</b>	<b>\$ 1,339,130</b>	<b>\$ 676,667</b>	<b>\$ 121,538</b>

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State of Kansas  
**Financial Statements**  
June 30, 2015

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-Type Activities	Total	Component Units	
\$ (541,860)	\$ 0	\$ (541,860)	\$ 0	
(1,831,128)	0	(1,831,128)	0	
(4,880,072)	0	(4,880,072)	0	
(460,553)	0	(460,553)	0	
(23,240)	0	(23,240)	0	
(268,963)	0	(268,963)	0	
(222,962)	0	(222,962)	0	
(123,273)	0	(123,273)	0	
(8,352,051)	0	(8,352,051)	0	
0	25,097	25,097	0	
0	(60,966)	(60,966)	0	
0	134,195	134,195	0	
0	667	667	0	
0	155,303	155,303	0	
0	(80)	(80)	0	
0	(1,726)	(1,726)	0	
0	252,490	252,490	0	
\$ (8,352,051)	\$ 252,490	\$ (8,099,561)	\$ 0	
\$ 0	\$ 0	\$ 0	\$ 38,853	
0	0	0	(97)	
0	0	0	(20,135)	
0	0	0	4,300	
0	0	0	(920,455)	
0	0	0	(2,125)	
\$ 0	\$ 0	\$ 0	\$ (899,659)	
<b>General revenues:</b>				
Taxes:				
Property tax	\$ 644,964	\$ 0	\$ 644,964	\$ 7,408
Income and inheritance tax	2,864,790	0	2,864,790	0
Sales and excise tax	3,607,478	0	3,607,478	0
Gross receipts tax	215,145	0	215,145	0
Investment earnings	7,805	14,731	22,536	22,138
Other revenue	474,171	49,973	524,144	1,093,301
Transfers	164,266	(164,266)	0	0
<b>Total general revenues</b>	7,978,619	(99,562)	7,879,057	1,122,847
Change in net position	(373,432)	152,928	(220,504)	223,188
Net position - beginning	10,984,742	868,400	11,853,142	5,809,435
Revisions to beginning net position	(1,877,639)	(6,271)	(1,883,910)	(167,755)
Net position - beginning (restated)	9,107,103	862,129	9,969,232	5,641,680
Net position - ending	\$ 8,733,671	\$ 1,015,057	\$ 9,748,728	\$ 5,864,868

State of Kansas  
**Financial Statements**  
June 30, 2015

**Balance Sheet - Governmental Funds**

June 30, 2015

(expressed in thousands)

	General	Social Services	Health and Environment	Education	Transporta- tion	Nonmajor Governmental	Total Governmental
<b>ASSETS</b>							
Cash and cash equivalents	\$ 155,844	\$ 68,424	\$ 203,842	\$ 12,534	\$ 329,007	\$ 519,942	\$ 1,289,593
Investments	0	0	0	0	79,964	0	79,964
Receivables, net	634,170	47,735	140,482	2,689	94,450	40,706	960,232
Due from other funds	4,807	0	0	0	0	21,344	26,151
Prepaid insurance	0	0	0	0	391	0	391
Inventories	5,308	1,346	0	0	23,465	4,121	34,240
Advances to other funds	0	0	0	0	0	127,858	127,858
Restricted cash and cash equivalents	0	0	0	0	17,500	134,426	151,926
Restricted investments	0	0	0	0	0	15,790	15,790
Total assets	<u>\$ 800,129</u>	<u>\$ 117,505</u>	<u>\$ 344,324</u>	<u>\$ 15,223</u>	<u>\$ 544,777</u>	<u>\$ 864,187</u>	<u>\$ 2,686,145</u>
<b>LIABILITIES</b>							
Accounts payable and other current liabilities	\$ 656,047	\$ 94,081	\$ 145,669	\$ 3,655	\$ 96,740	\$ 203,886	\$ 1,200,078
Due to other funds	20,294	0	244	0	0	222	20,760
Advances from other funds	126,075	0	0	0	0	931	127,006
Unearned revenue	0	0	0	0	18,183	0	18,183
Bonds payable on demand	0	0	0	0	0	147,000	147,000
Total liabilities	<u>802,416</u>	<u>94,081</u>	<u>145,913</u>	<u>3,655</u>	<u>114,923</u>	<u>352,039</u>	<u>1,513,027</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - taxes	277,453	49	230	0	17,375	159	295,266
Total deferred inflows of resources	<u>277,453</u>	<u>49</u>	<u>230</u>	<u>0</u>	<u>17,375</u>	<u>159</u>	<u>295,266</u>
<b>FUND BALANCES</b>							
Nonspendable:							
Long-term receivables	0	0	0	0	1,495	4,085	5,580
Inventory	5,308	1,346	0	0	23,465	4,121	34,240
Prepaid Insurance	0	0	0	0	391	0	391
Restricted for:							
Capital projects	0	0	0	0	0	44,972	44,972
Debt service	0	0	0	0	0	158,784	158,784
General government	0	0	0	0	0	221,805	221,805
Human resources	0	22,029	0	0	0	51,649	73,678
Education	0	0	0	11,568	0	7,531	19,099
Public safety	0	0	0	0	0	67,616	67,616
Agriculture and natural resources	0	0	0	0	0	62,678	62,678
Highways and other transportation	0	0	0	0	387,128	35,748	422,876
Health and environment	0	0	198,181	0	0	0	198,181
Unassigned	(285,048)	0	0	0	0	(147,000)	(432,048)
Total fund balance	<u>(279,740)</u>	<u>23,375</u>	<u>198,181</u>	<u>11,568</u>	<u>412,479</u>	<u>511,989</u>	<u>877,852</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 800,129</u>	<u>\$ 117,505</u>	<u>\$ 344,324</u>	<u>\$ 15,223</u>	<u>\$ 544,777</u>	<u>\$ 864,187</u>	<u>\$ 2,686,145</u>

The notes to the financial statements are an integral part of this statement.

(Continued)

State of Kansas  
**Financial Statements**  
June 30, 2015

**Balance Sheet - Governmental Funds - Continued**  
**June 30, 2015**  
*(expressed in thousands)*

	Total Governmental
<b>Reconciliation to the Statement of Net Position:</b>	
Total fund balance from previous page	\$ 877,852
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds:	
Capital assets not being depreciated	12,115,451
Capital assets being depreciated	1,087,113
Internal service funds included in above	(90,102)
Other noncurrent assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Derivatives	12,072
Other noncurrent assets	1,444
Deferred refunding	23,384
Deferred outflows - pensions	128,536
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Notes payable	(18,093)
Capital leases payable	(80,809)
Revenue bonds payable	(3,079,960)
Pollution remediation	(48,747)
Unamortized premium discount	(212,151)
Other post employment benefits	(59,504)
Net pension liability	(1,750,877)
Compensated absences	(113,015)
Claims and judgments	(131,731)
Due to component unit (lease revenue bonds payable)	(3,460)
Arbitrage and derivative liabilities	(21,295)
Deferred revenue adjustment for revenue unavailable at the fund level	295,266
Accrued interest	(38,239)
Internal service funds included in above	127,755
Other deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds:	
Deferred inflows - pensions	(297,942)
Internal service funds: the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	10,723
Net position of governmental activities	\$ 8,733,671

The notes to the financial statements are an integral part of this statement.

State of Kansas  
**Financial Statements**  
June 30, 2015

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	General	Social Services	Health and Environment	Education	Transporta- tion	Nonmajor Governmental	Total Governmental
<b>Revenues:</b>							
Property tax	\$ 827	\$ 0	\$ 0	\$ 590,631	\$ 0	\$ 53,380	\$ 644,838
Income and inheritance tax	2,783,900	0	2	0	0	25,317	2,809,219
Sales and excise tax	2,781,325	3,160	741	0	800,663	14,174	3,600,063
Gross receipts tax	190,010	0	3,348	0	0	21,769	215,127
Charges for services	31,943	102,863	54,355	4,676	218,788	416,883	829,508
Operating grants	0	684,383	2,080,773	475,175	189,343	168,412	3,598,086
Capital grants	0	0	0	0	208,085	1,287	209,372
Investment earnings	3,563	37	159	0	831	4,099	8,689
Other revenues	1,519	11,830	322,817	48,295	5,886	74,291	464,638
Total revenues	<u>5,793,087</u>	<u>802,273</u>	<u>2,462,195</u>	<u>1,118,777</u>	<u>1,423,596</u>	<u>779,612</u>	<u>12,379,540</u>
<b>Expenditures:</b>							
Current:							
General government	216,974	0	0	0	0	678,313	895,287
Human resources	943,229	1,646,949	0	0	0	88,241	2,678,419
Education	3,935,473	0	0	1,368,074	0	59,789	5,363,336
Public safety	385,825	0	0	0	0	197,895	583,720
Agriculture and natural resources	11,066	0	0	0	0	120,345	131,411
Highways and other transportation	0	0	0	0	1,139,223	18,926	1,158,149
Health and environment	751,202	0	1,600,004	0	0	8,749	2,359,955
Debt service:							
Principal	1,308	93	0	0	0	168,693	170,094
Interest	841	0	0	0	0	134,962	135,803
Total expenditures	<u>6,245,918</u>	<u>1,647,042</u>	<u>1,600,004</u>	<u>1,368,074</u>	<u>1,139,223</u>	<u>1,475,913</u>	<u>13,476,174</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(452,831)</u>	<u>(844,769)</u>	<u>862,191</u>	<u>(249,297)</u>	<u>284,373</u>	<u>(696,301)</u>	<u>(1,096,634)</u>
<b>Other financing sources (uses):</b>							
Issuance of bonds	0	0	0	0	0	705,645	705,645
Issuance of notes payable	0	0	0	0	0	3,858	3,858
Issuance of capital leases	0	1,070	0	0	0	11,480	12,550
Premium on issuance of debt	0	0	0	0	0	83,565	83,565
Issuance of refunding bonds	0	0	0	0	0	191,290	191,290
Premium on issuance of refunding debt	0	0	0	0	0	32,882	32,882
Payment to refunded bonds escrow agent	0	0	0	0	0	(223,238)	(223,238)
Transfers, net	170,616	808,257	(864,778)	252,049	(329,309)	124,904	161,739
Total other financing sources (uses)	<u>170,616</u>	<u>809,327</u>	<u>(864,778)</u>	<u>252,049</u>	<u>(329,309)</u>	<u>930,386</u>	<u>968,291</u>
<b>Net change in fund balances</b>	<u>(282,215)</u>	<u>(35,442)</u>	<u>(2,587)</u>	<u>2,752</u>	<u>(44,936)</u>	<u>234,085</u>	<u>(128,343)</u>
Fund balances, beginning	2,475	58,817	187,268	8,816	457,933	356,264	1,071,573
Revisions to beginning fund balances	0	0	13,500	0	0	(78,360)	(64,860)
Fund balances, beginning (restated)	<u>2,475</u>	<u>58,817</u>	<u>200,768</u>	<u>8,816</u>	<u>457,933</u>	<u>277,904</u>	<u>1,006,713</u>
Change in reserves for inventory	0	0	0	0	(518)	0	(518)
<b>Fund balances, end</b>	<u>\$ (279,740)</u>	<u>\$ 23,375</u>	<u>\$ 198,181</u>	<u>\$ 11,568</u>	<u>\$ 412,479</u>	<u>\$ 511,989</u>	<u>\$ 877,852</u>

The notes to the financial statements are an integral part of this statement.

(Continued)

State of Kansas  
**Financial Statements**  
June 30, 2015

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**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

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	Total Governmental
<b>Reconciliation to the Statement of Activities:</b>	
Total net change in fund balance from previous page	\$ (128,343)
<p>Governmental funds report capital asset acquisition as expenditures. However, in the statement of activities, the cost of assets capitalized is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized assets exceeded depreciation in the current period.</p>	
Depreciation expense	(78,648)
Capitalized assets acquired	437,012
<p>In the statement of activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of capital assets sold.</p>	
	(80,799)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>	
Unavailable revenue	61,700
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long- term liabilities in the statement of net position:</p>	
Revenue bonds	(896,935)
Bond premiums and discounts	(116,447)
Deferred refundings	2,711
Other borrowings	(16,408)
<p>Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.</p>	
Revenue bonds	162,770
Other borrowings	7,322
Payment to escrow agent on refunded bonds	207,200
<p>The amortization of bond premiums and discounts affects long-term liabilities on the statement of net position, but does not provide or use current financial resources to governmental funds.</p>	
	32,771
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
Compensated absences	7,738
Pollution remediation	16,931
Accrued interest	(6,825)
Claims and judgments	14,873
Other post employment benefits	(873)
Net pension liability	299,230
Change in inventory for materials and supplies	(518)
Derivatives (liability), due to component and accrued accounts payable	12,153
Derivatives (assets and deferred outflows)	(11,033)
<p>The amortization of collective deferred outflows and inflows of resources related to pensions affects change in net position, but does not provide or use current financial resources to governmental funds.</p>	
Collective deferred outflows - pensions	(2,919)
Collective deferred inflows - pensions	(297,942)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.</p>	
	1,847
Changes in Net Position of Governmental Activities	\$ (373,432)

The notes to the financial statements are an integral part of this statement.

State of Kansas  
**Financial Statements**  
June 30, 2015

**Statement of Net Position - Proprietary Funds**  
**June 30, 2015**  
*(expressed in thousands)*

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor Funds	Total	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 110,189	\$ 7,089	\$ 3,376	\$ 58,807	\$ 179,461	\$ 45,308
Restricted cash and cash equivalents	0	391,394	0	34,577	425,971	0
Investments	64,508	0	33,362	0	97,870	0
Investments, restricted	319	0	0	0	319	0
Receivables, net	52,872	23,975	2,504	16,447	95,798	6,737
Inventories	0	0	0	3,080	3,080	1,047
Total current assets	<u>227,888</u>	<u>422,458</u>	<u>39,242</u>	<u>112,911</u>	<u>802,499</u>	<u>53,092</u>
Noncurrent assets:						
Restricted cash and cash equivalents	19,579	0	0	0	19,579	0
Investments	89,705	0	0	15,277	104,982	0
Investments, restricted	21,396	0	235,563	0	256,959	0
Receivables, net	531,068	0	0	31,729	562,797	0
Capital assets not being depreciated	0	0	0	0	0	460
Capital assets (net of accumulated depreciation)	0	0	17	303	320	89,642
Total noncurrent assets	<u>661,748</u>	<u>0</u>	<u>235,580</u>	<u>47,309</u>	<u>944,637</u>	<u>90,102</u>
Total assets	<u>889,636</u>	<u>422,458</u>	<u>274,822</u>	<u>160,220</u>	<u>1,747,136</u>	<u>143,194</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amounts on refunding	16,925	0	0	0	16,925	0
Deferred outflows - pensions	0	0	0	441	441	0
Total deferred outflows of resources	<u>16,925</u>	<u>0</u>	<u>0</u>	<u>441</u>	<u>17,366</u>	<u>0</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other current liabilities	5,824	7,632	117	33,384	46,957	3,280
Unearned revenue	0	0	12,497	0	12,497	0
Due to other funds	0	0	0	4,807	4,807	584
Compensated absences	0	0	70	8	78	1,362
Portion of long-term liabilities	45,308	0	14,400	12,668	72,376	45,209
Total current liabilities	<u>51,132</u>	<u>7,632</u>	<u>27,084</u>	<u>50,867</u>	<u>136,715</u>	<u>50,435</u>
Noncurrent liabilities:						
Compensated absences	0	0	12	1	13	243
Claims and judgments	0	0	208,600	28,060	236,660	40,571
Bonds, notes and loans payable	314,757	0	0	41,358	356,115	40,370
Unearned lease revenue	0	0	0	975	975	0
Arbitrage rebate payable	0	0	0	237	237	0
Other noncurrent liabilities	11,680	0	49	5,894	17,623	0
Advances from other funds	0	0	0	0	0	852
Total noncurrent liabilities	<u>326,437</u>	<u>0</u>	<u>208,661</u>	<u>76,525</u>	<u>611,623</u>	<u>82,036</u>
Total liabilities	<u>377,569</u>	<u>7,632</u>	<u>235,745</u>	<u>127,392</u>	<u>748,338</u>	<u>132,471</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - pensions	0	0	0	1,107	1,107	0
<b>NET POSITION</b>						
Net investment in capital assets	0	0	17	303	320	48,067
Restricted for:						
Debt service	0	0	0	38,382	38,382	0
Other purposes	528,992	414,826	39,060	0	982,878	0
Unrestricted	0	0	0	(6,523)	(6,523)	(37,344)
Total net position	<u>\$ 528,992</u>	<u>\$ 414,826</u>	<u>\$ 39,077</u>	<u>\$ 32,162</u>	<u>\$ 1,015,057</u>	<u>\$ 10,723</u>

The notes to the financial statements are an integral part of this statement.

State of Kansas  
**Financial Statements**  
June 30, 2015

**Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Proprietary Funds  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Business-Type Activities				Total	Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor Funds		
<b>Operating revenues:</b>						
Charges for services	\$ 1,613	\$ 421,735	\$ 27,372	\$ 622,990	\$1,073,710	\$ 80,388
Interest on loans	15,481	0	0	0	15,481	0
Other revenue	2,086	40,590	700	6,597	49,973	23,937
Total operating revenues	<u>19,180</u>	<u>462,325</u>	<u>28,072</u>	<u>629,587</u>	<u>1,139,164</u>	<u>104,325</u>
<b>Operating expenses:</b>						
Salaries and wages	0	0	1,389	6,018	7,407	26,386
Supplies and services	1,813	0	3,747	289,546	295,106	48,922
Lottery prize awards	0	0	0	144,914	144,914	0
Depreciation	0	0	6	120	126	9,773
Insurance claims and expenses	0	290,171	0	4,329	294,500	17,470
Program administration - Water Funds	1,589	0	0	0	1,589	0
Other expenses	6,866	41	82,996	21,993	111,896	98
Total operating expenses	<u>10,268</u>	<u>290,212</u>	<u>88,138</u>	<u>466,920</u>	<u>855,538</u>	<u>102,649</u>
<b>Operating income (loss)</b>	<u>8,912</u>	<u>172,113</u>	<u>(60,066)</u>	<u>162,667</u>	<u>283,626</u>	<u>1,676</u>
<b>Nonoperating revenues (expenses):</b>						
Operating grants	0	5,254	0	0	5,254	0
Capital grants	34,437	0	0	0	34,437	0
Investment earnings	3,059	5,836	4,977	859	14,731	19
Interest expense	(17,710)	0	0	(1,906)	(19,616)	(2,021)
Other revenues (expenses)	1,544	(2,582)	(200)	0	(1,238)	(354)
Total nonoperating revenues (expenses)	<u>21,330</u>	<u>8,508</u>	<u>4,777</u>	<u>(1,047)</u>	<u>33,568</u>	<u>(2,356)</u>
<b>Income before transfers</b>	<u>30,242</u>	<u>180,621</u>	<u>(55,289)</u>	<u>161,620</u>	<u>317,194</u>	<u>(680)</u>
Transfers in	0	706,875	3,104	0	709,979	11,174
Transfers out	0	(711,895)	(200)	(162,150)	(874,245)	(8,647)
Change in net position	<u>30,242</u>	<u>175,601</u>	<u>(52,385)</u>	<u>(530)</u>	<u>152,928</u>	<u>1,847</u>
Net position - beginning	498,750	239,225	91,462	38,963	868,400	8,876
Revisions to beginning net position	0	0	0	(6,271)	(6,271)	0
Net position - beginning (restated)	<u>498,750</u>	<u>239,225</u>	<u>91,462</u>	<u>32,692</u>	<u>862,129</u>	<u>8,876</u>
<b>Net position - ending</b>	<u>\$ 528,992</u>	<u>\$ 414,826</u>	<u>\$ 39,077</u>	<u>\$ 32,162</u>	<u>\$1,015,057</u>	<u>\$ 10,723</u>

The notes to the financial statements are an integral part of this statement.

State of Kansas  
**Financial Statements**  
June 30, 2015

**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor funds	Total	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>						
Cash receipts from customers	\$ 15,783	\$ 449,142	\$ 29,974	\$ 659,779	\$ 1,154,678	\$ 105,970
Cash payments to suppliers for goods and services	(1,813)	(1,008)	(4,162)	(1,119)	(8,102)	(48,837)
Cash payments to employees for services	0	0	(1,366)	(6,105)	(7,471)	(26,339)
Cash payments for lottery prizes	0	0	0	(452,835)	(452,835)	0
Claims paid	0	(290,171)	(26,866)	(996)	(318,033)	(19,029)
Other operating revenues	66,713	0	0	0	66,713	0
Other operating expenses	(71,093)	0	0	(1,142)	(72,235)	0
Net cash provided (used) by operating activities	<u>9,590</u>	<u>157,963</u>	<u>(2,420)</u>	<u>197,582</u>	<u>362,715</u>	<u>11,765</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating grants receipts	0	5,254	0	0	5,254	0
Other non-operating expenses	0	(2,582)	(200)	0	(2,782)	(354)
Advances from other funds	0	0	0	0	0	214
Net transfers to other funds	0	(5,020)	2,904	(162,150)	(164,266)	2,527
Other cash inflows from noncapital financing activities	39,638	0	0	0	39,638	0
Other cash outflows from noncapital financing activities	(58,190)	0	0	(8,643)	(66,833)	0
Net cash provided (used) by noncapital financing	<u>(18,552)</u>	<u>(2,348)</u>	<u>2,704</u>	<u>(170,793)</u>	<u>(188,989)</u>	<u>2,387</u>
<b>Cash flows from capital and related financing activities:</b>						
Repayment of long-term debt	0	0	0	0	0	(7,585)
Interest payments	0	0	0	0	0	(2,021)
Proceeds from sale of fixed assets	0	0	0	28	28	0
Payments for purchase of fixed assets	0	0	(10)	(153)	(163)	(1,373)
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>0</u>	<u>(10)</u>	<u>(125)</u>	<u>(135)</u>	<u>(10,979)</u>
<b>Cash flows from investing activities:</b>						
Proceeds from sale and maturities of investment securities	111,134	0	28,250	0	139,384	0
Purchase of investments	(129,425)	0	(38,912)	0	(168,337)	0
Interest and dividends	2,543	5,836	8,565	855	17,799	19
Net cash provided (used) by investing activities	<u>(15,748)</u>	<u>5,836</u>	<u>(2,097)</u>	<u>855</u>	<u>(11,154)</u>	<u>19</u>
Net increase (decrease) in cash and cash equivalents	(24,710)	161,451	(1,823)	27,519	162,437	3,192
Cash and cash equivalents, beginning of year	154,478	237,032	5,199	65,865	462,574	42,116
<b>Cash and cash equivalents, end of year</b>	<u>\$ 129,768</u>	<u>\$ 398,483</u>	<u>\$ 3,376</u>	<u>\$ 93,384</u>	<u>\$ 625,011</u>	<u>\$ 45,308</u>
<b>Reconciliation of operating income (loss) to net cash provided by operations:</b>						
Operating income (loss)	\$ 8,912	\$ 172,113	\$ (60,066)	\$ 162,667	\$ 283,626	\$ 1,676
<b>Adjustment to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation and amortization	0	0	6	120	126	9,773
Changes in assets and liabilities:						
Receivables	419	(13,183)	0	14,062	1,298	1,645
Inventories	0	0	0	0	0	(118)
Accounts payable	259	(967)	(415)	702	(421)	202
Payroll liabilities	0	0	23	(3)	20	46
Due to other funds	0	0	0	(1,140)	(1,140)	99
Claims and judgments	0	0	56,130	3,333	59,463	(1,558)
Unearned revenue	0	0	1,902	5,345	7,247	0
Net change in pension deferred outflows/inflows	0	0	0	1,056	1,056	0
Net pension liability	0	0	0	(1,141)	(1,141)	0
Refundable deposits	0	0	0	11,000	11,000	0
Lottery prize liability	0	0	0	1,581	1,581	0
Total adjustments	<u>678</u>	<u>(14,150)</u>	<u>57,646</u>	<u>34,915</u>	<u>79,089</u>	<u>10,089</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 9,590</u>	<u>\$ 157,963</u>	<u>\$ (2,420)</u>	<u>\$ 197,582</u>	<u>\$ 362,715</u>	<u>\$ 11,765</u>

The notes to the financial statements are an integral part of this statement.

State of Kansas  
**Financial Statements**  
June 30, 2015

**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2015**  
*(expressed in thousands)*

	<u>Pension Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 49,988	\$ 1,055,644	\$ 524,316
Investments:			
Domestic equities	5,325,212	0	0
International equities	3,920,315	0	0
Short term	127,106	0	0
Fixed income	5,003,364	0	0
Alternative investments	605,869	0	0
Real estate	1,602,869	0	0
Certificates of deposit	0	0	287,642
Receivables, net	3,395,319	0	181,817
Capital assets	3,151	0	200
	<u>20,033,193</u>	<u>1,055,644</u>	<u>993,975</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	<u>3,339,513</u>	<u>0</u>	<u>993,975</u>
	<u>3,339,513</u>	<u>0</u>	<u>\$ 993,975</u>
<b>NET POSITION</b>			
Net position held in trust	<u>\$ 16,693,680</u>	<u>\$ 1,055,644</u>	

The notes to the financial statements are an integral part of this statement.

State of Kansas  
**Financial Statements**  
June 30, 2015

**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Pension Trust	Investment Trust
<b>ADDITIONS</b>		
Contributions:		
Employer contributions	\$ 750,199	\$ 0
Employee contributions	388,696	0
Total contributions	1,138,895	0
Investment earnings:		
Net appreciation (depreciation) in fair value in investments	263,095	183
Interest	132,717	0
Dividends	140,608	0
Real estate income	75,353	0
Other investment income	10,573	0
Securities lending income	4,118	0
Total investment earnings	626,464	183
Less investment expense	65,262	0
Net investment earnings	561,202	183
MIP deposits	0	2,931,482
Other income	1,081	0
Total investment earnings	562,283	2,931,665
Total additions	1,701,178	2,931,665
<b>DEDUCTIONS</b>		
Benefits and refunds:		
Monthly benefits and refunds	1,449,896	0
Refunds of contributions	64,462	0
Death benefits	10,020	0
Insurance premiums and disability benefits	47,513	0
Distributions	0	3,097,780
Total benefits and refunds	1,571,891	3,097,780
Administrative expenses	11,266	0
Total deductions	1,583,157	3,097,780
Change in net position	118,021	(166,115)
Net position - beginning	16,575,659	1,221,759
<b>Net position - ending</b>	<b>\$ 16,693,680</b>	<b>\$ 1,055,644</b>

The notes to the financial statements are an integral part of this statement.

State of Kansas  
**Financial Statements**  
June 30, 2015

**Combining Statement of Net Position - Component Units**

**June 30, 2015**

(expressed in thousands)

	Kansas Turnpike Authority	Kansas Development Finance Authority	Kansas Housing Resources Corporation	Kansas Bioscience Authority	Kansas Center for Entrepre- neurship	State University System	Total
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 35,586	\$ 732	\$ 1,101	\$ 16,684	\$ 12,165	\$ 738,937	\$ 805,205
Restricted cash and cash equivalents	2,297	0	2,338	0	0	174,410	179,045
Investments	26,025	12,389	10,400	16,222	1,303	184,158	250,497
Restricted investments	34,681	415	925	0	0	458,460	494,481
Receivables, net	8,617	34	1,174	1,296	14,805	318,700	344,626
Due from primary government	0	630	0	0	0	0	630
Inventories	0	0	0	0	0	14,157	14,157
Other assets	1,832	68	127	162	0	33,629	35,818
Total current assets	<u>109,038</u>	<u>14,268</u>	<u>16,065</u>	<u>34,364</u>	<u>28,273</u>	<u>1,922,451</u>	<u>2,124,459</u>
Noncurrent assets:							
Restricted cash and cash equivalents	0	0	13	0	0	51,971	51,984
Investments	69,448	0	0	25,220	0	87,459	182,127
Restricted investments	0	0	0	0	0	2,161,911	2,161,911
Receivables, net	0	0	1,508	2,011	0	184,951	188,470
Due from primary government	0	2,830	0	0	0	0	2,830
Capital assets not being depreciated	550,931	0	0	420	0	423,285	974,636
Capital assets (net of accumulated depreciation)	29,604	754	484	12,533	0	2,357,136	2,400,511
Other noncurrent assets	0	0	0	8,300	0	37,618	45,918
Total noncurrent assets	<u>649,983</u>	<u>3,584</u>	<u>2,005</u>	<u>48,484</u>	<u>0</u>	<u>5,304,331</u>	<u>6,008,387</u>
Total assets	<u>759,021</u>	<u>17,852</u>	<u>18,070</u>	<u>82,848</u>	<u>28,273</u>	<u>7,226,782</u>	<u>8,132,846</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred amounts on refunding	4,784	0	0	0	0	7,766	12,550
Deferred outflows - pensions	1,722	81	229	0	0	16,326	18,358
Total deferred outflows of resources	<u>6,506</u>	<u>81</u>	<u>229</u>	<u>0</u>	<u>0</u>	<u>24,092</u>	<u>30,908</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and other liabilities	8,727	965	333	1,750	824	274,546	287,145
Unearned revenue	2,082	415	1,037	0	0	109,892	113,426
Compensated absences	1,551	0	207	0	0	62,457	64,215
Portion of long-term liabilities	12,540	630	0	635	0	71,318	85,123
Total current liabilities	<u>24,900</u>	<u>2,010</u>	<u>1,577</u>	<u>2,385</u>	<u>824</u>	<u>518,213</u>	<u>549,909</u>
Noncurrent liabilities:							
Compensated absences	1,967	0	0	0	0	12,277	14,244
Bonds, notes and loans payable	204,599	2,830	0	10,563	0	1,108,506	1,326,498
Arbitrage rebate liability	0	0	0	0	0	404	404
Other noncurrent liabilities	617	2,883	188	0	0	117,222	120,910
Net pension liability	14,384	1,058	3,363	0	0	221,219	240,024
Total noncurrent liabilities	<u>221,567</u>	<u>6,771</u>	<u>3,551</u>	<u>10,563</u>	<u>0</u>	<u>1,459,628</u>	<u>1,702,080</u>
Total liabilities	<u>246,467</u>	<u>8,781</u>	<u>5,128</u>	<u>12,948</u>	<u>824</u>	<u>1,977,841</u>	<u>2,251,989</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows - pensions	3,120	202	495	0	0	43,080	46,897
<b>NET POSITION</b>							
Net investment in capital assets	368,181	754	484	4,231	0	1,803,499	2,177,149
Restricted for:							
Capital projects	0	0	0	0	0	210,789	210,789
Debt service	33,080	0	0	0	0	32,530	65,610
Other purposes	0	0	2,654	5,825	0	2,694,433	2,702,912
Unrestricted	114,679	8,196	9,538	59,844	27,449	488,702	708,408
Total net position	<u>\$ 515,940</u>	<u>\$ 8,950</u>	<u>\$ 12,676</u>	<u>\$ 69,900</u>	<u>\$ 27,449</u>	<u>\$ 5,229,953</u>	<u>\$ 5,864,868</u>

The notes to the financial statements are an integral part of this statement

State of Kansas  
**Financial Statements**  
June 30, 2015

**Combining Statement of Activities-Component Units**  
**For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Kansas Turnpike Authority	Kansas Development Finance Authority	Kansas Housing Resources Corporation	Kansas Bioscience Authority	Kansas Center for Entrepre- neurship	State University System	Total
<b>Expenses:</b>							
Salaries and wages	\$ 20,150	\$ 1,123	\$ 3,081	\$ 2,435	\$ 0	\$ 1,697,437	\$ 1,724,226
Supplies and services	35,153	560	1,214	567	715	623,492	661,701
Depreciation and amortization	2,890	46	81	500	0	153,750	157,267
Interest expense	10,540	22	0	0	0	41,093	51,655
Other expenses	49	0	79,942	16,968	649	344,537	442,145
Total expenses	<u>68,782</u>	<u>1,751</u>	<u>84,318</u>	<u>20,470</u>	<u>1,364</u>	<u>2,860,309</u>	<u>3,036,994</u>
<b>Program Revenues:</b>							
Charges for services	105,389	1,654	3,666	324	5,590	1,222,507	1,339,130
Operating grants	1,675	0	78,527	11	74	596,380	676,667
Capital grants	571	0	0	0	0	120,967	121,538
Total program revenues	<u>107,635</u>	<u>1,654</u>	<u>82,193</u>	<u>335</u>	<u>5,664</u>	<u>1,939,854</u>	<u>2,137,335</u>
<b>Net (Expense) Revenue</b>	<u>38,853</u>	<u>(97)</u>	<u>(2,125)</u>	<u>(20,135)</u>	<u>4,300</u>	<u>(920,455)</u>	<u>(899,659)</u>
<b>General Revenues:</b>							
Taxes:							
Property tax	0	0	0	0	0	7,408	7,408
Investment earnings	1,683	152	334	740	479	18,750	22,138
Other revenue	1,362	11	2,688	9,027	103	1,080,110	1,093,301
Total general revenues	<u>3,045</u>	<u>163</u>	<u>3,022</u>	<u>9,767</u>	<u>582</u>	<u>1,106,268</u>	<u>1,122,847</u>
<b>Change in net position</b>	<u>41,898</u>	<u>66</u>	<u>897</u>	<u>(10,368)</u>	<u>4,882</u>	<u>185,813</u>	<u>223,188</u>
Total net position - beginning	490,384	10,073	15,383	80,268	0	5,213,327	5,809,435
Revisions to beginning net position	(16,342)	(1,189)	(3,604)	0	22,567	(169,187)	(167,755)
Total net position - beginning (restated)	<u>474,042</u>	<u>8,884</u>	<u>11,779</u>	<u>80,268</u>	<u>22,567</u>	<u>5,044,140</u>	<u>5,641,680</u>
<b>Total net position - ending</b>	<u>\$ 515,940</u>	<u>\$ 8,950</u>	<u>\$ 12,676</u>	<u>\$ 69,900</u>	<u>\$ 27,449</u>	<u>\$ 5,229,953</u>	<u>\$ 5,864,868</u>

The notes to the financial statements are an integral part of this statement

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## **I. Summary of Significant Accounting Policies**

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The accompanying financial statements of the State of Kansas (the “State”) have been prepared in conformance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard setting body for governmental accounting and financial reporting principles.

### **A. Financial Reporting Entity**

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2015, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Kansas State Legislature and/or Constitutional Officers of the State.

The State has considered all potential component units for which it is financially accountable, organizations that raise and hold economic resources for the State, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State’s financial statements to be misleading or incomplete.

As required by generally accepted accounting principles, these financial statements present the State (the primary government) and its component units.

The accompanying financial statements present the activities of State government (the primary government), which is comprised of three branches: the Executive Branch, with the Governor as chief executive; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 125 members; and the Judicial Branch, which includes the Supreme Court, the Appeals Court, and the District Trial Courts.

### **Discrete Component Units**

Discrete component units are entities that are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State’s financial statements to be misleading or incomplete. The component units are reported in a separate column to emphasize that they are legally separate from the primary government and are governed by separate boards.

Following is a table identifying each discretely presented component unit followed by a brief description of each component unit. Complete financial statements for each of the individual component units may be obtained from their respective administrative offices at the noted addresses.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2015

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**I. Summary of Significant Accounting Policies**

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<b><u>Component Unit</u></b>	<b><u>Description: Criteria for Inclusion</u></b>	<b><u>Reporting Method</u></b>	<b><u>For Separate Financial Statements</u></b>
Kansas Turnpike Authority (KTA)	The State has oversight responsibility of day-to-day operations and administration of KTA. The State also has the power to impose its will on KTA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Turnpike Authority 9401 E. Kellogg Wichita, Kansas 67207
Kansas Development Finance Authority (KDFA)	The State appoints a voting majority of the board of KDFA and has the power to impose its will on KDFA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Development Finance Authority 534 South Kansas Avenue, Suite 800 Topeka, Kansas 66603
Kansas Housing Resources Corporation (KHRC)	KHRC is a subsidiary corporation of KDFA and a legal entity separate and distinct from KDFA and the State.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Housing Resources Corporation 611 S. Kansas Avenue, Suite 300 Topeka, Kansas 66603
Kansas Center for Entrepreneurship (KCE)	The State appoints a voting majority of KCE and has the power to impose its will on KCE	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Center for Entrepreneurship P.O. Box 877 Andover, Kansas 67002
State University System	The State appoints a voting majority of the Kansas Board of Regents which controls the State universities, and has the power to impose its will on the State universities through the budgeting process.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	The Kansas Board of Regents does not issue separate financial statements. For separate financial statements of a university, contact the respective university or:  Kansas Board of Regents 1000 SW Jackson St., Suite 520 Topeka, KS 66612-1368
Kansas Bioscience Authority (KBA)	The State appoints a voting majority of KBA and has the power to impose its will on KBA.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Bioscience Authority 25501 West Valley Parkway, Ste 100 Olathe, KS 66061
Kansas Public Employees Retirement System (KPERS)	The State appoints a voting majority of KPERS and has the power to impose its will on KPERS.	Although KPERS is a component unit of the State of Kansas, it is reported as a fiduciary pension trust fund.	Kansas Public Employees Retirement System 611 S. Kansas Ave., Ste 100 Topeka, KS 66603-3803

## **I. Summary of Significant Accounting Policies**

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**Kansas Turnpike Authority (KTA)** was established as a public corporation in 1953 by the Kansas Legislature. Its enabling statutes are found in K.S.A. 68-2001 et seq., as amended and supplements. K.S.A. 68-2003 was amended during the State of Kansas' 2013 and 2015 legislative session. The legislative amendment changed the reporting requirement for the State of Kansas. KTA is now reported as a discretely presented component unit. Prior to the 2013 legislative session KTA was not included as a State reporting entity. The amendment named the Secretary of Transportation of the State of Kansas as the director of the Authority, effective July 1, 2013. The director is responsible for the daily administration of the toll roads, bridges, structures and facilities constructed, maintained or operated by the Authority. While the Authority retains its separate identity, powers and duties as an instrumentality of the State, the amendment requires duplication of effort, facilities, and equipment between the Kansas Department of Transportation and the Authority be minimized in operation and maintenance of turnpikes and highways of the State.

KTA was created to construct, operate and maintain turnpike projects and to issue revenue bonds for any of its corporate purposes, payable solely from the tolls and revenue pledged for their payment.

**Kansas Development Finance Authority (K DFA)** was established by Chapter 57, 1987 Session Laws of Kansas. Its enabling statutes are found in K.S.A. 74-8901 et seq., as amended and supplements. K DFA is a public body politic and corporate, constituting an independent instrumentality of the State. K DFA was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

**Kansas Housing Resources Corporation (KHRC)** was formed pursuant to K.S.A. 74-8904(v) per the Governor's Executive Reorganization Order #30. KHRC is a subsidiary corporation of the Kansas Development Finance Authority. KHRC's mission is to enhance Kansas communities with housing opportunities. This goal is achieved through using a variety of strategies and approaches, including increasing homeownership opportunities, leveraging the construction of more affordable rental housing, promoting energy efficient improvements for owner-occupied and rental housing, providing affordable housing through rental assistance to low-income families and senior citizens, and creating housing opportunities for previously underserved persons and communities.

**Kansas Center for Entrepreneurship (KCE)** is an independent instrumentality of the State. Its enabling statutes found in K.S.A. 74-99c-01 through 74-99c-11 et seq., as amended and supplemented. KCE was created with the passage of the Kansas Growth Act. KCE was created for the purpose of promoting an entrepreneurial environment in Kansas by providing expertise, education, and economic resources to small business owners. The economic resources are provided in the form of low interest and/or reduced collateral loans and grants. These funds may only be accessed by working with a local or regional non-profit business support provider, who partners with KCE in providing a local match to the funds being provided.

**Kansas Bioscience Authority (KBA)** is an independent instrumentality of the State. Its enabling statutes are found in K.S.A. 74-99b01 et seq. as amended and supplemented. KBA was created on April 19, 2004 with the passage of the Kansas Economic Growth Act, a comprehensive economic development act designed to meet the needs of the changing Kansas economy. KBA was created to make Kansas the most desirable state in which to conduct, facilitate, support, fund and perform bioscience research, development of commercialization, to make Kansas a national leader in bioscience, and to create jobs, foster economic growth, advance scientific knowledge and improve the quality of life for the citizens of the State.

**State University System** The Kansas State Board of Regents, created in 1859 by adoption of the State Constitution, is responsible for control and supervision of public institutions of higher education which benefit the State. The Kansas Board of Regents is a legally separate body composed of nine members appointed by the Governor. The Board supervises all State universities while budgetary decisions are exercised at the State level. The State university system consists of the Board's administrative arm and six constituent universities. Funding for the State university system is accomplished primarily by State appropriations, tuition and fees, sales and services, federal and state grants, and private donations and grants.

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## I. Summary of Significant Accounting Policies

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In addition to the Kansas Board of Regents' administrative arm, the following universities and their respective component units make up the State university system for financial reporting purposes: University of Kansas, including the University of Kansas Medical Center; Kansas State University; Wichita State University; Emporia State University; Pittsburg State University; and Fort Hays State University. Each university issues its own complete unaudited financial statements which can be obtained from the respective university. The Kansas Board of Regents' administrative arm does not issue separate financial statements.

**Kansas Public Employees Retirement System (KPERs)** is a body corporate and an instrumentality of the State. KPERs is an umbrella organization administering the following three statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Kansas Public Employees Retirement System
- Kansas Police and Firemen's Retirement System
- Kansas Retirement System for Judges

All three systems are part of a tax-exempt, defined benefit, contributory plan covering substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer group, while the other two are multi-employer, cost-sharing groups. State employees and Kansas schools are required to participate, while participation by local political subdivisions is optional but irrevocable once elected.

### B. Government-wide and Fund Financial Statements

**Government-wide Statements** – The statement of net position and the statement of activities report information of the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the duplication of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the State and between its discretely presented component units. Governmental activities are generally supported by taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are supported in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The State classifies spending by function of government and by category of expenditure. Function of government is a grouping of agencies, which make expenditures for similar programs and purposes. There are seven functions of government: (1) general government; (2) human resources; (3) education; (4) public safety; (5) agriculture and natural resources; (6) highways and other transportation; and (7) health and environment. *General Government* includes State agencies with both administrative and regulatory functions. These agencies include the State's elected officials and the Department of Administration. *Human Resources* agencies provide services to individuals. *Education* agencies provide various educational services to Kansans. *Public Safety* agencies ensure the safety and security of Kansas' citizens. *Agriculture and Natural Resources* agencies protect the natural and physical resources of the State and regulate the use of those resources. *Highways and other transportation* includes only the Department of Transportation. Responsibilities of this agency include maintenance and construction of highways in Kansas. The *Health and Environment* agency optimizes the promotion and protection of the health of Kansans through efficient and effective public health programs and services and through preservation, protection, and remediation.

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## **I. Summary of Significant Accounting Policies**

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Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Financial Statements** – The fund financial statements provide information about State funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include income and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from income and sales taxes is recognized in the fiscal year the underlying exchange occurred, while revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are due at year-end and collected within sixty days thereafter. Expenditures generally are recorded when the related liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the State funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the policy of the State to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

The financial statements of the proprietary funds, pension funds, investment funds, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

### **D. Fund Accounting**

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the internal service, fiduciary and component units follows:

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## **I. Summary of Significant Accounting Policies**

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### **Governmental Funds:**

These funds include the State's main operating fund, special revenue funds, capital projects funds, and debt service funds. The following are the State's major governmental funds:

**General Fund** – This is the primary operating fund of the State. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Social Services Fund** – This special revenue fund accounts for the activities of the Department for Aging and Disability Services and the Department for Children and Families. Revenues into this special revenue fund include grants and special fee funded programs as authorized by legislation.

**Health and Environment Fund** – This special revenue fund includes all health insurance purchasing by the State, as well as federally funded programs (Medicaid, State Children's Health Insurance Program and Medikan) and the State Employee Health Insurance Program. Revenues into this special revenue fund include grants and special fee funded programs as authorized by legislation.

**Education Fund** – This special revenue fund accounts for the activities of the Department of Education. Revenues into this fund include property taxes and grants as authorized by legislation.

**Transportation Fund** – This special revenue fund is the primary operating fund of the Kansas Department of Transportation (KDOT) and accounts for all KDOT financial resources except those required to be accounted for in another fund. KDOT has the statutory responsibility to coordinate planning, development and operation of the various modes and systems of transportation in the State.

### **Proprietary Funds:**

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate. The State reports the following major enterprise funds and collective governmental internal service funds:

**Water Funds** – This fund accounts for the Water Pollution Control and Public Water Supply Revolving Loan funds controlled by the Department of Health and Environment.

**Unemployment Insurance Fund** – This fund accounts for unemployment insurance for the deposit of moneys requisitioned for the Kansas Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits.

**Health Care Stabilization Fund** – This fund accounts for moneys accumulated to pay damages for personal injury or death arising out of the rendering of or the failure to render professional services by a health care provider, self-insurer or inactive health care provider subsequent to the time that such health care provider or self-insurer qualified for coverage under the provisions of this program.

**Internal Service Funds** - These funds account for printing, information technology, accounting, motor pool, aircraft, building maintenance, architectural, central mail, workers' compensation, and capitol security services provided to other departments on a cost-reimbursement basis.

### **Fiduciary Funds:**

The State presents as Fiduciary Funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units.

**Pension Trust Fund** - This fund is used to account for the assets, liabilities, and fund equities held in trust for the Kansas Public Employees Retirement System.

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## I. Summary of Significant Accounting Policies

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**Investment Trust Fund** – This fund is used to account for the assets, liabilities, and fund equities held in trust for the Kansas Municipal Investment Pool.

**Agency Funds** - These funds account for assets held by the State in a custodial capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

The effect of interfund activity has generally been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses are generated from providing services or products in connection with the enterprise operations of the funds.

### **E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity**

#### ***Cash and Investments***

Cash balances of funds in the State Treasury are pooled and are held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investment purposes by the Pooled Money Investment Board (PMIB) and are reported at fair value, based on quoted market prices.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash.

The investment policies of the PMIB are governed by State statutes. The primary objectives are to attain safety, liquidity, and yield. Allowable investments for State pooled moneys not held in Kansas financial institutions are as follows:

- Direct obligations of, or obligations except mortgage backed securities, that are insured as to principal and interest by the U.S. Government, or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Loans as mandated by the Kansas Legislature limited to not more than the greater of 10 percent or \$140 million of total investments
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed \$60 million
- Linked deposit loans for Kansas Housing Loan Deposit Program, Designated and Undesignated not to exceed \$60 million
- Loans to Local Taxing Districts (K.S.A 79-2005) not to exceed \$50 million
- High grade commercial paper
- High grade corporate bonds

**Specific Fund Investments** – State statutes permit investing cash balances not included in the PMIB in the following types of investments:

- U.S. Government obligations

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## **I. Summary of Significant Accounting Policies**

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- Mortgage backed securities
- Corporate securities
- U.S. Government agency securities
- Repurchase agreements
- Commercial paper not to exceed 270 days to maturity and rated within the two highest commercial paper ratings
- State of Kansas agency bonds, with maturities not to exceed four years

In addition to the above investments, short-term bond proceeds may be invested at the direction of KDFA through the PMIB.

*Kansas Municipal Investment Pool* - The Kansas Municipal Investment Pool (MIP) was created on July 1, 1992, as a voluntary, State-managed investment alternative for State and local funds. The Office of the Kansas State Treasurer (Treasurer) acts as the custodian for all moneys deposited. All Kansas governmental units, including cities, counties, school districts and other governmental entities holding public moneys are eligible to participate in the MIP. The deposits in the MIP are combined with State moneys to form the Pooled Money Investment Portfolio.

*Kansas Public Employees Retirement System (KPERs) Investments* - KPERs investment categories, as permitted by statute, include equities, fixed income securities, cash equivalents, real estate, derivative products and alternative investments. KPERs values its investments at fair value. In fulfilling its responsibilities, the Board of Trustees contracts with investment management firms and a master global custodian.

*Investment Income Allocation* – State statutes require interest earned to be credited to the State General Fund unless required by law to be credited based on average daily balance to a specific fund.

### ***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables are stated net of estimated allowance for uncollectible amounts, which are determined, based upon past collection experience and current economic conditions. Student tuition and fees receivables are recorded at rates established at the time a student registers classes. Provisions for uncollectable student accounts are recorded to maintain an adequate allowance for anticipated losses. Net realizable value (NRV) is the actuarial devaluation method of taxes receivable at the Kansas Department of Revenue. NRV is a complex algorithmic formula, based upon debt size, age, whether the debt is filed or assessed, and historical collections. As debts age, the ability to collect the debt at face value decreases exponentially. The application of NRV on taxes receivable uses the collectability of the debt over time to determine a realistic current value.

### ***Inventories***

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the government-wide financial statements are accounted for using the consumption method. Inventories in the governmental funds

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## I. Summary of Significant Accounting Policies

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financial statements are on the purchases method. The purchases method provides that inventory be treated as expenditure when purchased. Consumable supplies are reported only if over \$200,000 per agency.

The governmental funds statements have a current financial resources focus. As a result, modified accrual adjustments to capitalize inventory at year-end, affect beginning fund balance rather than expenditures. The focus on current financial resources is better maintained by not adjusting the expenditures for the amount of inventory reclassified to the balance sheet. The government-wide statements, however, require the full accrual adjustment to expenditures to properly reflect the amount of inventory consumed during the fiscal year.

### ***Restricted Assets***

Certain resources are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by bond requirements. The Unemployment Insurance Fund was established by law as a special fund separate and apart from all public money or funds of the State. The cash is maintained in a separate bank account with the U.S. Treasury.

### ***Capital Assets***

Capital assets are reported at actual or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Construction in process is capitalized. Capitalization policies (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$100,000	Not applicable	Not applicable
Buildings and leasehold improvements	100,000	Straight-line	40 years
Furnishings and equipment	5,000	Straight-line	8 years
Automobiles	5,000	Straight-line	5 years
Intangibles, software	250,000	Straight-line	8 years
Intangibles, other	250,000	Straight-line	50 years

The depreciation method is straight line with no salvage value. Accumulated depreciation is calculated in total by class of assets by year using the one half year convention in year of purchase. No depreciation is recorded for land and construction in progress.

Works of art and historical items are not capitalized. It is the intent of the State that all art works and historical objects be held for the purpose of exhibition to the public to further education and research. It is also the intent to preserve and protect such items to insure their availability to future generations. If any items are sold from any collection, the proceeds from such disposition are intended to be set aside for future acquisitions for the collections.

### ***Infrastructure***

The roadway system and bridge system are reported using the modified approach. Accordingly, depreciation is not reported for these systems, and all expenditures, except for additions and improvements are expensed.

### ***Compensated Absences***

Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 6.5 hours per pay period, and may accumulate a maximum of 240 hours. Upon retirement or termination,

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## **I. Summary of Significant Accounting Policies**

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employees are paid for accrued vacation leave up to their maximum accumulation. State employees earn sick leave at the rate of 3.7 hours per pay period. Employees who terminate are not paid for unused sick leave. Employees who retire are paid a portion of their unused sick leave based on years of service and hours accumulated. The State uses the vesting method to compute the sick leave liability. The compensated absences liability will be liquidated by the State's governmental and internal service funds.

### ***Bonds and Notes Payable***

Bonds and notes payable consist of notes and bonds issued to finance capital improvements for various projects. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of bond debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

### ***Other Long-term Obligations***

Other long-term obligations consist of claims and judgments, capital leases payable, and other miscellaneous long-term obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, other long-term obligations are reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

### ***Pensions***

For the year ended June 30, 2015, the State implemented the provisions of GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. For purposes of measuring the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense associated with the State's requirement to contribute to the Kansas Public Employees Retirement System (KPERS) as an employer and nonemployer contributing entity, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purposes, 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.

### ***Deferred Inflows of Resources/Deferred Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The State has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the balance sheet. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Second is the accumulated decrease in fair value of hedging derivatives. Last is collective deferred outflows for pensions, which is discussed in Note IV. E.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources

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## **I. Summary of Significant Accounting Policies**

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(revenue) until that time. The State has two items that qualify for reporting in this category: unavailable revenue and the collective deferred inflows for pensions. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sales and excise taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See Note IV. E. for more information on the collective deferred inflows for pensions.

### ***Fund Equity***

In accordance with GASB Statement No. 54, items that cannot be spent or are not in spendable form, such as inventories or prepaid amounts, in governmental funds, are shown as nonspendable fund balance. Most governmental funds balances are restricted externally by creditors, (for example debt covenants), grantors, or are restricted by law through legislation, therefore the State reports the majority of the governmental fund balances as restricted fund balance. For assigned fund balance, the State is authorized to assign amounts to a specific purpose. The authorization to assign fund balances is delegated by the State legislature to each agency as appropriate. The State General Fund reports the fund balance amount that is not nonspendable, restricted or assigned as unassigned fund balance.

Per K.S.A. 75-6702(b), the maximum amount of expenditures and demand transfers from the state general fund that may be authorized is fixed so that there will be an ending balance in the State general fund for the ensuing fiscal year that is equal to 7.5 percent or more of the total amount authorized to be expended or transferred by demand transfer from the State general fund in such fiscal year. Per K.S.A. 75-6702 (c), the provisions in subsection (b) were suspended for the fiscal year ending June 30, 2014 and the fiscal year ending June 30, 2015, and shall not prescribe a maximum amount of expenditures and demand transfers from the state general fund that may be authorized by act of the legislature during the 2013 or 2014 regular session of the legislature.

For classification of fund balances, the State considers restricted amounts to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Expenditures are to be spent from restricted fund balance first, followed by assigned and lastly unassigned.

### **F. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used in preparing the financial statements.

### **G. New Governmental Accounting Standards Board Statements**

The State has implemented the following new pronouncements for fiscal year 2015:

GASB Statement No. 68, “Accounting and Financial Reporting for Pensions”, was issued June 2012. This statement establishes accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, “Accounting for Pensions by State and Local Government Employers”, as well as the requirements of Statement No. 50, “Pension Disclosures”, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. See Note IV. E. for information on the impact of implementing Statement No. 68 on the State’s financial position.

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## **I. Summary of Significant Accounting Policies**

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GASB Statement No. 69, “Government Combinations and Disposals of Government Operations”, was issued in January 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant considerations is exchanged. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Adoption of this statement had no impact on the State’s financial position.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, was issued in November 2013. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Under Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances of deferred outflows and inflows of resources not be reported. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. See Note IV. E. for information on the impact of implementing Statement No. 71 on the State’s financial position.

At June 30, 2015, the Governmental Accounting Standards Board (GASB) had issued several statements not yet effective for or implemented by the State. The State plans to implement the provisions of these statements on or before their effective dates. Management has not yet determined the impact these new statements will have on the State’s financial statements.

The State will implement the following new pronouncements for fiscal years ending after June 30, 2015:

GASB Statement No. 72, “Fair Value Measurement and Application” addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this statement are effective for financial statements for the State’s fiscal year ending June 30, 2016.

GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to certain Provisions of GASB Statements No. 67 and 68” establishes requirements for defined benefit and contribution pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. This statement also amends certain provisions of Statement No. 67 and 68 for pensions that are within their respective scopes related to the 10-year schedules of required supplementary information about investment related factors that significantly affect trends in the reported amounts, accounting and financial reporting separately financed specific liabilities of individual employers or nonemployer contributing entities and timing of employer recognition of revenue for support of nonemployer contributing entities not in a special funding situation. The provisions of this statement are effective for financial statement for the State’s fiscal year ending June 30, 2017 for requirements of this statement addressing accounting and financial reporting for employers and nonemployer contributing entities for pensions not within the scope of Statement 68, June 30, 2016 for requirements of the statement that addressing financial reporting for assets accumulated for purposes of providing those pensions and June 30, 2016 for requirements of this statement for pensions that are within the scope of Statement 67 and 68.

GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” establishes financial reporting standards for state and local governmental OPEB plans that are administered through trusts or equivalent arrangements and for governments that hold assets accumulated for purposes of providing OPEB

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## **I. Summary of Significant Accounting Policies**

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through defined benefit OPEB plans that are not administered through a trusts or equivalent arrangement. The provisions of this statement are effective for financial statements for the State's fiscal year ending June 30, 2017.

GASB Statement No. 75, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions" replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for financial statements for the State's fiscal year ending June 30, 2018.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued to identify the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" and is effective for financial statements for the State's fiscal year ending June 30, 2016.

GASB Statement No. 77, "Tax Abatement Disclosures" requires governments that enter into tax abatement agreements to disclose a description of the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanisms by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. Also required to be disclosed is the gross dollar amount of taxes abated during the period and commitments made by the government, other than to abate taxes, as part of a tax abatement agreement. The provisions of this statement are effective for financial statements for the State's fiscal year ending June 30, 2017.

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## **II. Stewardship, Compliance, Accountability**

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### **A. Deficit Fund Equity**

The General Fund had a deficit fund balance in fiscal year 2015 because expenditures paid out of the fund exceed revenues received into the fund. See Note IV. H. for information on how this deficit will be addressed.

The Transportation – Capital Projects Fund had a deficit fund balance in fiscal year 2015 because aggregate bonds payable on demand exceeded cash and investments in the fund. Since the bonds are payable on demand, they are required to be reported as a liability. The deficit fund balance will be recovered as debt service payments are made on the demand bonds.

The Workers' Compensation Fund had a deficit net position in fiscal year 2015 because historical claims and expenses paid out of the fund exceeded charges for services received. During 2015, charges for services received did exceed claims paid, reducing the negative net position. The State anticipates similar results in future years thereby reducing the negative net position further. The State will continue to monitor the activity of this fund.

The Lottery Fund had a deficit net position in fiscal year 2015 due to the implementation of GASB Statement No. 68 and the recording of the Lottery's share of the KPERS' collective net pension liability. As the State continues to take action to improve KPERS long-term sustainability, the unfunded liability will be reduced which will impact the Lottery Fund deficit net position.

The Accounting Services Fund had a deficit net position in fiscal year 2015 because fees paid exceed charges for services received during the year. The deficit net position can be recovered from future internal charges to the State's other Agencies.

The State Workers Compensation Fund had a deficit net position in fiscal year 2015 because of historical claims exceeding the internal charges made to the other State's funds. Current year internal charges did exceed claims paid, reducing the negative net position. The State operates this fund as a pay as you go fund because future claims may take years to materialize. This is what has caused negative net position in the past and future years. Future claims would be covered with future collections from other State Agencies.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2015

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### III. Detailed Notes On All Funds

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#### A. Deposits and Investments

A summary of deposits and investments at June 30, 2015, is as follows (expressed in thousands):

	Governmental & Business- Type Activities	Weighted Average Duration	Fiduciary	Weighted Average Duration	Component Unit	Weighted Average Duration
U.S. Treasury	\$ 43,844	3.37	\$ 1,818,241	6.08	\$ 51,013	2.46
U.S Agencies securities	613,683	2.03	565,373	2.37	112,744	2.16
Government Sponsored Entity	21	1.77	0		0	
Repurchase Agreements	672,632	0.21	268,757	0.00	101	0.84
Investment Contract	35,828	12.59	0		2,946	13.45
Mutual Fund-Fixed Income	0		0		16,393	<year
Mutual Fund-Equities	0		0		14,192	
Equity Securities	128,877		11,429,977	0.00	19,545	
Commercial Paper	1,481,901	0.12	0		0	
Corporate Bonds	283,927	5.33	3,455,697	3.58	12,236	1.88
Non-marketable securities issued by the US Treasury	0		165,784	<year	0	
Alternative Investment	0		0		17,376	0.50
Municipal securities	121,995	0.00	0		0	
University assets reported under FASB*	0		0		2,836,037	
Other Investment	0		0		624	
Treasurer's pool	(1,163,758)		508,801		654,957	
Cash and cash equivalents	448,772		289,695		387,086	
	<u>\$ 2,667,722</u>		<u>\$ 18,502,325</u>		<u>\$ 4,125,250</u>	

\*The State University System's component unit investments minimize risks for credit, interest and concentration of credit per specific investment policies which include U.S. Treasury securities or obligations explicitly guaranteed by the U.S. government.

The State University System component unit also reports the investments related to each respective university's endowment, foundation and athletic association, as applicable. These organizations are considered discretely presented component units of the State University System, however they do not classify investments according to risk because they prepare their financial statements under standards set by the Financial Accounting Standards Board. Each component unit of the State University System has issued financial statements that are available by contacting each respective university within the System.

At June 30, 2015, the Kansas University Endowment Association held \$1,609,660 of securities at fair value mainly in money markets, domestic equities, U.S. Treasuries, mutual funds, common trust equity and fixed income funds, marketable alternatives and other LLCs and LLPs. The marketable alternatives, LLCs, and LLPs are accounted for at fair value using the NAV as the practical expedient.

At June 30, 2015, the Kansas State University Foundation held \$673,968 of securities at fair value held mainly in equity securities, mutual funds (equity and fixed income), pooled separated funds (equity and fixed income), hedge funds, common stock, real estate, U.S. government obligations and various forms of private capital.

At June 30, 2015, the Wichita State University Foundation held \$226,355 of securities at fair value held mainly in common and preferred stocks, foreign stocks, corporate bonds, mortgage-backed securities, U.S. government securities, commodities, hedged funds and foreign bonds.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2015

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**III. Detailed Notes On All Funds**

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A reconciliation of deposits and investments to the financial statements at June 30, 2015, is as follows (expressed in thousands):

**Disclosures Regarding Deposits and Investments:**

Total investments and time deposits	\$20,974,009
Carrying amount of demand deposits	4,321,288
Total	<u>\$25,295,297</u>

**Statement of Net Position**

*Governmental and Business-Type Activities*

Cash and cash equivalents	\$ 1,514,362
Investments at fair market value	282,816
Restricted cash and cash equivalents	597,476
Restricted investments	273,068

*Component Units*

Cash and cash equivalents	805,205
Investments at fair market value	432,624
Restricted cash and cash equivalents	231,029
Restricted investments	2,656,392

**Statement of Fiduciary Net Position**

Cash and cash equivalents	1,629,948
Investments at fair market value	16,872,377
Total	<u>\$25,295,297</u>

*Deposits.* At June 30, 2015, the carrying amount of the Governmental and Business-type Activities was \$2.1 billion, of which the bank balance was \$1.9 billion. For cash deposits with financial institutions, the State requires that its depository banks pledge collateral that has a market value equal to or greater than the deposits. Effective March 15, 2004, the Kansas State Treasurer's office in its role as custodian for collateral pledged against the State deposits, agreed to follow the changes to the pledged collateral policy that the Pooled Money Investment Board has approved. The criteria for collateralizing Kansas Bank CDs are as follows:

- U.S. Treasury securities (T-Bills, T-Notes, and Treasury Strips) and Federal Agency securities (Discount Notes and Debentures) with a final maturity of five years and under must be pledged at 100 percent of the amount being collateralized (for any amount over the \$250,000 FDIC coverage).
- Any other type of security (including CMOs and MBS), surety bonds, or letters of credit (regardless of the final maturity) must be pledged at 105 percent of the amount being collateralized.
- Any security with a final maturity longer than five years must be pledged at 105 percent of the amount being collateralized.

Securities pledged as collateral for demand deposit accounts will not be subject to the new pledged collateral policy. The State's deposits with financial institutions were fully collateralized at fiscal year-end by Federal Deposit Insurance Corporation (FDIC) insurance or pledged collateral (government securities, or FHLB letters of credit). The pledged securities and bonds are held in safekeeping for the State Treasurer at the Federal Reserve Bank of Boston or in approved custodial banks and are held in the name of the State.

The cash balances in the State Treasury are included in the financial statements in the category of "Cash and cash equivalents." Also included in this category are amounts outside the State Treasury such as cash in agencies' imprest funds and authorized bank accounts, canteen, benefit and members' moneys in agencies' custody.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2015

**III. Detailed Notes On All Funds**

*Interest Rate Risk.* Interest rates risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State minimizes the risk by structuring its investment so that securities mature to meet cash requirement for scheduled disbursement and ongoing operations, taking into account cash balances available or expected to be available for such requirements, thereby avoiding the need to sell securities on the open market prior to maturity. To limit risk, the State diversifies investments based on various benchmarks. In addition, some agencies utilize investment managers for input and advice as part of investment policy.

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Certain agencies adopt a policy of limiting the investments to only those allowed by State Statute and minimize the credit risk through pre-qualifying institutions, diversifying its portfolios and maintaining a standard of quality of authorized eligible investments. The Primary Government, Component Units, and Fiduciary investments as of June 30, 2015 are presented below with applicable credit ratings (expressed in thousands):

**Governmental and Business-Type Activities Investments at June 30, 2015**

	Fair Value	Quality Ratings								
		AAA	AA	A	BBB	BB	B	CCC	Unrated	
U.S. government	\$ 43,844	\$ 0	\$ 43,844	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
U.S Agencies Securities	613,683	0	613,683	0	0	0	0	0	0	0
Government Sponsored Entity	21	0	21	0	0	0	0	0	0	0
Repurchase Agreements	672,632	0	654,243	0	0	0	0	0	0	18,389
Equity securities	128,877	0	0	0	0	0	0	0	0	128,877
Investment Contracts	35,828	0	3,451	0	0	0	0	0	0	32,377
Commercial paper	1,481,901	0	-	1,463,457	0	0	0	0	0	18,444
Corporate Bonds	283,927	8,947	142,262	19,451	66,782	26,961	12,036	1,279	6,209	
Municipal securities	121,995	0	0	0	0	0	0	0	0	121,995
	<u>\$ 3,382,708</u>	<u>\$ 8,947</u>	<u>\$ 1,457,504</u>	<u>\$ 1,482,908</u>	<u>\$ 66,782</u>	<u>\$ 26,961</u>	<u>\$ 12,036</u>	<u>\$ 1,279</u>	<u>\$ 326,291</u>	

**Component Units Investments at June 30, 2015**

	Fair Value	Quality Ratings						
		AAA	AA	A	BBB	BB	Unrated	
U.S Treasury	\$ 51,013	\$ 100	\$ 50,913	\$ 0	\$ 0	\$ 0	\$ 0	
U.S Agencies Securities	112,744	0	112,744	0	0	0	0	
Repurchase Agreements	101	0	101	0	0	0	0	
Investment Contracts	2,946	0	1,327	199	0	0	1,420	
Mutual Fund -Fixed Income	16,393	0	12,270	0	0	0	4,123	
Mutual Fund-Equities	14,192	0	0	0	0	0	14,192	
Equity Securities	19,545	82	863	2,207	1,415	80	14,898	
Corporate Bonds and Commercial paper	12,236	23	7,484	2,416	438	0	1,875	
Alternative Investment	17,376	0	5,429	0	0	0	11,947	
Unversity assets reported under FASB*	2,836,037	0	0	0	0	0	2,836,037	
Other Investment	624	0	0	22	54	0	548	
	<u>\$ 3,083,207</u>	<u>\$ 205</u>	<u>\$ 191,131</u>	<u>\$ 4,844</u>	<u>\$ 1,907</u>	<u>\$ 80</u>	<u>\$ 2,885,040</u>	

**Fiduciary Fund Investments at June 30, 2015**

	Fair Value	Quality Ratings									
		AAA	AA	A	BBB	BB	B	CCC	CC	D	Unrated
U.S Government	\$ 1,818,241	\$ 0	\$ 1,818,241	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
U.S Agency	565,373	1,419	563,954	0	0	0	0	0	0	0	0
Repurchase Agreements	268,757	0	268,757	0	0	0	0	0	0	0	0
Equity Securities	11,429,977	0	0	0	0	0	0	0	0	0	11,429,977
Corporate Bonds and Commercial paper	3,455,697	199,793	1,024,826	445,099	902,423	380,111	263,193	73,855	7,875	5,218	153,304
Non-marketable securities issued by the US Treasury	165,784	0	0	0	0	0	0	0	0	0	165,784
	<u>\$ 17,703,829</u>	<u>\$ 201,212</u>	<u>\$ 3,675,778</u>	<u>\$ 445,099</u>	<u>\$ 902,423</u>	<u>\$ 380,111</u>	<u>\$ 263,193</u>	<u>\$ 73,855</u>	<u>\$ 7,875</u>	<u>\$ 5,218</u>	<u>\$ 11,749,065</u>

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### III. Detailed Notes On All Funds

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*Concentration risk.* Concentration risk is the risk of loss resulting from an over concentration of assets in a specific maturity, specific user, or specific class of securities. Certain state agencies minimize this risk by requiring that no more than five percent of the investment portfolio be invested in the securities of a single issuer or business entity (excluding U.S. Treasury Securities and U.S. Government Agency Securities), and requiring that commercial paper and corporate bonds never exceed 60 percent of the investment portfolio. As of June 30, 2015, Federal National Mortgage Association, Freddie Mac, Federal Farm Credit Bank and Federal Home Loan Bank comprised 28.5%, 8.8%, 4.4% and 13.3%, respectively of KHRC's investment portfolio. As of June 30, 2015, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and Federal Farm Credit Bank comprised 43.9%, 13.1%, 31.4% and 11.6%, respectively of KTA's investment portfolio. As of June 30, 2015, the remaining Component Units and Fiduciary Funds held investments from no single issuer in excess of five percent of their total portfolio values. As of June 30, 2015, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and Federal Farm Credit Bank comprised approximately 4.5%, 5.4%, 6.6% and 1.4%, respectively, of the Governmental and Business Type Activities investment portfolio.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of a failure of the financial institution or counterparty, the primary government, fiduciary, and/or component unit will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of the outside party. Any fixed income investment security purchased by the State of Kansas (PMIB) are safe kept until maturity at one of the two locations:

- U.S. Government Securities: Includes U.S. Treasury Bills & Notes and Federal Agency securities (includes Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (Fannie Mae, FNMA), Federal Home Loan Mortgage Corporation (Freddie Mac, FHLMC) and others are "book-entry" securities and purchased on a "delivery versus payment" (DVP), the security settles (clears) through the State of Kansas correspondent bank (US Bank) and is then ultimately transferred to the State of Kansas "Fed Account" for safekeeping until maturity.
- Non-U.S. Government Securities: Includes highly-rated (A1/P1 or A1+/P1) Commercial Paper (matures within 270 days or less) and highly-rated (min. rating of AA-/Aa3) Corporate Bonds (maturing in 2-years or less by policy) are also purchased on a "delivery versus payment" (DVP) basis and settle via "DTC" (Depository Trust Company) by the State of Kansas correspondent bank (US Bank). The security is held in safekeeping at US Bank's DTC account on behalf of the State until maturity.

Many years ago, some fixed-income securities used to come in "physical form" (actual piece of paper identifying type, dollar amount, etc.) and would have been safe kept (held) by either the State (in the State Treasurer's Vault) or at the State's correspondent Bank vault. (The PMIB does not have any of these types of securities in the fixed-income investment portfolio known as the Pooled Money Investment Portfolio; a.k.a. the PMIP.)

Other primary government Investment Funds such as the Treasurer's unclaimed property, one hundred percent of its investment are held in the Fund's name and are not subject to creditors of the custodial bank. At June 30, 2015 the custodian bank held \$1.55 million overnight for the System subject to FDIC insurance limits. With that exception, one hundred percent of KPERS investments are held in KPERS' name and are not subject to creditors of the custodial bank. The Kansas Development and Financial Authority (KDFA) bank balances are backed by pledge collateral to a Federal Reserve account for amounts in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Kansas Housing Resource Corporation (KHRC) investment policy requires collateralization on all demand deposit accounts, and to secure investments in Certificates of Deposits and Repurchase Agreements. KHRC also minimizes custodial credit risk by pre-qualifying the custodial or depository institutions, brokers/dealers, intermediaries and advisors with which KHRC will do business. Investments held at June 30, 2015, including the underlying securities on the repurchase agreement, are held by the investment's counterparty. At June 30, 2015, the Kansas Bioscience Authority (KBA) had no deposits exposed to custodial credit risk. Also, as of June 30, 2015, 100 percent of KBA investments were held by the investments' counterparties. At June 30, 2015, none of KTA's bank balances were exposed to custodial credit risk. At June 30, 2015, KCE's deposits were fully insured or collateralized with securities held by KCE or by its agent in KCE's name.

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### III. Detailed Notes On All Funds

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*Foreign Currency Risk.* Foreign Currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The primary government fund's investments at June 30, 2015, were distributed among currencies in the following list.

**Governmental and Business-Type Activities**  
**Foreign Currency at June 30, 2015**

Fair Value	Currency	Percent
\$ 696	Australian Dollar	0.20 %
1,529	Brazilian Real	0.45 %
505	Chilean Peso	0.15 %
1,341	Euro Currency Unit	0.39 %
1,776	Indian Rupee	0.52 %
3,368	Mexican New Peso	0.98 %
1,876	Philippines Peso	0.55 %

All foreign currencies are in the medium grade bond portfolio

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2015

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### III. Detailed Notes On All Funds

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**Fiduciary Fund**

**Foreign Currency at June 30, 2015**

USD Equivalent			
Equity	Fixed	Currency	Total
\$ 127,088	\$ 9,812	Australian Dollar	\$ 136,900
20,896	17,103	Brazil Real	37,999
149,761	19,279	Canadian Dollar	169,040
2,789	1,672	Chilean Peso	4,461
1,316	0	Colombian Peso	1,316
428	0	Czech Koruna	428
47,335	1,550	Danish Krone	48,885
545	0	Egyptian Pound	545
844,661	156,208	Euro Currency Unit	1,000,869
204,617	0	Hong Kong Dollar	204,617
537	0	Hungarian Forint	537
17,509	5,040	Indian Rupee	22,549
8,756	0	Indonesian Rupian	8,756
632,610	20,733	Japanese Yen	653,343
7,302	2,536	Malaysian Ringgit	9,838
16,012	31,595	Mexican New Peso	47,607
8,376	0	New Israeli Sheqel	8,376
55,781	0	New Taiwan Dollar	55,781
8,552	0	New Zealand Dollar	8,552
32,458	11,921	Norwegian Krone	44,379
7,366	0	Philippines Peso	7,366
5,003	0	Polish Zloty	5,003
708,794	5,636	Pound Sterling	714,430
2,187	2,387	Qatari Rial	4,574
41,663	253,151	Singapore Dollar	294,814
43,282	0	S. African Comm Rand	43,282
80,980	0	South Korean Won	80,980
98,996	2,520	Swedish Krona	101,516
281,268	0	Swiss Franc	281,268
10,376	7,986	Thailand Baht	18,362
10,485	0	Turkish Nre Lira	10,485
1,467	0	United Arab Emirates Dirham	1,467
<u>\$ 3,479,196</u>	<u>\$ 549,129</u>		<u>\$ 4,028,325</u>

All foreign currency exposure for Fiduciary funds is held in KPERS. KPERS' asset allocation and investment policies include active and passive investments in international securities. KPERS target allocation is to have 25.0 percent of assets in dedicated international equities. Core Plus bond managers are allowed to invest up to 20.0 percent of their portfolio in non-dollar securities. KPERS utilizes a currency overlay manager to reduce risk by hedging up to 50 percent of the

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2015

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### III. Detailed Notes On All Funds

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developed foreign currency market for selected international equity portfolios. At June 30, 2015, KPERS total foreign currency exposure was 20.4 percent hedged.

#### Investment Derivatives

##### *Futures*

Futures contracts are commitments for delayed delivery (liability) or receipt (asset) of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specific future date, of a specific instrument, at a specific price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Holders of the futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to nonperformance of the counterparties to futures contracts is minimal. Daily, the net change in the futures contract value is settled in cash with the exchanges, making the fair values always equal to zero after the daily margin flow. At the close of business June 30, 2015, KPERS had total net margins payable the next day of \$0.3 million. Cash equivalents and short-term investments in amounts necessary to settle the economic value of the futures contracts were held in the portfolio so that no leverage was employed in accordance with the Statement of Investment Policy. The daily margin flows affect cash assets held at the broker. Realized gains/losses are recognized at contract maturity and are included with underlying security type returns. Total revenues of \$22.5 million were associated with futures for the year ending June 30, 2015.

##### *Options*

KPERS also participates in option contracts. These contractual agreements give the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specific price within a specific time. The option buyer has some counterparty risk in the event the seller cannot deliver when exercised. This involves opportunity cost and possible loss of option fees. The option seller holds the securities and has minimal counterparty risk. Option strategies used by KPERS are designed to provide exposures to positive market moves and limit exposures to interest rate and currency volatility.

#### **Investment Derivative Summary at June 30, 2015**

*(expressed in thousands)*

Derivative	Asset Class*	Notional Value	Fair Value
Domestic Equity Futures	Domestic Equities	\$ 137,174	\$ 0
International Equity Futures	International Equities	163,444	0
Fixed Futures	Fixed	(196,131)	0
Pay Fixed Interest Swaps	Fixed	1,918	188
Credit Default Swaps	Fixed	25,223	1,960
TBA Agency Bonds**	Fixed	65,361	65,361
Foreign Currency Forwards	Fixed	2,674,517	(14,168)
Options Purchased	Fixed	277	4,328

\* The Asset Class that the Fair Values and Revenues are included in other schedules. Futures and Options reflect the summed absolute values of the exposures.

\*\* TBA Agency Bond notional values are equal to their fairvalues. KPERS investment policy allows managers to carry short TBA values as long as they have offsetting long holdings in similar securities with similar characteristics.

##### *Swaps*

Interest rate swaps are agreements between two counterparties to exchange future cash flows. These are generally fixed vs. variable flows, and can be either received or paid. These swaps are used to adjust interest rate and yield curve exposure and substitute for physical securities. Long swap positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure. Counterparty risk is limited to monthly exchanged or netted cash flows.

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### III. Detailed Notes On All Funds

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Credit default swaps are used to manage credit exposure without direct purchase or sale of securities. Written credit default swaps increase credit exposure (selling protection) obligating the seller to buy the bonds from the counterparty in the event of default. This creates credit risk, but very little counterparty risk. Purchased credit default swaps decrease exposure (buying protection) providing the right to “put” bonds to the counterparty in the event of default. This decreases credit risk, and has counterparty risk in the event the seller of the protection fails to cover the defaulting security. Controls are established by the investment managers to monitor the creditworthiness of the counterparties.

#### *TBA (To Be Announced) Agency Bonds*

A TBA is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed-upon date; however, the actual pool identities or the number of pools that will be delivered to fulfill the trade obligation or terms of the contract are unknown at the time of the trade. A common practice is to buy a TBA security thirty to sixty days in advance of the issue date with the issue date as the trade settle date, then selling the security four days before issue date, with the same settle date. This allows the trader to realize a gain or loss on the security based on changes in interest rates, without taking possession of, or paying for, the security. The only cash cost is the broker cost of the trades. These have minimal credit risk, while this scenario is designed specifically to increase interest rate exposure.

#### **Investment Derivative Fair Values**

*(expressed in thousands)*

Derivative	June 30, 2014	Increases	Decreases	June 30, 2015
Pay fixed interest swaps	\$ 2,307	\$ 5	\$ 2,124	\$ 188
Receive fixed interest swaps	1,214	310	1,524	0
Credit default swaps	1,661	2,006	1,707	1,960
TBA agency bonds*	103,531	1,081,927	1,120,097	65,361
Foreign currency forwards	(6,240)	414,743	422,671	(14,168)
Options purchased	0	4	0	4
Total	<u>\$ 102,473</u>	<u>\$ 1,498,995</u>	<u>\$ 1,548,123</u>	<u>\$ 53,345</u>

\*TBA Agency Bond notional values are equal to their fair values

#### *Foreign Currency Forwards*

KPERS’ international investment managers use forward contracts to obtain currencies necessary for trade execution and manage the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward contracts to enhance returns or to control volatility. Currency risk arises due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counterparties. KPERS could incur a loss if its counterparties failed to perform pursuant to the terms of their contractual obligations. Since KPERS holds the offsetting currency in the contract, and controls are established by the investment managers to monitor the creditworthiness of the counterparties, risk of actual loss are minimized. KPERS also contracts with a currency overlay manager to hedge the currency exposure to KPERS international equity portfolio.

KPERS utilize a currency overlay manager to reduce, or partially hedge, KPERS’ exposure to foreign currencies through the international equities portfolio. The overlay manager evaluates KPERS’ international equities exposure to currencies, and buys/sells inverse currency forwards in relation to the overall currency exposures. The inverse relationship of these hedging forwards uses their exposure to currency risk to reduce overall KPERS exposure. KPERS Statement of Investment Policy stipulates that the overlay manager should “Take forward currency exchange contract positions which will have the intent and effect of hedging the currency exposure of the underlying international equity assets.” KPERS Statement of Investment Policy further states the forward currency exchange contract positions be used to “Maintain an acceptable risk level by reducing the negative volatility of the currency component of return.”

KPERS has ongoing foreign currency exposure through its international equities portfolio. At June 30, 2015, the market values of international equities was \$3.9 billion. KPERS’ exposure to foreign currencies is converted into a proxy basket

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### III. Detailed Notes On All Funds

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of seven liquid currencies that are highly correlated to the movements of the underlying currencies. The weights to be used are calculated with reference to the liquidity and risk of each currency.

There is appropriate statistical evidence that the proxy basket does track the currency exposure closely (residual standard deviation of less than one percent). This proves the intent is to hedge and qualifies as a designated hedge under Generally Accepted Accounting Principles. The forward contracts are purchased as needed are determined by the hedge manager, and mature in the nearest September, December, March or June. Gains/losses are realized during those periods and the contracts are rolled over to the next period as appropriate. Through these processes, hedging contracts can adapt at any changes to portfolio currency exposure. Since the hedging currency forwards track to the overall exposure, and they reference the same foreign exchange rates as the underlying portfolio, this hedge is known to be effective through consistent critical terms.

A portfolio hedge such as this does not match the hedging forwards to any specific hedged security. The accessibility and liquidity of the currency forwards market allows these hedging forwards to roll forward and seamlessly hedge the ongoing foreign currency exposure. Counterparties to these forwards are carefully analyzed for credit risk. KPERS has control of one side of the exchange at all times, thereby reducing the costs of a counterparty default to possible lost gains and inconvenience costs required to re-establish the hedge on short notice with another counterparty.

**Foreign Currency Forwards**  
*(expressed in thousands)*

Currency	Notional Cost (USD)	Foreign Exchange Receivables	Pending Foreign Exchange Payables	Fair Value June 30, 2015
<u>Investment Currency Forwards</u>				
Australian Dollar	\$ 108,796	\$ 108,954	\$ 108,834	\$ 120
Brazil Real	18,440	18,470	18,368	102
British Pound	897,741	898,722	913,036	(14,314)
Canadian Dollar	125,507	125,701	124,605	1,096
Danish Krone	6,303	6,382	6,345	37
Euro Currency Unit	700,366	699,848	698,795	1,053
Hong Kong Dollar	57,204	57,204	57,213	(9)
Indian Rupee	8,405	8,410	8,405	5
Japanese Yen	494,386	494,543	497,888	(3,345)
Malaysian Ringgit	5,558	5,478	5,496	(18)
Mexican New Peso	20,026	19,940	19,520	420
New Taiwan Dollar	8,733	8,733	8,758	(25)
New Zealand Dollar	20,446	20,363	18,810	1,553
Norwegian Krone	28,606	28,417	28,903	(486)
Philippines Peso	14,474	14,411	14,395	16
Polish Zloty	2,548	2,548	2,500	48
S African Rand	2,435	2,435	2,523	(88)
Singapore Dollar	28,103	27,995	28,196	(201)
South Korean Won	3,046	2,985	3,019	(34)
Swedish Krona	20,731	21,072	21,065	7
Swiss Franc	102,663	102,390	102,494	(104)
Total	<u>\$ 2,674,517</u>	<u>\$ 2,675,001</u>	<u>\$ 2,689,168</u>	<u>\$ (14,167)</u>

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**Currency Forwards Counterparty Exposure**  
*(expressed in thousands)*

<u>Counterparty Name</u>	<u>By Counterparty at June 30, 2015</u>		<u>Worst Long Term Rating</u>
	<u>Notional \$USD</u>	<u>Fair Values</u>	
<i>Investment forwards counterparty exposure</i>			
Bank of America, N.A.	\$ 82,849	\$ (441)	A
Bank of New York	52,668	(365)	A
Barclays Bank PLC Wholesale	141,313	(2,338)	A
BNP Paribas	19,079	152	A
Citibank N.A.	85,249	(604)	A
Citibank N.A. London	206,610	1,614	A
Credit Suisse International	5,979	(1)	A
Deutsche Bank AG	6,935	2	BBB
Goldman Sachs International	161,012	725	A
HSBC Securities	35,841	797	A
HSBC Bank PLC	717,074	(5,405)	A
HSBC Bank USA	4,305	51	AA
JPMorgan Chase Bank N.A.	7,736	(71)	A
JPMorgan Chase Bank Na London	271,381	(552)	A
Morgan Stanley and Co. International PLC	25,472	366	A
Royal Bank of Canada	412,239	(6,385)	AA
LCRoyal Bank of Scotland Plc	61,392	(20)	BBB
Societe Generale	1,226	32	A
Standard Chartered Bank	10,387	(90)	A
State Street Bank and Trust Company	14,226	9	A
State Street Bank London	1,435	60	A
UBS AG	25	-	A
UBS AG London	315,773	(1,593)	A
Westpac Banking Corporation	34,311	(111)	AA
Total	<u>\$ 2,674,517</u>	<u>\$ (14,168)</u>	

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**B. Receivables**

Accounts receivable as of June 30, 2015, for the State’s primary government and component units net of the applicable allowances for uncollectible accounts, are as follows (expressed in thousands):

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Taxes receivable, net	\$ 710,779	\$ 0	\$ 710,779	\$ 0
Intergovernmental receivable	23,233	10,983	34,216	14,943
Loan receivable	14,311	608,620	622,931	18,702
Accrued interest	283	9,506	9,789	1,381
Other receivables, net	218,363	29,486	247,849	498,070
Total	\$ 966,969	\$ 658,595	\$ 1,625,564	\$ 533,096

Taxes receivable and other receivables are shown net of allowances for uncollectible amounts of \$470.8 million and \$176.3 million, respectively.

**C. Investment in Direct Financing Leases**

***Component Units***

The Kansas Development Finance Authority (KDFA) issues revenue bonds to facilitate construction of certain capital projects for various State agencies and other public and private entities. KDFA’s interests in the projects have been assigned to various State government units through the use of financing lease transactions. Contained in the trust indenture or resolution and loan agreement for each series of bonds is a pledge of revenue agreement by which revenues paid by the various governmental units, as loan obligors to KDFA are pledged to pay bond debt service. Amounts are actually paid by the State agencies directly to the bond paying agents for the revenue bonds.

Net investment in direct financing obligations as of June 30, 2015, is as follows (expressed in thousands):

Total minimum lease payments to be received	\$ 3,997
Less: unearned income	(537)
Net investment in direct financing leases	\$ 3,460

The future minimum loan payments to be received by KDFA under the direct financing agreements mirror the payments to be made by KDFA under the revenue bonds payable.

**D. Restricted Assets**

Certain revenue bond proceeds and other resources set aside for bond repayment, capital projects, and other purposes are reported as restricted assets in the Statement of Net Position because their use is limited by applicable bond covenants or statutory provisions.

*Donor-Restricted Assets.* Kansas’ permanent endowment moneys are held primarily by State university foundations. Each university has a separate foundation, and each foundation has its own policies and procedures. Typically, the permanent endowment funds have a nonexpendable permanent corpus and an earnings reserve, which is used to receive earnings and pay expenses. The donor restrictions and the Uniform Prudent Management of Institutional Funds Act (K.S.A. 58-3601) provide guidance on how these funds can be invested, and also govern the spending of net appreciation from these investments. Net appreciation is reflected in restricted net position. The amount of net appreciation available to be spent can be found in the individual foundation annual financial reports.

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### **III. Detailed Notes On All Funds**

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#### **E. Equity**

Net investment in capital assets, restricted for capital projects, restricted for debt service, restricted for highways and other transportation and restricted for other purposes are each shown separately on the Statement of Net Position. Restricted for capital projects, restricted for debt service, restricted for highways and other transportation and restricted for other purposes are restricted for externally imposed constraints. In addition, \$1.1 billion included in the State University System Component Unit restricted for other purposes category is nonexpendable.

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**F. Capital Assets**

**Primary Government**

	(expressed in thousands)				
	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<i>Governmental activities</i>					
Capital assets, not being depreciated:					
Construction in progress	\$ 716,210	\$ 0	\$ 350,652	\$ 350,022	\$ 716,840
Infrastructure (including construction in progress)	10,859,928	0	354,014	75,413	11,138,529
Land	251,207	0	8,904	29	260,082
Total capital assets, not being depreciated	<u>11,827,345</u>	<u>0</u>	<u>713,570</u>	<u>425,464</u>	<u>12,115,451</u>
Capital assets, being depreciated:					
Buildings and improvements	1,431,452	(9,289)	32,036	6,909	1,447,290
Equipment and furnishings	520,585	0	27,306	17,455	530,436
Intangible-software	76,168	0	29	1,143	75,054
Land improvements	115,267	0	3,580	961	117,886
Vehicles	79,845	0	11,886	9,149	82,582
Water rights	32,431	0	0	0	32,431
Total	<u>2,255,748</u>	<u>(9,289)</u>	<u>74,837</u>	<u>35,617</u>	<u>2,285,679</u>
Less accumulated depreciation for:					
Buildings and improvements	661,348	(115)	34,129	7,250	688,112
Equipment and furnishings	303,188	0	34,077	16,017	321,248
Intangible-software	39,898	0	8,941	310	48,529
Land improvements	58,400	0	2,707	2	61,105
Vehicles	58,767	0	7,731	6,681	59,817
Water rights	18,919	0	836	0	19,755
Total	<u>1,140,520</u>	<u>(115)</u>	<u>88,421</u>	<u>30,260</u>	<u>1,198,566</u>
Total capital assets, being depreciated, net	<u>1,115,228</u>	<u>(9,174)</u>	<u>(13,584)</u>	<u>5,357</u>	<u>1,087,113</u>
Governmental activity capital assets, net	<u>\$ 12,942,573</u>	<u>\$ (9,174)</u>	<u>\$ 699,986</u>	<u>\$ 430,821</u>	<u>\$ 13,202,564</u>
<i>Business-type activities</i>					
Capital assets, being depreciated:					
Equipment and furnishings	\$ 1,303	\$ 0	\$ 72	\$ 0	1,375
Vehicles	845	0	102	157	790
Total	<u>2,148</u>	<u>0</u>	<u>174</u>	<u>157</u>	<u>2,165</u>
Less accumulated depreciation for:					
Equipment and furnishings	1,276	0	27	0	1,303
Vehicles	573	0	99	130	542
Total	<u>1,849</u>	<u>0</u>	<u>126</u>	<u>130</u>	<u>1,845</u>
Business-type activity capital assets, net	<u>\$ 299</u>	<u>\$ 0</u>	<u>\$ 48</u>	<u>\$ 27</u>	<u>\$ 320</u>

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Depreciation expense was charged to functions/programs as follows (expressed in thousands):

*Governmental activities*

General government	\$ 21,395
Human resources	10,706
Education	1,388
Public safety	18,621
Agriculture and natural resources	6,803
Highways and other transportation	28,813
Health and environment	695
Total depreciation expense – Government activities	<u>\$ 88,421</u>

*Business-Type activities*

Health care stabilization	\$ 6
Lottery	117
Communication system revolving	3
Total depreciation expense – Business-type activities	<u>\$ 126</u>

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**Component Units**

(expressed in thousands)

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<i>Kansas Development Finance Authority</i>					
Capital assets, being depreciated					
Buildings and improvements	\$ 122	\$ 0	\$ 567	\$ 117	\$ 572
Equipment and furnishings	272	0	177	118	331
Less accumulated depreciation	338	0	46	235	149
Total capital assets, being depreciated, net	\$ 56	\$ 0	\$ 698	\$ 0	\$ 754
 <i>Kansas Housing Resources Corporation</i>					
Capital assets, being depreciated					
Buildings and improvements	\$ 61	\$ 0	\$ 0	\$ 0	\$ 61
Equipment and furnishings	879	0	313	0	1,192
Assets in progress	13	0	417	313	117
Vehicles	72	0	0	0	72
Less accumulated depreciation	877	0	81	0	958
Total capital assets, being depreciated, net	\$ 148	\$ 0	\$ 649	\$ 313	\$ 484
 <i>Kansas Bioscience Authority</i>					
Capital assets, not being depreciated					
Land	\$ 420	\$ 0	\$ 0	\$ 0	420
Total capital assets, not being depreciated	420	0	0	0	420
Capital assets, being depreciated					
Buildings and improvements	13,423	0	8	0	13,431
Equipment and furnishings	1,357	0	0	0	1,357
Less accumulated depreciation	1,755	0	500	0	2,255
Total capital assets being depreciated, net	13,025	0	(492)	0	12,533
Total capital assets, net	\$ 13,445	\$ 0	\$ (492)	\$ 0	\$ 12,953
 <i>Kansas Turnpike Association</i>					
Capital assets, not being depreciated					
Land	\$ 12,382	\$ 0	\$ 1,639	\$ 0	\$ 14,021
Building CIP	695	0	0	695	0
Infrastructure, including CIP	531,131	0	5,828	49	536,910
Total capital assets, not being depreciated	544,208	0	7,467	744	550,931
Capital assets, being depreciated					
Buildings and improvements	32,622	0	1,035	0	33,657
Equipment and furnishings	19,207	0	2,852	516	21,543
Less accumulated depreciation	23,031	0	2,890	325	25,596
Total capital assets being depreciated, net	28,798	0	997	191	29,604
Total capital assets, net	\$ 573,006	\$ 0	\$ 8,464	\$ 935	\$ 580,535

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	(expressed in thousands)				
	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<i>University system</i>					
Capital assets, not being depreciated					
Construction in progress	\$ 207,443	\$ 8,708	\$ 345,742	\$ 259,409	\$ 302,484
Land	71,921	4,273	47,677	3,070	120,801
Total capital assets, not being depreciated	<u>279,364</u>	<u>12,981</u>	<u>393,419</u>	<u>262,479</u>	<u>423,285</u>
Capital assets, being depreciated					
Buildings and improvements	3,246,550	13,023	297,652	53,334	3,503,891
Land improvements	54,779	(3,866)	7,136	3,059	54,990
Equipment and furnishings	637,018	4,187	44,531	26,541	659,195
Intangible, software	26,015	4,877	1,715	3,416	29,191
Vehicles	50,300	386	14,271	7,190	57,767
Total capital assets, being depreciated	<u>4,014,662</u>	<u>18,607</u>	<u>365,305</u>	<u>93,540</u>	<u>4,305,034</u>
Less accumulated depreciation for:					
Buildings and improvements	1,316,184	8,363	103,835	28,166	1,400,216
Land improvements	23,609	116	1,825	994	24,556
Equipment and furnishings	444,432	(2,122)	46,436	21,730	467,016
Intangible, software	10,635	7,358	2,301	3,274	17,020
Vehicles	41,237	493	4,377	7,017	39,090
Totals	<u>1,836,097</u>	<u>14,208</u>	<u>158,774</u>	<u>61,181</u>	<u>1,947,898</u>
Total capital assets, being depreciated, net	<u>2,178,565</u>	<u>4,399</u>	<u>206,531</u>	<u>32,359</u>	<u>2,357,136</u>
University system capital assets, net	<u>\$ 2,457,929</u>	<u>\$ 17,380</u>	<u>\$ 599,950</u>	<u>\$ 294,838</u>	<u>\$ 2,780,421</u>
<i>All component units</i>					
Capital assets, not being depreciated					
Construction in progress	\$ 208,138	\$ 8,708	\$ 345,742	\$ 260,104	\$ 302,484
Land	84,723	4,273	49,316	3,070	135,242
Infrastructure, including CIP	531,131	0	5,828	49	536,910
Total capital assets, not being depreciated	<u>823,992</u>	<u>12,981</u>	<u>253,083</u>	<u>217,071</u>	<u>974,636</u>
Capital assets, being depreciated					
Buildings and improvements	3,292,778	13,023	299,262	53,451	3,551,612
Land improvements	54,779	(3,866)	7,136	3,059	54,990
Equipment and furnishings	658,746	4,187	48,290	27,488	683,735
Intangible, software	26,015	4,877	1,715	3,416	29,191
Vehicles	50,372	386	14,271	7,190	57,839
Total capital assets, being depreciated	<u>4,082,690</u>	<u>18,607</u>	<u>370,674</u>	<u>94,604</u>	<u>4,377,367</u>
Less accumulated depreciation for:					
Buildings and improvements	1,329,065	8,363	105,033	28,283	1,414,178
Land improvements	23,609	116	1,825	994	24,556
Equipment and furnishings	457,479	(2,122)	48,755	22,173	481,939
Intangible, software	10,635	7,358	2,301	3,274	17,020
Vehicles	41,310	493	4,377	7,017	39,163
Totals	<u>1,862,098</u>	<u>14,208</u>	<u>162,291</u>	<u>61,741</u>	<u>1,976,856</u>
Total capital assets, being depreciated, net	<u>2,220,592</u>	<u>4,399</u>	<u>208,383</u>	<u>32,863</u>	<u>2,400,511</u>
All component units capital assets, net	<u>\$ 3,044,584</u>	<u>\$ 17,380</u>	<u>\$ 461,466</u>	<u>\$ 249,934</u>	<u>\$ 3,375,147</u>

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***Construction Commitments***

The State has active construction projects as of June 30, 2015. The projects include road projects, dam repair, building remodeling and restorations. At year-end, the State's commitments with contractors are as follows (expressed in thousands):

Agency - Project	Spent to Date	Remaining Commitment	Funding Source
<b>Adjutant General's Department</b>			
Field Maintenance Shop in Wichita			
C Service	2,775	16	Federal fund
Construction	11,323	46	Federal fund
Wichita Readiness Center			
C Service	1,713	24	Federal fund
<b>Department of Administration</b>			
Statehouse restoration and renovation	322,513	4,647	Debt service - lease revenue bonds
<b>Department of Labor</b>			
Interactive Voice Response Upgrade	1,182	1,318	Federal fund/UI Administrative grant
<b>Department of Transportation</b>			
Various roadway projects	797,043	660,700	Federal, state and local funds
<b>Kansas Highway Patrol</b>			
Troop F Headquarters Facility	2,849	1,210	Federal, state and local funds
<b>Kansas School for the Deaf</b>			
Roth West Wing Renovation, Phase C	1,806	595	State institutions building funds
<b>Kansas Bureau of Investigation</b>			
Forensic Science Laboratory at Washburn University	0	57,420	State general fund
<b>Component Units:</b>			
<b>Pittsburg State University</b>			
Fine & Performing Arts Center	34,239	456	Bonds and private funding
Robert W. Plaster Center	11,483	1,759	Bonds and student fees
Overman Student Center Expansion and Renovations	11,233	2,101	Bonds and student fees
Renovation of Existing Housing	16,995	3,058	Bonds and state funds
Heckert Wells New HVAC and Lab Hood Systems	4,441	64	State funds and local funds
Weede Physical Education Building Renovation	2,968	743	Bonds and private funding
<b>Kansas State University</b>			
Horticulture Center	1,682	623	Federal and restricted fees
Durland-Rathbone-Fiefler Fire Protection	1,506	94	Bonds and Restricted fee fund
Student Union Expansion	679	24,321	Bonds and Restricted fee fund
West Memorial Stadium	7,362	138	Bonds and Restricted fee fund
New Residence Hall and Dining Center	11,501	63,499	Housing system operation fund, bonds
Engineering Complex Addition	31,339	13,661	Salina housing system operation, fee funds
College of Business Building	7,192	52,808	Restricted fee fund

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Agency - Project	Spent to Date	Remaining Commitment	Funding Source
<b>Component Units:</b>			
(continued)			
<b>Kansas State University (continued)</b>			
Purebred Beef Cattle Relocation	1	5,199	Bonds
Hale Library Sprinkler System	230	2,130	Bonds
Chilled Water Plant & Campus Distribution Infrastructure	12,251	43,749	Bonds and Restricted fee fund
College of Architecture Renovation	1,554	73,446	Bonds and State general fund
<b>University of Kansas</b>			
Lindley Hall Addition Energy and Environment Center-North	1,547	31,426	Private funding
School of Business - New Building	25,431	45,109	Private funding
McCullom Hall Replacement	36,270	12,432	Bonds and university funds
Haworth Electrical Distribution System	3,360	567	University funds
Douthart Scholarship Hall Renovation	138	1,364	Private funding
Grace Pearson Scholarship Hall Renovation	73	1,427	Private funding
Summerfield Hall Partial Remodel for Film and Media Studies	61	3,639	Private funding and university funds
Jayhawk Blvd Renovation	403	3,211	University funds
15th Street Reconstruction	297	1,800	University funds
Marie S. McCarthy Hall	5,839	6,094	University funds
DeBruce Center	0	21,255	University funds
Summerfield Hall HVAC & Electrical Improvements	43	4,707	University funds
Watkins Memorial Health Center	709	3,770	University funds
<b>University of Kansas Medical Center</b>			
Various Projects	N/A	N/A	Bonds and state funds
<b>Wichita State University</b>			
Perimeter Road Relocation	3,174	154	Parking System
Experiential Engineering Building	1,981	28,200	Parking System, Kan-Gro Engineering, Innovation Campus, Research & Tech Trans.
<b>University of Kansas Medical Center</b>			
Various Projects	3,421	26,064	
<b>Total</b>	<u>\$ 1,380,607</u>	<u>\$ 1,205,044</u>	

**Significant encumbrances at June 30, 2015 (amounts in thousands)**

<b>Fund</b>	<b>Amount</b>
General	\$ 29,091
Social Services	36,564
Health and Environment	94,936
Transportation	1,000,082
Other Governmental Funds	213,746
<b>Total</b>	<u>\$ 1,374,419</u>

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### III. Detailed Notes On All Funds

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**G. Interfund Receivables, Payables, and Transfers**

*Due from/to other funds*

Due from/to other funds represent interfund accounts receivable and payable. The total of due from/to other funds at June 30, 2015, is as follows (expressed in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Business Type Fund	\$ 4,807
Non-major Governmental Funds	General Fund	20,294
	Health & Environment Fund	244
	Non-major Governmental Funds	222
	Internal Service Funds	584
		\$ 26,151

The interfund balances designated as due from/to other funds are short-term receivables and payables resulting from the time lag between the dates that a) interfund goods and services are provided or reimbursable expenditures occur; b) transactions are recorded in the accounting system; and c) payments between funds are made.

*Advances to/from other funds*

Advances to/from other funds represent long-term loans from one fund to another fund. Advances at June 30, 2015, were as follows (expressed in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major Governmental Funds	General Fund	\$ 126,075
	Non-major Governmental Funds	931
	Internal Service Funds	852
		\$ 127,858

The amounts payable to the Non-major Governmental Funds relate to expected claims from escheated property, see Note IV, Section B, Contingencies and Commitments for further information. The remainder of the advance to/from have to do with the Master Lease Purchase Program, see NOTE III, Section I, Master Lease Purchase Program for further information.

State of Kansas  
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**III. Detailed Notes On All Funds**

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**Transfers**

Net transfers by major funds are as follows (expressed in thousands):

Fund	Net Transfers In	Net Transfers Out
General	\$ 170,616	\$ 0
Social Services	808,257	0
Health & Environment	0	864,778
Education	252,049	0
Transportation	0	329,309
Non-major Governmental	124,904	0
Unemployment Insurance	0	5,020
Health Care Stabilization	2,904	0
Non-major Enterprise Funds	0	162,150
Internal Service Funds	2,527	0
Total	\$ 1,361,257	\$ 1,361,257

Transfers are used to (1) move revenues from fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts and (3) use unrestricted revenues collected in a fund that is used to finance various programs and capital outlay projects accounted for in another fund in accordance with budgetary authorizations. Any transfers within the governmental funds or within the proprietary funds have been eliminated in the Government-Wide Statement of Activities.

**H. Short-term Obligations**

Short-term obligations at June 30, 2015, and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/2014 Beginning Balance	Additions	Deletions	6/30/2015 Ending Balance
<i>Governmental Activities</i>				
Certificates of Indebtedness	\$ 0	\$ 675,000	\$ 675,000	\$ 0
Accrued receivables:				
Expanded Lottery Act Revenues Fund	0	86,263	86,263	0
Children's Initiatives Fund	0	28,100	28,100	0
Correctional Institution Building Fund	0	3,994	3,994	0
State Economic Development	0	21,254	21,254	0
Kansas Endowment for Youth Fund	0	196	196	0
Total short-term obligations	\$ 0	\$ 814,807	\$ 814,807	\$ 0

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later than June 30, immediately following the issuance of the indebtedness. No interest is accrued or paid. A Certificate of Indebtedness of \$675 million was issued on July 1, 2014, and redeemed on June 26, 2015.

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### **III. Detailed Notes On All Funds**

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Per Senate Bill 171, Section 112(r) of the 2014 Session, on July 1, 2014, receivables are to be posted to the State Treasurer's receivables for the Expanded Lottery Act Revenues Fund. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2014, a receivable was posted for \$86.3 million and was reduced to zero in June 2015.

Per Senate Bill 171, Section 112(h) of the 2014 Session, on July 1, 2014, receivables are to be posted to the State Treasurer's receivables for the Children's Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2015 a receivable was posted for \$28.1 million and was reduced to zero in June 2015.

Per Senate Bill 171, Section 112(j) of the 2014 Session, on July 1, 2014, receivables are to be posted to the State Treasurer's receivables for the Correctional Institutions Building Fund by an amount certified by the director of budget which is to be 80 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2015, a receivable was posted for \$4.0 million and was reduced to zero in February 2015.

Per Senate Bill 171, Section 112(i) of the 2014 Session, on July 1, 2014, receivables are to be posted to the State Treasurer's receivables for the State Economic Development Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2015, a receivable was posted for \$21.3 million and was reduced to zero in November 2014.

Per Senate Bill 171, Section 112(k) of the 2014 Session, on July 1, 2014, receivables are to be posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund by an amount certified by the director of budget which is to be 75 percent of the amount approved for expenditure during the fiscal year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2015, a receivable was posted for \$196,000 and was reduced to zero in June 2015.

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**III. Detailed Notes On All Funds**

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**I. Long-term Obligations**

A summary of long-term obligations at June 30, 2015, for the fiscal year then ended is as follows (expressed in thousands):

	Governmental Activities	Business-type Activities	Component Units	Total
Revenue bonds payable	\$ 3,439,111	\$ 407,056	\$ 825,775	\$ 4,671,942
Less bonds payable on demand	(147,000)	0	0	(147,000)
Notes payable	18,093	0	0	18,093
Other component units of university system	0	0	406,927	406,927
Capital leases payable	80,809	0	7,752	88,561
Arbitrage rebate payable	184	237	404	825
Claims	100,255	258,093	0	358,348
Judgments	48,721	0	0	48,721
Compensated absences	113,015	92	78,459	191,566
Other post employment benefits	59,504	424	71,015	130,943
Net pension liability	1,750,877	5,520	240,024	1,996,421
Pollution remediation	48,747	0	0	48,747
Other	0	11,680	221,062	232,742
Total long-term obligations	<u>\$ 5,512,316</u>	<u>\$ 683,102</u>	<u>\$ 1,851,418</u>	<u>\$ 8,046,836</u>

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**III. Detailed Notes On All Funds**

Long-term obligations at June 30, 2015, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2014 Beginning Balance	Prior Period Adjustment	Additions	Deletions	6/30/2015 Ending Balance	Amounts Due In One Year
<b>Governmental Activities</b>										
<b>Revenue bonds payable:</b>										
KDFA series 2004 A-1, 2 & 3	2004	2.00 - 5.00%	2015	\$ 44,920	\$ 2,165	\$ 0	\$ 0	\$ 2,165	\$ 0	\$ 0
KDFA series 2004 C	2004	3.43 - 5.50%	2034	500,000	433,435	0	0	12,835	420,600	13,440
KDFA series 2005 H-1, 2, 3, 4 & 5	2006	3.25 - 5.00%	2032	88,175	58,400	0	0	58,400	0	0
KDFA series 2006 A	2006	4.00 - 5.00%	2027	209,490	156,125	0	0	126,700	29,425	9,380
KDFA series 2006 L-1, 2, 3	2007	4.00 - 4.25%	2026	13,210	8,360	0	0	6,645	1,715	840
KDFA series 2007 F	2007	4.00 - 4.97%	2017	34,505	12,130	0	0	3,850	8,280	4,040
KDFA series 2007 K-1, 2A, 2B, & 3	2008	4.00 - 5.25%	2028	59,455	46,890	0	0	33,070	13,820	2,530
KDFA series 2008 L-1, 2, & 3	2009	2.00 - 5.25%	2029	43,265	35,170	0	0	1,785	33,385	1,840
KDFA series 2009 A	2009	2.50 - 5.00%	2035	3,825	3,825	0	0	120	3,705	120
KDFA series 2009 B	2009	5.00%	2019	515	515	0	0	95	420	95
KDFA series 2009 F	2009	3.00 - 5.00%	2019	49,425	32,625	0	0	5,940	26,685	6,240
KDFA series 2009 M-1 & M-2	2010	3.00 - 6.31%	2035	89,765	78,595	0	0	2,950	75,645	3,600
KDFA series 2009 N	2010	3.88 - 5.80%	2025	10,050	10,050	0	0	710	9,340	735
KDFA series 2010 C	2010	5.00%	2020	52,755	37,670	0	0	5,540	32,130	5,815
KDFA series 2010 E-1 & E-2	2010	2.00 - 6.12%	2035	84,160	79,495	0	0	5,210	74,285	5,945
KDFA series 2010 F	2010	1.58 - 6.25%	2032	18,400	14,445	0	0	1,805	12,640	1,855
KDFA series 2010 O-1 & O-2	2011	2.70 - 6.10%	2030	43,455	38,090	0	0	1,885	36,205	1,925
KDFA series 2011 B	2012	2.00 - 4.13%	2031	53,780	47,185	0	0	2,045	45,140	2,105
KDFA series 2011 K	2012	3.00 - 5.00%	2023	109,135	100,115	0	0	2,470	97,645	1,265
KDFA series 2013 A-1, 2 & 3	2014	4.00 - 5.00%	2033	71,885	69,400	0	0	2,665	66,735	3,370
KDFA Series 2013 B	2014	3.00 - 5.00%	2024	40,555	37,220	0	0	3,020	34,200	4,880
KDFA Series 2015 A	2015	3.20 - 5.00%	2035	230,475	-	0	230,475	0	230,475	830
KDFA Series 2015 G	2015	4.84 - 5.00%	2035	203,585	-	0	203,585	0	203,585	0
KDOT series 2002 B & C*	2003	3.39%	2020	320,005	236,215	0	0	236,215	0	0
KDOT series 2004 A	2004	4.50 - 5.50%	2019	250,000	76,235	0	0	0	76,235	0
KDOT series 2004 B	2005	4.30 - 5.00%	2025	200,000	200,000	0	0	0	200,000	0
KDOT series 2004 C*	2005	Variable	2025	147,000	147,000	0	0	0	147,000	0
KDOT series 2009 A	2010	2.25 - 5.00%	2021	176,680	176,680	0	0	0	176,680	20,445
KDOT series 2010 A	2011	4.60%	2036	325,000	325,000	0	0	0	325,000	0
KDOT series 2012 A	2013	Variable	2016	151,365	128,290	0	0	90,065	38,225	38,225
KDOT series 2012 B	2013	5.00%	2023	144,885	144,885	0	0	0	144,885	0
KDOT series 2012 C	2013	4.00 - 5.00%	2033	200,000	200,000	0	0	0	200,000	7,000
KDOT series 2014 A	2015	5.00%	2031	250,000	0	0	250,000	0	250,000	0
KDOT series 2014 B	2015	Variable	2020	212,875	0	0	212,875	0	212,875	37,000
Less bonds payable on demand*				(705,985)	(383,215)	0	0	(236,215)	(147,000)	0
Plus deferred amounts:										
Net unamortized premium (discount)				-	128,475	0	116,447	32,771	212,151	0
Total revenue bonds payable				\$ 3,726,610	2,681,470	0	1,013,382	402,741	3,292,111	173,520
<b>Sales tax limited obligation bonds</b>										
1999 KISC	1999	4.20 - 5.25%	2028	18,182	15,219	(15,219)	0	0	0	0
400 acres refunding	2005	3.25 - 5.54%	2021	4,077	2,520	(2,520)	0	0	0	0
2012 refunding bond	2013	2.00 - 5.00%	2016	9,589	7,286	(7,286)	0	0	0	0
Total sales tax limited obligation bonds				\$ 31,848	25,025	(25,025)	0	0	0	0
<b>Notes payable:</b>										
Water supply storage in federal reservoirs				29,189	15,350	0	3,858	1,115	18,093	951
Total notes payable				\$ 29,189	15,350	0	3,858	1,115	18,093	951
Arbitrage rebate payable					190	0	0	6	184	0
Sales tax limited obligation accretion bonds					80,008	(80,008)	0	0	0	0
Capital leases payable					91,027	(9,172)	12,550	13,596	80,809	5,899
Claims					95,993	0	456,140	451,878	100,255	43,544
Judgments					58,464	0	5,000	14,743	48,721	17,245
Compensated absences					120,831	0	14,184	22,000	113,015	60,744
Other post employment benefits					58,631	0	13,203	12,330	59,504	0
Net pension liability					0	2,050,107	130,165	429,395	1,750,877	0
Pollution remediation					65,678	0	-	16,931	48,747	0
Total governmental activities					\$ 3,292,667	\$ 1,935,902	\$ 1,648,482	\$ 1,364,735	\$ 5,512,316	\$ 301,903

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	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2014 Beginning Balance	Prior Period Adjustment	Additions	Deletions	6/30/2015 Ending Balance	Amounts Due In One Year
<b>Business-type Activities</b>										
Revenue bonds payable:										
KDFA series 2001 I & II	2002	5.00 - 5.50%	2018	\$ 124,540	\$ 40,500	\$ 0	\$ 0	\$ 9,500	\$ 31,000	\$ 11,000
KDFA series 2004 II	2004	4.92 - 5.25%	2023	45,140	5,725	0	0	2,810	2,915	2,915
KDFA series 2004 I & 2	2005	3.00 - 5.00%	2019	176,010	3,000	0	0	2,060	940	940
KDFA series 2005 CW I & II	2006	3.00 - 5.00%	2027	118,860	48,320	0	0	11,340	36,980	11,350
KDFA series 2009 DW 1 & 2	2010	1.50 - 5.60%	2029	73,040	36,830	0	0	760	36,070	1,030
KDFA series 2010 SRF 1,2 & 3 (CW & DW)	2011	1.68 - 5.95%	2030	213,950	192,965	0	0	9,640	183,325	8,935
KDFA series 2011 SRF DW 1 & 2	2011	2.00-4.20%	2031	53,380	53,025	0	0	370	52,655	1,380
KDFA series 2005 TR	2006	3.00 - 5.00%	2026	32,690	17,690	0	0	2,295	15,395	1,805
KDFA series 2006 TR	2007	4.00 - 5.00%	2027	24,755	12,630	0	0	1,960	10,670	2,070
KDFA series 2008 G	2009	4.60 - 5.05%	2023	14,200	1,196	0	0	200	996	209
KDFA series 2009 TR	2009	2.50 - 4.78%	2028	30,950	20,970	0	0	1,475	19,495	1,550
KDFA series 2013 SRF-2	2014	0.50%	2015	5,100	5,100	0	0	5,100	0	0
KDFA series 2014 SRF-1	2015	0.50%	2016	5,200	0	0	5,200	0	5,200	5,200
Plus deferred amounts:										
Net unamortized premium (discount)				0	14,366	0	0	2,951	11,415	2,558
Total revenue bonds payable				\$ 917,815	452,317	0	5,200	50,461	407,056	50,942
Arbitrage rebate payable					190	0	47	0	237	0
Claims and judgments					198,631	0	59,462	0	258,093	21,434
Compensated absences					89	0	3	0	92	78
Other					11,965	0	0	285	11,680	0
Other post employment benefits					412	0	59	47	424	0
Net pension liability					0	6,661	356	1,497	5,520	0
<i>Total business-type activities</i>					\$ 663,604	\$ 6,661	\$ 65,127	\$ 52,290	\$ 683,102	\$ 72,454

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Component Units	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2014 Beginning Balance	Prior Period Adjustment	Additions	Deletions	6/30/2015 Ending Balance	Amounts Due In One Year
Revenue bonds payable:										
KDFA series 2001 B	2001	3.65 - 5.20%	2021	2,805	1,295	-	-	160	1,135	165
KDFA series 2001 W-1	2002	3.00 - 5.00%	2022	44,470	895	-	-	95	800	100
KDFA series 2002 H	2003	2.50 - 4.70%	2022	3,765	1,830	-	-	195	1,635	205
KDFA series 2002 N-2	2003	3.00 - 5.25%	2018	52,075	1,330	-	-	305	1,025	325
KDFA series 2003 A-2	2003	1.80 - 5.50%	2023	1,385	250	-	-	135	115	115
KDFA series 2003 C	2003	4.67 - 5.00%	2024	2,305	2,305	-	-	-	2,305	-
KDFA series 2003 D-2	2003	2.00 - 4.13%	2018	1,150	440	-	-	75	365	80
KDFA series 2005 A	2005	3.00 - 5.00%	2035	44,535	2,125	-	-	2,125	-	-
KDFA series 2005 D	2005	3.75 - 5.18%	2022	66,530	21,250	-	-	4,290	16,960	4,480
KDFA series 2005 E-1 & E-2	2005	3.00 - 5.00%	2030	19,360	1,335	-	-	655	680	680
KDFA series 2005 F	2006	3.25 - 4.40%	2026	8,930	6,610	-	-	450	6,160	450
KDFA series 2005 G	2006	3.30 - 4.60%	2026	7,205	5,550	-	-	370	5,180	380
KDFA series 2006 B	2006	3.50 - 4.13%	2021	9,790	9,015	-	-	1,140	7,875	1,185
KDFA series 2007 A	2007	3.75 - 4.39%	2037	27,750	8,650	-	-	8,650	-	-
KDFA series 2007 E	2007	3.75 - 4.30%	2027	6,275	4,620	-	-	280	4,340	290
KDFA series 2007 H	2008	3.60 - 4.50%	2037	17,855	15,645	-	-	420	15,225	435
KDFA series 2007 M	2008	3.50 - 4.60%	2027	18,220	13,830	-	-	830	13,000	860
KDFA series 2008 A	2008	3.00 - 4.00%	2016	20,000	5,000	-	-	2,500	2,500	2,500
KDFA series 2008 D	2008	5.10%	2038	1,600	1,600	-	-	-	1,600	-
KDFA series 2008 L	2009	2.00 - 5.25%	2029	21,070	17,270	-	-	835	16,435	865
KDFA series 2009 C	2009	3.00 - 5.00%	2017	20,000	7,500	-	-	2,500	5,000	2,500
KDFA series 2009 G	2009	2.50 - 4.75%	2024	825	590	-	-	50	540	50
KDFA series 2009 H-1 & H-2	2009	2.50 - 7.30%	2035	14,630	13,460	-	-	410	13,050	425
KDFA series 2009 J-1 & J-2	2009	2.50 - 7.00%	2030	4,545	3,880	-	-	180	3,700	185
KDFA series 2009 K-1 & K-2	2010	2.63 - 5.63%	2040	6,140	5,915	-	-	120	5,795	125
KDFA series 2009 M-1 & M-2	2010	3.00 - 6.31%	2030	27,150	23,680	-	-	1,245	22,435	1,300
KDFA series 2010 A	2010	2.00 - 4.05%	2030	23,700	21,145	-	-	1,040	20,105	1,070
KDFA series 2010 B	2010	2.50 - 3.75%	2027	21,650	18,000	-	-	1,110	16,890	1,155
KDFA series 2010 G-1 & G-2	2010	2.00 - 6.60%	2040	21,565	21,065	-	-	505	20,560	510
KDFA series 2010 H	2010	2.00%	2016	1,530	515	-	-	265	250	250
KDFA series 2010 J	2010	0.75 - 4.45%	2030	14,765	12,445	-	-	600	11,845	610
KDFA series 2010 K-1 & K-2	2010	2.00 - 6.20%	2035	15,050	10,900	-	-	295	10,605	310
KDFA series 2010 M-1 & M-2	2010	2.00 - 5.10%	2026	20,990	17,390	-	-	1,250	16,140	1,275
KDFA series 2010 P-1 & P-2	2011	2.00 - 5.00%	2031	15,930	14,035	-	-	665	13,370	685
KDFA series 2010 U-1 & U-2	2011	1.80 - 6.20%	2029	25,180	20,335	-	-	1,835	18,500	1,710
KDFA series 2011 C	2011	2.00 - 4.50%	2036	13,450	12,320	-	-	385	11,935	395
KDFA series 2011 D-1, 2 & 3	2011	2.00 - 4.40%	2024	9,465	7,180	-	-	805	6,375	840
KDFA series 2011 G	2012	0.50 - 4.13%	2041	16,300	14,870	-	-	370	14,500	375
KDFA series 2012 A	2012	3.00 - 5.00%	2024	27,610	23,720	-	-	2,100	21,620	2,205
KDFA series 2012 D	2012	2.00 - 4.50%	2029	49,200	45,840	-	-	1,695	44,145	1,755
KDFA series 2012 F	2013	2.00 - 5.00%	2033	17,205	16,590	-	-	630	15,960	650
KDFA series 2012 H	2012	2.00 - 5.00%	2034	35,970	35,425	-	-	1,155	34,270	1,205
KDFA series 2014 A-1 & 2	2014	3.00 - 4.25%	2035	35,175	35,175	-	-	385	34,790	950
KDFA series 2014 B	2014	0.50%	2019	2,423	2,423	-	-	480	1,943	482
KDFA series 2014 C-1, 2, 3, 4 & 5	2014	3.00 - 5.00%	2039	56,655	56,655	-	-	35	56,620	1,245
KDFA series 2014 D-1, 2, 3 & 4	2014	3.00 - 5.00%	2035	133,550	133,550	-	-	1,270	132,280	2,015
KDFA series 2013 G-1 & 2	2014	4.00 - 5.00%	2038	77,335	77,335	-	-	520	76,815	2,455
KDFA series 2015 B-1, 2 & 3	2015	3.00 - 5.00%	2037	61,865	-	-	61,865	-	61,865	2,385
Plus deferred amounts:										
Net unamortized premium (discount)				-	36,477	-	3,495	3,435	36,537	-
Total revenue bonds payable				\$ 1,146,928	809,260	-	65,360	48,845	825,775	42,232
Other component units of university system										
Arbitrage rebate payable					351,973	-	94,453	39,499	406,927	28,464
Capital leases					51	-	369	16	404	-
Compensated absences					9,380	-	-	1,628	7,752	1,252
Other					78,918	-	1,968	2,427	78,459	64,215
Other post employment benefits					233,786	-	94	12,818	221,062	13,175
Net pension liability					64,993	-	9,455	3,433	71,015	-
Total component units					\$ 1,548,361	\$ 288,521	\$ 199,206	\$ 184,670	\$ 1,851,418	\$ 149,338

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The following table presents annual debt service requirements for those long-term debts outstanding, including bonds payable on demand, at June 30, 2015, which have scheduled debt service amounts (expressed in thousands):

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
Revenue bonds:						
2016	\$ 173,520	\$ 145,554	\$ 48,384	\$ 18,182	\$ 42,232	\$ 33,091
2017	183,755	138,463	35,019	16,015	40,655	31,406
2018	196,050	130,985	35,804	14,340	39,807	29,712
2019	202,690	121,920	38,122	12,815	39,794	28,022
2020	208,750	111,313	31,083	11,270	40,820	42,232
2021-2025	996,380	408,974	138,299	34,185	210,510	103,088
2026-2030	611,935	219,389	65,260	9,470	177,255	59,842
2031-2035	584,940	72,841	3,670	154	124,545	30,645
2036-2040	68,940	1,070	0	0	57,920	9,612
2041-2045	0	0	0	0	15,700	1,549
Less bonds payable on demand	(147,000)	(46,420)	0	0	0	0
Unamortized premium	212,151	0	11,415	0	36,537	0
Totals	<u>3,292,111</u>	<u>1,304,089</u>	<u>407,056</u>	<u>116,431</u>	<u>825,775</u>	<u>369,199</u>
Notes payable:						
2016	951	722	0	0	0	0
2017	987	686	0	0	0	0
2018	1,024	649	0	0	0	0
2019	1,062	610	0	0	0	0
2020	1,102	570	0	0	0	0
2021-2025	6,013	2,192	0	0	0	0
2026-2030	5,548	1,028	0	0	0	0
2031-2035	1,406	103	0	0	0	0
2036-2040	0	0	0	0	0	0
2041-2045	0	0	0	0	0	0
Totals	<u>18,093</u>	<u>6,560</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital leases payable	80,809	28,090	0	0	7,752	1,097
Long-term debt without scheduled						
Debt service:						
Arbitrage rebate payable	184	0	237	0	404	0
Unemployment benefits loan	0	0	0	0	0	0
Claims and judgments	148,976	0	258,093	0	0	0
Compensated absences	113,015	0	92	0	78,459	0
Other post employment benefits	59,504	0	424	0	71,015	0
Net pension liability	1,750,877	0	5,520	0	240,024	0
Pollution remediation	48,747	0	0	0	0	0
Component Units of University system	0	0	0	0	406,927	0
Other	0	0	11,680	0	221,062	0
Total long-term obligations	<u>\$ 5,512,316</u>	<u>\$ 1,338,739</u>	<u>\$ 683,102</u>	<u>\$ 116,431</u>	<u>\$ 1,851,418</u>	<u>\$ 370,296</u>

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Included in the debt service requirements to maturity table above are variable rate debt maturities for the Kansas Department of Transportation. For those variable rate bonds the following table represents the aggregate debt service requirements and net receipts/payments on associated hedging derivative instruments as of June 30, 2015. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their entire term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

*(expressed in thousands)*

Fiscal Year Ended June 30	Principal	Interest	Hedging Derivative Instruments (Net)	Total
2016	\$ 37,000	\$ 864	\$ 7,904	\$ 45,768
2017	38,145	756	5,776	44,677
2018	39,520	616	4,045	44,181
2019	49,945	408	2,752	53,105
2020	48,265	162	1,741	50,168
2021-2025	147,000	333	3,479	150,812
Total	<u>\$ 359,875</u>	<u>\$ 3,139</u>	<u>\$ 25,697</u>	<u>\$ 388,711</u>

**General Obligation Bonds**

The State does not have the statutory authority to issue general obligation bonds. However, the Legislature has authorized the issuance of specific purpose revenue bonds and other forms of long-term obligations.

**Revenue Bonds**

**Kansas Turnpike Authority (KTA)** has five outstanding series of Turnpike Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of the Kansas Turnpike. Principal and interest payments on these bond issues are paid from revenues collected from the operations of KTA, including toll revenues. Please reference Note III, Section I, Long-term Obligations, for KTA revenue bonds and future principal and interest payments.

**Kansas Development Finance Authority (K DFA)** was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses. The K DFA has issued numerous outstanding series of bonds. These revenue bonds are secured by and payable from various pledged revenues, which include selected tax receipts such as withholding taxes, fees for services such as parking and residential halls, and appropriations. Please reference Note III, Section I, Long-term Obligations, for K DFA revenue bonds and future principal and interest payments.

**Kansas Department of Transportation (KDOT)** has ten outstanding series of Highway Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of highways in the State as part of the State's Transportation Works for Kansas (T-Works) Program. The State's T-Works Program was developed by KDOT after extensive study of the transportation needs in the State and was implemented by the 2010 Kansas Legislature. Principal and interest payments on these bond issues are paid from revenues collected in the State Highway Fund, which include motor fuels taxes, state sales taxes, compensating use taxes, and drivers' license and vehicle registration fees. KDOT also has four outstanding series secured by pledges of revenues from loans and leases. Please reference Note III, Section I. Long-term Obligations, above for KDOT revenue bonds and future principal and interest payments.

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### **III. Detailed Notes On All Funds**

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The coupon interest rate on outstanding bonds varies from 2.25 percent to 5.50 percent. In addition, various bonds were issued as variable rate instruments whose rates change on a weekly basis. During the year, interest rates ranged from 0.01 percent to 0.52 percent on the weekly adjustable bonds. The Series 2004 C bonds are demand obligations and are subject to tender under certain conditions. If the tendered bonds cannot be remarketed, various liquidity providers have agreed to purchase the bonds and hold them for a maximum of 180 days. The contract with the liquidity provider has an expiration date of September 2017 and requires an annual commitment fee of 0.325%.

#### **Sales Tax Limited Obligation Bonds**

Sales tax limited obligation bonds (STAR bonds) have been issued for various local governments throughout the state. Pursuant to issuance of the STAR bonds, the State and local governments have entered into Redevelopment District Tax Distribution Agreements. The agreements provide that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally from the State's and the local governments' respective share of sales taxes generated within the related Districts. These bonds are special limited obligations of the State, where neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by the State. Accordingly, such STAR bonds are not included in the State's June 30, 2015 balance sheet. The State's portion of the STAR bonds at June 30, 2015 total \$203.6 million. Further details regarding STAR bonds may be found in the chart at the beginning of Note III. I. Long-Term Obligations.

#### **Special Obligation and Private Activity Bonds**

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special limited obligations of K DFA, where neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by K DFA or the State. Accordingly, such special obligation bonds are not included in K DFA's June 30, 2015, balance sheet. K DFA's special obligation bonds at June 30, 2015, total \$2.6 billion.

Private activity bonds are special limited obligations of K DFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on K DFA's June 30, 2015, balance sheet. K DFA's private activity bonds at June 30, 2015, total \$1.9 billion.

#### **Notes Payable**

The Pooled Money Investment Board is authorized as directed by statute to loan funds from the State treasury to State agencies for various capital projects, the Unemployment Insurance Fund and finance the Expanded Lottery operations. These internal loans are recorded as loans receivable in the State treasury's cash balance in Note III, Section A, Deposits and Investments, and in corresponding amounts of notes payable in Note III, Section I, Long-term Obligations.

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal Government over the past 38 years for water supply storage capacity in large Federal multipurpose lakes under the provisions of the 1958 Federal Water Supply Act. Nine of these agreements provide for long-term (fifty-year) repayment with interest of the costs incurred by the Federal Government in construction of the water supply storage space. The Kansas Water Office is authorized by K.S.A. 82a-934 to enter into such agreements, subject to legislative approval through appropriations. Generally, however, receipts from the sale of water to local municipal and industrial water supply users are adequate to make the annual payments due under the long-term contracts with the Federal Government. Portions of the storage in some reservoirs have been designated as "future use" storage, and as such; the State is not required to make payments on that portion of storage until it is needed by users. The State has not recorded a liability at June 30, 2015, for portions of the storage designated as "future use" storage.

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**Lease Commitments**

The State leases office buildings, space, and equipment. Although the lease terms vary under a variety of agreements, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered non-cancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures.

**Operating Leases**

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2015 are as follows (expressed in thousands):

Fiscal Year		
2016	\$	9,868
2017		9,604
2018		9,041
2019		8,462
2020		7,864
2021-2025		32,644
2026-2030		17,432
2031-2035		17,857
2036-2040		8,033
Total future minimum lease payments	\$	120,805
Rent expenditures/expenses for operating leases for the year ended June 30, 2015		
	\$	10,519

**Capital Leases**

The State has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases and are reported as capital lease obligations. At the date of acquisition, the assets are valued on the Statement of Net Position at the present value of the future minimum lease payments. Interest expense for capital leases is not capitalized.

The following schedule presents future minimum lease payments as of June 30, 2015 (expressed in thousands):

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 5,899	\$ 3,449
2017	5,882	3,218
2018	5,815	2,989
2019	5,720	2,754
2020	5,688	2,516
2021-2025	25,112	9,095
2026-2030	23,663	3,727
2031-2035	3,030	342
<b>Total</b>	<b>\$ 80,809</b>	<b>\$ 28,090</b>

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Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2015, include the following (expressed in thousands):

	Governmental Activities
Land (non-depreciable)	\$ 9,495
Buildings	87,063
Equipment	30,758
Less: Accumulated depreciation	(52,704)
Total	\$ 74,612

**Master Lease Purchase Program**

The Master Lease Purchase Program, administered by the Department of Administration, provides low interest, equipment lease purchase financing and energy conservation project financing to State agencies. The Program began in 1985 with the issuance of Certificates of Participation and evolved into the current Program, which utilizes lines of credit. Lease purchase obligations under the Program are not general obligations of the State, but are payable from appropriations of State agencies participating in the Program, subject to annual appropriation. Financing terms of two years through fifteen years are available. The financing term should not exceed the useful life of the purchased item. The interest component of each lease/purchase payment is subject to a separate determination.

***Defeasance of Debt***

**Primary Government**

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2015, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/2014 Beginning Balance	Current Year Defeased	Payments	6/30/2015 Ending Balance
<b>Governmental Activities</b>				
KDOT Series 1998	\$ 12,020	\$ 0	\$ 12,020	\$ 0
KDOT Series 2004 A	370	0	370	0
KDFA Series 2005 H	0	52,980	52,980	0
KDFA Series 2006A	0	117,740	0	117,740
KDFA Series 2006L	0	5,835	0	5,835
KDFA Series 2007K	0	30,645	0	30,645
Total governmental activities	\$ 12,390	\$ 207,200	\$ 65,370	\$ 154,220

During fiscal year 2015, the governmental activity bond issue, \$207.2 million KDFA Series 2005H, 2006A, and 2006L was advanced refunded by the issuance of the KDFA Series 2015A for \$191.3 billion. The advance refunding resulted in an economic gain of \$28 million and aggregate debt service reduction of \$18 million.

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Bond Issue	6/30/2014 Beginning Balance	Current Year Defeased	Payments	6/30/2015 Ending Balance
<b>Business-type Activities</b>				
KDFA Series 2004 2	\$ 9,050	\$ 0	\$ 6,855	\$ 2,195
KDFA Series 2009 DW 1&2	29,515	0	0	29,515
KDFA Series 2004 DW 1&2	26,645	0	13,065	13,580
KDFA Series 2005 CW II	11,315	0	0	11,315
Total business-type activities	<u>\$ 76,525</u>	<u>\$ 0</u>	<u>\$ 19,920</u>	<u>\$ 56,605</u>

**Component Unit**

For financial reporting purposes, the Kansas Development Finance Authority has in substance defeased certain revenue and lease revenue bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased lease revenue bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2015, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/2014 Beginning Balance	Current Year Defeased	Payments	6/30/2015 Ending Balance
<b>Component Units</b>				
KDFA Series 2003 A-1 & 2	\$ 1,225	\$ 0	\$ 0	\$ 1,225
KDFA Series 2004 D	615	0	100	515
KDFA Series 2005 A	34,905	1,035	34,905	1,035
KDFA Series E-1 & 2	13,655	0	13,655	0
KDFA Series 2007 A	15,325	8,005	15,325	8,005
Total component units	<u>\$ 65,725</u>	<u>\$ 9,040</u>	<u>\$ 63,985</u>	<u>\$ 10,780</u>

**Arbitrage Rebate Payable**

Estimated arbitrage rebate payables have been calculated and liabilities recorded of \$184 thousand for Governmental Activities, \$237 thousand for Business-type Activities, and \$404 thousand for Component Units.

**Derivative Instruments**

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows debit (credit) (expressed in thousands):

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2015</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<b>Governmental activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	\$ (10,952)	Debt	\$ (12,072)	\$ 284,875
Investment derivative instruments:					
Pay-fixed interest rate swaps	Investment revenue	905	Investment	(9,039)	113,100

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### III. Detailed Notes On All Funds

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KDOT engaged an independent party to perform the valuations and required tests on the swaps. Of the swaps that qualify for hedge accounting under GASB 53, the changes in fair value for this period are to be offset by a corresponding deferred inflow/outflow account on the statement of net position.

All pay-fixed swap transactions are associated with variable debt. Combining a pay-fixed receive-variable rate swap with variable debt results in what is termed synthetic fixed rate debt. It is called synthetic because the economics are similar to fixed rate debt, but another instrument is involved unlike regular fixed rate debt. Each time KDOT created synthetic fixed rate debt, a comparison and determination was made that the fixed rate on regular debt would have been higher than the fixed rate on the swap.

For all swaps, there are three main strategies KDOT pursues with respect to each transaction. Each swap can achieve one or more of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates on each reporting period compare to when the derivative was put in place. The accumulated changes in fair value, or total fair value of all the derivatives, are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB 53, each swap transaction is then evaluated to determine what type of accounting treatment to apply.

(i) Mitigate the effect of fluctuations in variable interest rates. This is the primary function of the swaps employed where KDOT pays a fixed rate, and receives a floating rate. In an interest rate environment whose level is generally higher than the rate at which KDOT is fixed, the swap would result in a positive value to KDOT. Correspondingly, in a lower rate environment than the rate at which KDOT is fixed, the swap would result in a negative value to KDOT. The value primarily depends on the overall level of interest rates on the reporting date compared to what KDOT pays. The overall level of long term interest rates from period to period is the primary driver of changes in value recorded from the investment derivatives where KDOT pays fixed and receives a floating rate. Interest rates have trended lower since inception of the pay fixed swaps. Therefore, the mark-to-market value is generally more negative to KDOT.

(ii) Reduce interest expense from expected benefit resulting from the difference between short and long term rates. This is the function of a swap where KDOT receives floating amounts based on a longer term index with the expectation of receiving an ongoing net benefit compared to short term rates paid on the variable bonds being hedged. Longer term interest rates, such as the 10 Year Constant Maturity Swap (CMS) Index, are generally higher than shorter term interest rates, such as a weekly rate, which KDOT pays on the variable bonds. Therefore, when shorter term interest rates came close to, or exceeded longer term rates, KDOT entered into a swap whose receipts on the floating leg are based on a longer term index that is expected to outperform the payments on KDOT's variable debt. Part of the fair value of this swap is determined by the prevailing level of short term versus long term rates, that is, the steepness of the yield curve. The higher the level of long term rates compared to shorter term rates, the higher the expected benefit to KDOT. Therefore, the higher the mark-to-market value of the swap. KDOT pays a fixed rate on one part of the swap transaction and the other part of the value of this swap is determined by the prevailing level of interest rates compared to when KDOT entered into the swap transaction. Since interest rates have trended lower since inception, the mark-to-market value will be more negative to KDOT, even though KDOT may be receiving a net benefit from the receipts based on the 10 Year CMS Index. Since the long term index is expected to out-perform the short-term variable rate, the tests under GASB 53 deem such transactions investment instruments.

(iii) Reduce interest expense from expected benefit resulting from the difference between tax-exempt and taxable rates. This is a function of swaps where KDOT receives a percentage of 1-Month LIBOR when hedging tax-exempt variable debt, with the expectation of receiving an ongoing net benefit from paying a lower fixed rate at the time of putting on the swap transaction. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus tax-exempt rates (a direct function of tax rates) is approximately 67 percent, but the ratio of long-term taxable rates and long-term tax-exempt rates is normally significantly higher than 67 percent. Therefore, the fixed rate payable in exchange for a smaller percentage of LIBOR will be significantly less than a long-term tax-exempt fixed rate. This reduction in fixed rate is the value of the benefit (the risk being tax rates change over the life of the percentage of LIBOR swap, or the variable rates on KDOT's hedged bonds do not closely match the percentage of LIBOR variable rate on the swap. The value of such a swap is determined by the prevailing level of taxable interest rates,

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with no reference to tax-exempt interest rates.

The following table provides a summary of the basic terms of the swap agreements as of June 30, 2015 (expressed in thousands):

Associated KDOT Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Rating
Series 2014 B *	\$ 200,000	\$ 133,045	10/23/2002	9/1/2019	3.164% Contractual; 0.8192% GASB 53 At- the-Market	67% of USD-LIBOR	\$ (701)	Goldman Sachs Bank USA	A1/A-/A
Series 2014 B *	120,005	79,830	3/1/2012	9/1/2019	3.1640% Contractual; 0.8183% GASB 64 At-the-Market	67% of USD-LIBOR	(422)	The Bank of New York Mellon	Aa2/AA-/AA-
Series 2012 A**	150,275	38,100	5/7/2012	9/1/2015	3.3590% Contractual; 0.2254% GASB 53 At- the-Market	Lesser of ABR/71% of USD-LIBOR 'til 9/2010; 71% of USD-LIBOR thereafter	(34)	Merrill Lynch Derivative Products AG	Aa3/A+/NR
Series 2004 C*	147,000	72,000	11/23/2004	9/1/2024	3.571%	63.5% USD-LIBOR + 0.29%	(10,949)	Goldman Sachs Bank USA	A1/A-/A
Series 2004 C**	75,000	75,000	7/1/2007	9/1/2024	3.571%	62.329% of 10 Year CMS	(9,005)	Goldman Sachs Bank USA	A1/A-/A
Total Termination Value							<u>\$ (21,111)</u>		

\* - considered a fair value hedge

\*\* - considered an investment derivative

#### KDOT derivative instruments detailed discussion

*Objective of the swaps.* In order to protect against the potential of rising interest rates, KDOT has entered into four separate pay-fixed, receive-variable interest rate swaps at a cost less than what KDOT would have paid to issue fixed-rate debt.

*Terms, fair values, and credit risk.* The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2015, are shown above. KDOT's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in the associated bonds payable.

*KDOT Series 2014 B Swaps (Formerly 2002 B and C Swaps)*- In connection with the issuance of \$320 million of variable-rate KDOT Series 2002B & C Highway Revenue Refunding Bonds, on October 3, 2002, KDOT competitively bid a floating-to-fixed 67 percent of LIBOR interest rate swap. Goldman Sachs was awarded \$200 million of notional principal and Salomon Smith Barney was awarded \$120 million of notional principal. The executed transaction consisted of a \$320 million 17-year amortizing interest rate swap under which KDOT pays Goldman/Citibank a fixed rate of 3.164 percent and receives 67 percent of LIBOR. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

On March 1, 2012, KDOT assigned with no termination payment due to or from KDOT, the Series 2002 B & C swap that was with Citigroup Financial Products Inc. as counterparty to The Bank of New York Mellon, a bank counterparty with stronger credit ratings. According to GASB 64, KDOT terminated hedge accounting on the swap with the prior counterparty, and adopted hedge accounting on the new At-the-Market swap with a fixed rate computed at prevailing interest rates on the day of termination.

On September 2, 2014, KDOT issued Series 2014B Bonds to refund the outstanding principal amounts of the Series 2002B & C Bonds. Under GASB 53, a refunding can be viewed as a termination of an existing hedging relationship and a subsequent new hedging relationship is entered into between the swap and the new bonds. This can result in a hybrid instrument that consists of an at-the market fixed rate swap with a pay fixed rate computed on the date of the

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refunding and an imputed borrowing that is considered a cost of refunding. This is amortized over the shorter of the life of the new bonds or refunded bonds.

*KDOT Series 2012A Swap (formerly 2008A, 2003C Swap)* - In connection with the issuance of \$150.3 million of variable-rate KDOT Series 2003C Highway Revenue Refunding Bonds, KDOT competitively bid a floating-to-fixed interest rate swap on November 20, 2003. The executed transaction consisted of a \$150.3 million 12-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.359 percent and receives the lesser of the Actual Bond Rate and 71 percent of one month LIBOR until September 1, 2010, and 71 percent of LIBOR thereafter. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

On May 13, 2008, KDOT refunded the Series 2003C Bonds with KDOT Series 2008A Bonds. Under GASB 53, a refunding can be viewed as a termination of an existing hedging relationship and a subsequent new hedging relationship is entered into between the swap and new bonds. This can result in a hybrid instrument that consists of an At-the-Market fixed rate swap with a pay fixed rate computed on the date of the refunding, and an imputed borrowing that is considered a cost of refunding. This is amortized over the shorter of the life of the new bonds or refunded bonds.

On May 7, 2012, KDOT assigned with no termination payment due to or from KDOT the Series 2008A swap that was with Merrill Lynch Capital Services Inc. as counterparty to Merrill Lynch Derivative Products AG, a bank counterparty with stronger credit ratings. According to GASB 64, KDOT terminated hedge accounting on the swap with the prior counterparty and continues with hedge accounting on a new at-the-market swap with a fixed rate computed at prevailing interest rates on the day of termination.

On August 30, 2012, KDOT refunded the Series 2008A Bonds with Series 2012A Bonds. Under GASB 53, a refunding can be viewed as a termination of an existing hedging relationship and a subsequent new hedging relationship is entered into between the swap and new bonds. This can result in a hybrid instrument that consists of an At-the-Market fixed rate swap with a pay fixed rate computed on the date of the refunding, and an imputed borrowing that is considered a cost of refunding. This is amortized over the shorter of the life of the new bonds or refunded bonds.

*KDOT Series 2004B and C Swaps* - In connection with the issuance of \$147 million of variable-rate KDOT Series 2004B and 2004C Highway Revenue Bonds, on November 12, 2004, KDOT competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a \$147 million 20-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.571 percent and receives 63.5 percent of LIBOR plus 29 basis points. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

Since many tax-exempt and municipal issuers fund capital projects with long-term traditional or synthetic fixed-rate debt, but are constrained to investing short-term for liquidity reasons, in a normal or upwardly sloped yield curve they incur "negative carry" (cost of borrowing exceeds investment rate). KDOT determined that it could mitigate this imbalance through the execution of the two Constant Maturity Swaps (CMS). On June 15, 2007, based on the results of a previously distributed competitively bid request for quotes for a swap provider, effective July 1, 2007, KDOT amended the floating index from 63.5 percent plus 29 basis points to 62.329 percent of the 10-year LIBOR CMS rate on \$75 million of the existing \$147 million swap.

*Fair value.* These fair values take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

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*Credit risk.* As of June 30, 2015, KDOT has no credit risk exposure on the rest of the swap transactions. This is due to the swaps having negative fair values, meaning the counterparties are exposed to KDOT in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the swaps become positive, KDOT would be exposed to credit risk.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

*Basis risk.* Basis risk is the risk that the interest rate paid by KDOT on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. KDOT bears basis risk on each of its swaps. The swaps have basis risk since KDOT receives a percentage of LIBOR to offset the actual variable bond rate KDOT pays on its bonds. KDOT is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate KDOT pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

*Termination risk.* KDOT or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap had a negative fair value, KDOT would be liable to the counterparty for a payment equal to the swap's fair value.

#### **J. Revisions to Beginning Net Position**

Various adjustments were made to the beginning net positions and fund balances to correct errors in the prior year financial statements.

For fiscal year 2015, governmental fund beginning fund balance was \$1.07 billion. During the year, the State made three revisions to fund balance for a total reduction to fund balance of \$64.9 million resulting in a restated beginning fund balance of \$1.01 billion. The first revision to fund balance was due to the State re-evaluating its accounting policy over the treatment for STAR bonds. Due to the STAR bond agreements not including a guarantee from the State for repayment, the State determined that it did not constitute a long-term liability of the State. This resulted in a decrease to the STAR Bond Fund fund balance of \$31.2 million to remove cash restricted for payment to local governments. The second revision related to an appropriated fund transfer to the State University System resulting in a \$47.2 million decrease to fund balance in the Commerce fund. The last revision to fund balance was due to recording accounts receivable in the appropriate fiscal year resulting in a \$13.5 million increase to the Health and Environment fund's fund balance.

For fiscal year 2015, governmental activities beginning net position was \$11.0 billion. During the year the State made several adjustments to net position for a total reduction of \$1.9 billion resulting in a restated beginning net position of \$9.1 billion. These revisions included the three governmental funds' revision for a reduction of \$64.9 million discussed above. The State's reevaluation of accounting treatment for Star bonds, discussed above, also resulted in an increase of governmental activities net position of \$105.8 million to remove the long-term liability and, accrued interest related to the STAR bond agreements. In addition, the State received additional information regarding the fair value of a building purchased in 2014 under a capital lease. This resulted in a decrease to capital assets and capital leases of \$9.2 million and no impact on beginning net position. Last, the State implemented provisions of GASB 68 and 71 during fiscal year 2015 which resulted in a decrease to net position of \$1.9 billion. For more information on this revision see Note IV.E.

For fiscal year 2015, business-type activities and proprietary fund beginning net position was \$868.4 million. During the year the Lottery fund implemented provisions of GASB 68 and 71 resulting in a decrease to beginning net position of \$6.3 million. This adjustment resulted in a restated business-type activities beginning net position and proprietary fund net position of \$862.1 million.

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### **III. Detailed Notes On All Funds**

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For fiscal year 2015, component unit beginning net position was \$5.8 billion. During the year the State made several adjustments to net position for a total reduction of \$167.7 million resulting in a restated beginning net position of \$5.6 billion. Revisions were made to all component units for the implementation of GASB 68 and 71 which resulted in a decrease to net position to KTA of \$16.3 million, KDFA of \$1.2 million, KHRC of \$3.6 million and the State University System of \$249.4 million. In addition the State University system also had three other revisions: a \$47.2 million increase to net position resulted from an increase to cash for appropriated amounts owed to the universities, a \$26.1 million increase to net position resulted from various corrections related to construction in-process, leasehold improvements, fixed assets and receivable balances, and a \$6.9 million increase to net position resulted from various adjustments as a result of a change to improve the reporting processes by the Universities which resulted in the identification of prior year errors. The final revision made to component units was the including of the Kansas Center for Entrepreneurship as a component unit in fiscal year 2015. This resulted in an increase to Component Unit net position of \$22.6 million.

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## **IV. Other Information**

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### ***A. Risk Management***

The State maintains a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through risk management and various outside entity commercial insurance providers. It is the policy of the State to cover the risk of certain losses to which it may be exposed through risk management activities. In general, the State is self-insured for certain health care claims (two of the four medical health plans options, prescription drug and dental), State employee workers' compensation, long-term disability, tort liability, and personal and real property losses up to the applicable deductibles (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles with \$500,000 deductibles, and a statewide commercial policy on personal and real property with \$5,000,000 deductibles (except where separate coverage is required by bond covenant). Insurance settlements have not exceeded insurance coverage for the past three fiscal years.

Coverage for health care claims for prescription drugs and dental claims plus two of the four medical health plan options is provided by The Health Benefits Administration Clearing Fund for all active employees, as well as for the post-employment populations (retirees). Risk is managed by the performance of experience studies throughout the year. The liability for unpaid claims is the plan reimbursement for services rendered or prescriptions received where the payment to the provider, the member, or the claims administrator has not occurred. These liabilities are estimated by analyzing the prior payment patterns for the same coverage or medical option.

The State Self-insurance Fund (SSIF) is self-insured and self-administered for providing workers' compensation coverage to the State's employees. The agencies make contributions to the SSIF to cover projected losses and net expenses. The SSIF also maintains a partial reserve to reduce the likelihood of additional required contributions due to adverse loss experience. The liability represents results from an annual actuarial study for claims reported but unpaid plus an estimate for claims incurred but not reported.

The remaining risk management activities of the State are included in the State General Fund. The State has not encountered difficulty in resolving past losses by using resources available at the time the loss occurred.

The Tort Claims Fund (TCF) provides payment of compromises, settlements, and final judgments arising from claims against the State or an employee of the State under the Kansas Tort Claims Act, and costs of defending the State or an employee. When the balance in the TCF is insufficient to pay a claim, a transfer is made from the State General Fund to the TCF. The maximum claim liability allowed under The Kansas Tort Claims Act is \$500,000 per occurrence or accident. At June 30, 2015, there were no material claims incurred but unpaid.

The statewide policy has a limit of \$100,000,000 per occurrence for most buildings except flood and earthquake, which are applied as annual aggregates separately to each peril, and a deductible of \$5,000,000 per occurrence for most buildings. For the four buildings in the Capitol Complex, the limit is \$200,000,000 per occurrence. The self-insurance program for personal and real estate property loss represents an estimate of amounts to be paid from currently expendable available financial resources.

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payments), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

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The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2015 (expressed in thousands):

	Claims Liability Beginning balance	Plus: Current Year Claims and Changes Estimate	Less: Claim Payments	Claims Liability Ending balance	Non-Current - Liability	Current Liability
<b>Current Fiscal Year</b>						
State Self-Insurance Fund	\$ 55,556	\$ 15,135	\$ (17,470)	\$ 53,221	\$ 40,514	\$ 12,707
Health and Dental Care Claims	28,599	397,293	(397,389)	28,503	54	28,449
Post Employment Health and Dental Claims	1,716	37,654	(36,979)	2,391	3	2,388
Total	<u>\$ 85,871</u>	<u>\$ 450,082</u>	<u>\$ (451,838)</u>	<u>\$ 84,115</u>	<u>\$ 40,571</u>	<u>\$ 43,544</u>
<b>Prior Fiscal Year</b>						
State Self-Insurance Fund	\$ 56,008	\$ 22,090	\$ (22,542)	\$ 55,556	\$ 42,070	\$ 13,486
Health and Dental Care Claims	25,610	374,158	(371,169)	28,599	55	28,544
Post Employment Health and Dental Claims	1,937	33,446	(33,667)	1,716	4	1,712
Total	<u>\$ 83,555</u>	<u>\$ 429,694</u>	<u>\$ (427,378)</u>	<u>\$ 85,871</u>	<u>\$ 42,129</u>	<u>\$ 43,742</u>

**Notes:**

1. Claims liability ending balance is based on Actuary IBNR modeling estimates using claims lag data through June 30, 2015.
2. Future projections of claims liabilities are only estimates. All estimates, based upon the information available at a point in time to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate.
3. IBNR includes 3% expense load and 3.5% margin.
4. Non-current liability represents the remaining IBNR reserve for the prior fiscal year.

**B. Contingencies and Commitments**

**Litigation**

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of State and Federal laws. Known claims, asserted and unasserted, have been evaluated for the likelihood of an unfavorable outcome and estimates have been made regarding the amount or range of potential loss in the event of an unfavorable outcome. After review, it is the State's opinion that its ultimate liability in these cases, if any, is not expected to have a material adverse effect on the financial position of the State, except for cases below.

In *Gannon, et. al. v. State of Kansas*, 32 individual plaintiffs and four school districts have brought various legal challenges to the school finance formula. In their suit, the plaintiffs claim that the State has unconstitutionally made cuts in funding for public education in contravention of Article 6 of the Kansas Constitution. Plaintiffs also contend that certain components of the school finance formula are unconstitutional. In their suit, plaintiffs sought injunctive relief to prohibit implementation of an unconstitutional funding formula, money damages, costs, reasonable attorneys' fees, and other equitable relief. The case was tried in the summer of 2012 before a three-judge panel and on January 11, 2013 the panel ruled in favor of the plaintiffs. As relief, the panel ordered a specific and substantial increase in the base state aid per pupil going forward, and also ordered a substantial increase in the State's funding of school district capital outlay funds. In response, the State passed and the Governor signed into law, an appropriation of \$25.2 million in capital outlay equalization funding and an additional \$109.3 million of local option budget equalization funding for Fiscal Year 2015. The matter is presently before the three-judge panel on remand and on June 11, 2014 the panel stated that it would not take further action on the equalization issue. On December 30, 2014, the panel ruled that the present school finance system is not reasonably calculated to have all Kansas public education students meet or exceed standards. On March 25, 2015, the Governor signed into law House Substitute for Senate Bill 7 that created a two-year "block grant" system of financing K-12 public education while the Legislature devises a new school finance formula. On March 26, 2015, the plaintiffs filed a Motion of

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## IV. Other Information

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Declaratory Judgment and Injunctive Relief seeking that the school finance block grant bill is unconstitutional. The panel ruled that Senate Bill 7 provided constitutionally adequate funding reasonably calculated to have every student meet or exceed standards. Oral argument will be held in the spring of 2016, but the actual date has not yet been set. The State is vigorously defending the case on appeal and is uncertain of the chance of loss. The precise range of potential *prospective* monetary obligations is not capable of quantification at this point, but if the plaintiffs are successful the amount could well be in the hundreds of millions of dollars in additional, annual future school funding and could have a material adverse impact on the State's budget, financial position, cash flow and fund balances. It remains possible that the legislation discussed above will be found to have altered the school finance law in such a fashion that the pending legal proceedings will become moot, but the chance of that happening is too early to assess. If the new legislation does not moot the litigation, the Kansas Supreme Court will still weigh the adequacy of school finance funding utilizing the *Rose* factors.

The Department of Revenue (DOR) has one other case pending in regards to income taxes. Excluding the *Boles v. KDOR* and *Bicknell v. KDOR* cases below, should the plaintiff prevail, the State potential liability would be \$6.9 million.

*Boles v. KDOR*, this is a mineral severance tax case pending before Seward County District Court in which the plaintiff is seeking certification of a class action, the class being all taxpayers that have paid severance tax on helium. The plaintiff is seeking refunds of all taxes that have been paid on helium dating back to January, 1990. In addition, the plaintiff is seeking injunctive relief that would prevent KDOR from assessing severance tax on helium going forward. The amount of the claim is not stated and cannot easily be estimated but would be somewhere in excess of \$100 million if the plaintiffs were to prevail.

The district court did not certify the case as a class action and ordered the plaintiff to exhaust his administrative remedies. The plaintiff's attempt to take an interlocutory appeal from this order was later denied by the Kansas Court of Appeals, and on July 19, 2013, the Kansas Supreme Court denied the plaintiff's petition for review.

In addition, the 2013 Kansas Legislature enacted House Bill No. 2059 which prohibits the issuance of refunds for any severance taxes paid on helium. This legislation became effective upon publication in the Kansas Register on June 20, 2013.

For these reasons, although the district court has not dismissed Boles' petition in its entirety, it is unlikely the state will be liable for any refunds or other damages in connection with this lawsuit.

*Undisclosed taxpayer v. KDOR*, this is a mineral severance tax refund claim in the amount of \$5 million that is pending in the administrative hearing process. The taxpayer has filed a new pool exemption claims for both oil and natural gas on a series of new pools going back several years. Legal services received the claim on August 8, 2015. The Mineral Severance Tax Unit is reviewing information that the taxpayer has provided. It does appear that for various reasons the claimed refund amounts will be significantly reduced, but it is too early to determine the amount of such reduction, so the State is reporting this as a \$5 million potential claim.

*Bicknell v. KDOR*, This is an individual income tax case pending before the Board of Tax Appeals and possibly the Kansas Supreme Court in which the taxpayer is seeking to overturn a decision of the Board of Tax Appeals in which the Board upheld a decision of the Department of Revenue that the taxpayer was a resident of the State of Kansas for tax years 2005 and 2006 and therefore subject to Kansas individual income tax. The Department had assessed the taxpayer after it determined that the taxpayer was a resident of Kansas for those years, which were the two tax years involved in that particular audit period. The taxpayer claimed that he was a resident of Florida and not Kansas during that audit period, and therefore not subject to Kansas individual income tax. The Kansas Court of Appeals vacated the decision of the Board of Tax Appeals, and remanded the case back to the Board for further findings. At this point, the Department has filed a Petition for Review with the Kansas Supreme Court, and the taxpayer has filed a Cross Petition for Review. The taxpayer has filed a Response to the Department's Petition, and the Department is in the process of filing a Response to the taxpayer's Petition. Following that, both parties will file a Reply to the

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other party's Response. The Kansas Supreme Court will then decide whether to grant either or both parties' Petition for Review. If the Supreme Court decides not to grant either or both Petitions, the case will go back to the Board of Tax Appeals for further findings. Following that, the case will then most likely proceed back to the Kansas Court of Appeals and very possibly the Kansas Supreme Court. Following the decision by the Board of Tax Appeals, the taxpayer had remitted \$48.5 million in tax, interest and penalty. If the taxpayer ultimately prevails in this matter, he would be entitled to a refund of that amount. In the view of the Kansas Department of Revenue, the taxpayer's chances of success are small, and, even if he ultimately prevails, there will most likely not be a final decision in this matter until long after the current fiscal year ends.

The Department of Administration has reached an agreement with Health and Human Services for disallowed costs regarding the State Health Care Benefits Program in the Cafeteria Benefits Fund; State Workers Compensation Self-Insurance Fund; and the State leave Payment Reserve Fund. The original agreement was for \$18.8 million with the first payment made during fiscal year 2014. The State has a remaining liability for \$12.7 million. Payments will be made annually over the next three years.

The Department for Children and Families (DCF) has undergone a review of Title IV-E fund claims for the State's Foster Care program related to disallowed costs related to maintenance expenses. The review resulted in findings showing that DCF had over claimed certain maintenance expenditures. The State has recorded a liability of \$14 million. The department has agreed to pay \$14 million in fiscal year 2016. This amount is recorded in the general fund as it will be paid over the next year. This will reduce the amount of federal funds that DCF will receive and require more state general fund resources for the Foster Care program. Because the Foster Care program also uses these funds, there is a strong probability that that the department will also have to pay back \$17 million of disallowed costs.

### ***Unclaimed Property***

Unclaimed property is remitted to the General Fund where it can be used by the State until it is claimed. The State Treasurer has the authority to take possession of specified types of abandoned personal property and become custodian in perpetuity which preserves the right of the original owner or other persons to claim the property. The Unclaimed Property Division of the Kansas State Treasurer's office seeks to return various forms of unclaimed property to the rightful owner or heirs. In the current year, a liability in the amount of \$145 million has been recorded for estimated claims.

### ***Federal Financial Assistance***

The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. Grants are subject to the Federal Single Audit Act or to financial and compliance audits by grantor agencies. Disallowances by Federal officials as a result of these audits may become liabilities of the State.

### **C. Pollution Remediation**

The Governmental Accounting Standards Board Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" requires the State to record any known pollution remediation for which it is legally responsible. When the State has not been able to reasonably estimate the liability amount, a disclosure has been made.

### ***Oil Well Plugging***

Legislation requires the Kansas Corporation Commission (KCC) to prepare and maintain an inventory of all abandoned wells with a special focus on wells which, (1) the State has assumed the plugging liability because of the

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lack of a potentially responsible party; and (2) pose either an ongoing or potential threat to the environment. The number of known wells needing to be plugged in the future is expected to increase as more wells are discovered in remote areas and also as KCC develops a more refined well inventory process. The fiscal year 2015 pollution remediation liability is estimated at \$27.7 million. No recoveries for these well pluggings are expected.

### ***Superfund Program Obligations***

The Kansas Department of Health and Environment (KDHE) is contractually obligated to perform or fund remediation within the Superfund Program. A number of sites in the State fall within the jurisdiction of the U.S. Environmental Protection Agency (EPA) under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), also known as Superfund. These sites have been scored and placed on the National Priority List (NPL). The NPL is the listing of the most severely contaminated sites in the nation that have been identified for possible long-term cleanup.

The NPL sites are addressed through a lengthy process, generally under the direct supervision of the EPA with active State participation. Some of these sites are “orphan” sites, that is, there is not an identified responsible party. Remedial activities at these orphan sites are funded with Federal Superfund monies. Two of the CERCLA requirements have significant impact on the State financial obligations. One is the ten percent State cost share of remedial design and remedial action at Superfund financed sites. The other is the requirement that the State assume responsibility and financial burden for the long term operation and maintenance (O&M) of the site.

After the formal process to list a site on the NPL is completed, the EPA develops a design for remediation of the site that provides the proposed costs of implementation of the remedial action including the long term O&M for the site. The State is required to sign a contract with EPA obligating the State to provide the ten percent match and perform the long term O&M for the site. While the actual schedule is somewhat hard to anticipate, a cost schedule is projected with the proposed cost share and O&M estimates. The State has recorded \$6.8 million in liabilities for the Superfund Program.

### ***State Water Plan Orphan Sites Program***

KDHE also operates an orphan sites program to perform remedial activities at sites where a responsible party cannot be identified and other State or Federal programs are not available to fund those remedial activities. There are approximately 85 contaminated sites across the State included in this orphan sites program. Due to limited funding, KDHE has prioritized the sites that pose the greatest threat to the public health and/or the environment. The State Water Plan – Contamination Remediation fund is the primary source of funding to address environmental contamination issues at these abandoned sites that impact or threaten to impact State water resources and/or public health. While most of these sites are not Superfund-caliber sites that could be worked by the EPA, many still pose a substantial risk to the water supplies and/or public health of many Kansas communities.

The State Water Plan – Contamination Remediation fund is the primary source of funding to provide the State cost share or State O&M requirements for NPL sites. It is difficult to predict what the future costs for the State Water Plan will be, however, the State has recorded a liability for \$0.69 million which is the amount known to be budgeted in fiscal year 2016 for this program.

### ***State Funded Reimbursement Fund Programs***

KDHE obtains State and Federal funds to implement regulatory programs to address corrective action from specific types of pollution sources. While some of these programs provide funding to reimburse responsible parties for their approved cost of corrective action, the State is only obligated to reimburse costs if prior approval is obtained and the State program has funding available.

The Storage Tank Act establishes two separate Trust Funds to assist owners and operators of petroleum storage tanks with the cost of remedial actions. Both funds are designed to provide financial assistance to owners and

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operators of facilities where contamination from petroleum storage tanks has occurred. The Trust Funds are financed from a \$.01 fee placed on each gallon of petroleum (except aviation fuel) product manufactured in or imported into the State. The funds will be abolished on July 1, 2024, by the sunset provision unless reenacted by the Legislature.

K.S.A. 65-34,120 (d) of the Storage Tank Act indicates “This act is intended to assist an owner or operator only to the extent provided for in this act, and it is in no way intended to relieve the owner or operator of any liability that cannot be satisfied by the provisions of this act.”

K.S.A. 65-34,120 (e) of the Storage Tank Act indicates “Neither the secretary nor the State shall have any liability or responsibility to make any payments for corrective action if the respective fund created herein is insufficient to do so. In the event the respective fund is insufficient to make the payments at the time the claim is filed, such claims shall be paid in the order of filing at such time as moneys are paid into the respective fund.”

To date, 2244 sites have been approved to receive reimbursement of approved costs under the Underground Storage Tank (UST) fund identified in K.S.A. 65-34,114 if funding is available.

A similar reimbursement fund has been created for Aboveground Petroleum Storage Tanks (AST). KDHE has approved 199 sites to receive reimbursement of approved costs under the AST fund identified in K.S.A. 65-34, 114 if funding is available.

In addition to providing reimbursements of approved cost, the statute contains a provision that allows KDHE’s secretary to take whatever emergency action is necessary or appropriate to assure that the public health or safety is not threatened whenever there is a release or potential release from an UST or AST. The statute permits the Secretary to take corrective action where the release or potential release presents an actual or potential threat to human health or the environment, if the owner or operator has not been identified or is unable or unwilling to perform corrective action, including but not limited to providing for alternative water supplies. The exact amount of future costs is unknown. The State has recorded a liability of \$11.1 million for UST Program and \$1.8 million for AST Program which represents the amounts budgeted for fiscal year 2016.

### ***Kansas Drycleaner Environmental Response Act***

The Kansas Drycleaner Environmental Response Act established a trust fund described in K.S.A. 65-34,146. The Kansas Dry Cleaning Trust Fund (KDFRTF) is a State-led corrective action program which was established in 1995 to provide funding for implementation of the Kansas Drycleaner Environmental Response Act. Money in the KDFRTF is expended for direct costs for administration and enforcement of Kansas Drycleaner Environmental Response Act and corrective action at sites contaminated by dry cleaning facilities operating as a retail dry cleaning operation.

The corrective action at these sites is performed based on a site prioritization system and KDHE is not liable for costs of corrective action in excess of the \$5 million cap at each site or in excess of the funding available to the program. An estimate of future costs is unknown, however, the State has recorded a liability of \$0.66 million for the Drycleaner Environmental Response Program. This amount represents the amount currently budgeted for future corrective action.

### ***Kansas State University – Old Chemical Waste Landfill***

Kansas State University (KSU) began work on remediation of the Old Chemical Waste Landfill, located north of Kimball Avenue and west of the Grain Science Complex. KSU’s clean-up plan is being done in collaboration with the Kansas Department of Health and Environment and the Environmental Protection Agency. The landfill, used from the mid-1960s to 1987, was created with the approval of the U.S. Atomic Energy Commission and was a burying ground for tritium, carbon-14 and other short-lived radioactive elements. KSU also disposed of chemicals

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from 1979 to 1983. The Kansas Board of Regents approved a plan to clean up the site, which commenced in fiscal year 2011 and was completed as of July 2012, with a project cost of approximately \$7 million. Monitoring groundwater, sampling, and reporting will continue as mandated by the EPA.

### ***Kansas State University – Ashland Bottoms***

Seven monitoring wells have been installed and a quarterly sampling schedule is in effect related to the removal of diesel and gasoline underground storage tanks at the Ashland Bottoms Agronomy farm in Riley County. The remediation costs will be paid from the State of Kansas Storage Tank Trust fund, less a \$4,000 deductible which has been paid by the University.

### **D. Other Post Employment Benefits**

*Description.* Kansas statute provides that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. The health insurance benefit generally provides the same coverage for retirees and their dependents as for active employees and their dependents. The health insurance benefit plan is a single employer defined benefit plan administered by Kansas Health Care Finance. The benefit is available for selection at retirement and is extended to retirees and their dependents for life. Non-Medicare participants are subsidized by the State, thus resulting in a liability to the State. The accounting for the health insurance for retirees is included in the State’s Self-Insurance Health fund, with the subsidy provided from the Self-Insurance Health fund.

*Funding Policy.* The State provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 75-6511). Kansas statute, which may be amended by the state legislature, established that participating retirees contribute to the employee group health fund benefits plan, including administrative costs. The State does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. In fiscal year 2015, non-Medicare retired plan members receiving benefits contributed \$12.8 million to the plan and the State contributed \$15.2 million to the plan. Although typically the plan only maintains an implicit subsidy liability, the Voluntary Retiree Incentive Program (VRIP) and the Limited Retirement Health Care Bridge Program (LRHCBR) has created an explicit subsidy of \$2.1 million in fiscal year 2015. The remaining \$13.1 million (of the total \$15.2 million) is paid implicitly through rate subsidization.”

*Annual OPEB Cost and Net OPEB Obligation.* The State’s annual Other Post Employment Benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the State’s annual OPEB cost for the year, the amounts contributed to the plan, and changes in the State’s net OPEB obligation (expressed in thousands):

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	Primary Government	Component Units	Pension Trust	Total
Amortization of UAAL	\$ 7,579	\$ 4,773	\$ 32	\$ 12,384
Normal cost (with interest)	6,750	5,868	33	12,651
Interest on amortized liability	0	0	0	0
Annual required contribution	<u>14,329</u>	<u>10,641</u>	<u>65</u>	<u>25,035</u>
Interest on net OPEB obligation	2,278	2,496	12	4,786
Adjustment to ARC	<u>(3,357)</u>	<u>(3,682)</u>	<u>(18)</u>	<u>(7,057)</u>
Annual OPEB cost	13,250	9,455	59	22,764
Net employer contributions	(12,365)	(3,433)	(45)	(15,843)
Net OPEB obligation July 1, 2014	59,043	64,993	309	124,345
Net OPEB obligation June 30, 2015	<u>\$ 59,928</u>	<u>\$ 71,015</u>	<u>\$ 323</u>	<u>\$ 131,266</u>

**Schedule of Employer Contributions (for fiscal year ended)**  
(expressed in thousands)

Fiscal Year Ended	Annual OPEB Cost	Net Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 28,141	\$ 16,663	59.23%	\$ 112,147
6/30/2014	25,869	14,530	56.17%	124,345
6/30/2015	22,764	15,843	69.60%	131,266

*Funded Status and Funding Progress.* As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$213.9 million. The State's policy is to fund the benefits on a pay as you go basis, which is paid implicitly through rate subsidization, resulting in an unfunded actuarial accrued liability (UAAL) of \$213.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.1 billion, and the ratio of the UAAL to the covered payroll was 10.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. The valuation assumed annual medical cost trend rates of 5.0 to 6.50 percent in the first nine years and an ultimate rate of 5.0 percent after nine years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period in level dollar amounts.

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### Primary Government

In addition to the pension benefits described in the Employee Retirement Systems and Pension Plans note, the State provided post-employment health care benefits to retirees who elect the Kansas medical option. This subsidy was ended for post-employment retirees as of December 31, 2006. Retirees that elected the health insurance that the State provides now pays 100 percent of the premium. The monthly amount of premium cost per individual ranges from \$346.22 to \$595.80 for early retirees. Early retirees are defined as those retirees not yet Medicare eligible. The employer contribution, according to GASB Statement No. 45, is the aggregate amount of the subsidies, which is calculated into the employer contribution for active employees.

	Eligible State Retiree Participants	Eligible State Retiree and Family Participants	Enabling Legislation
Kansas Major Medical Post-Employment Benefits	7,715	11,101	K.S.A. 75-6504

The State funds post-employment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit ending on June 30, 2015. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

### E. Employee Retirement Systems and Pension Plans

#### *Special Funding Situation*

The employer contributions for non-public school district schools, as defined in K.S.A. 74-4931 (2) and (3), are funded by the State on behalf of these employers. Therefore these employers, area vocational-technical schools and community junior colleges, are considered to be in a special funding situation as defined by GASB 68. The State is treated as a nonemployer contributing entity in the Kansas Public Employees Retirement system (KPERs). As a result, the State reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of its statutory requirement to contribute to KPERs. Amounts disclosed below for “Nonemployer” are associated with this special funding situation.

#### *General Information about the Pension Plan*

*Plan description:* The State participates in KPERs, a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. KPERs’ financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERs website at <http://www.kpers.org/annualreport2014.pdf> or by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Benefits provided.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee’s combined age and years of credited service equal 85 “points” (Police and Firemen’s normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 32 years of service).

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges

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**IV. Other Information**

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of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees chose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. Effective January 1, 2015, KPERS has three benefit structures and contribution rates depend on whether the employee is a Tier 1, Tier 2 or Tier 3 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009 and before January 1, 2015. Tier 3 members were first employed in a covered position on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 member and 6% of covered salary for Tier 2 members through December 31, 2014. On January 1, 2015, Kansas law increased the KPERS member-employee contribution rate to 6% of covered salary for Tier 1 members; however, the Tier 2 member-employee contribution rate remained at 6% of covered salary. Kansas law establishes Tier 3 member-employee contribution rate at 6%. Member employee's contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rates for Fiscal Year 2014 are as follows:

	<b>Actuarial employer rate</b>	<b>Statutory employer capped rate</b>
State employees	9.82%	10.27%
School employees	15.12	10.27
State/School employees (combined rate)	13.83	10.27
Local government employees	9.77	8.84
Police and Firemen	19.92	19.92
Judges	23.62	23.62

The actuarially determined employer contribution rate (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rates for Fiscal Year 2015 are as follows:

	<b>Actuarial employer rate</b>	<b>Statutory employer capped rate</b>
State employees	10.80%	8.65%
School employees	15.41	8.65
State/School employees (combined rate)	14.34	8.65
Local government employees	9.48	9.48
Police and Firemen	21.36	21.36
Judges	22.59	22.59

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Contributions to the pension plan from the State were as follows:

Year Ended June 30:	<b>Primary Government</b>		<b>Component</b>
	<b>Employer</b>	<b>Nonemployer</b>	<b>Units</b>
2015	\$ 83,173	\$ 45,182	\$ 18,256
2014	84,107	47,738	17,974

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the State reported a liability for its proportionate share of the KPERS' collective net pension liability as follows:

	<b>Primary Government</b>		<b>Component</b>
	<b>Employer</b>	<b>Nonemployer</b>	<b>Units</b>
Collective net pension liability	\$ 1,079,889	\$ 676,508	\$ 240,024

The collective net pension liability was measured by KPERS as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. The State's proportion of the collective net pension liability was based on the ratio of the State's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the respective subgroup within KPERS for the fiscal year ended June 30, 2014. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2014, the State's proportion and decrease from its proportion measured as of June 30, 2013 were as follows:

	<b>Proportion as of June 30, 2014</b>	<b>Decrease in proportion from June 30, 2013</b>
<b>Primary Government</b>		
<b>Employer:</b>		
State/School group	15.897%	0.466%
KP&F	7.451	0.452
Judges	100.000	0.000
<b>Nonemployer</b>	10.587	0.069
<b>Component Units</b>		
State/School group	3.407	0.018
KP&F	1.215	0.056
Local group	1.169	0.011

For the year ended June 30, 2015, The State recognized pension expense as follows:

	<b>Primary Government</b>		<b>Component</b>
	<b>Employer</b>	<b>Nonemployer</b>	<b>Units</b>
Pension expense	\$ 78,990	\$ 50,911	\$ 16,288

At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2015

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**IV. Other Information**

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	Primary Government					
	Employer		Nonemployer		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 622	\$ 25,361	\$ 0	\$ 16,024	\$ 102	\$ 5,565
Net difference between projected and actual earnings on pension plan investments	0	141,905	0	80,540	0	30,224
Changes in proportionate share	0	31,071	0	4,148	0	11,108
Contributions subsequent to measurement date	83,173	0	45,182	0	18,256	0
Total	\$ 83,795	\$ 198,337	\$ 45,182	\$ 100,712	\$ 18,358	\$ 46,897

The \$146,611 reported as deferred outflows of resources related to pensions resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Primary Government		
	Employer	Nonemployer	Component Units
2016	\$ (47,032)	\$ (24,320)	\$ (10,990)
2017	(47,032)	(24,320)	(10,990)
2018	(47,032)	(24,320)	(10,990)
2019	(47,032)	(24,320)	(10,990)
2020	(9,587)	(3,432)	(2,835)
	\$ (197,715)	\$ (100,712)	\$ (46,795)

*Actuarial assumptions.* The total pension liability for KPERS in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including wage increases	4.00 to 12.50 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study conducted for the three year period beginning December 31, 2009.

The long-term expected rate of return on pension 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

State of Kansas  
**Notes to the Financial Statements**  
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**IV. Other Information**

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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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.00%
Fixed income	14	0.85
Yield driven	8	5.50
Real return	11	3.75
Real estate	11	6.65
Alternatives	8	9.50
Short-term investments	1	0.00
Total	100%	

*Discount rate.* The discount rate used by KPERS to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the State's proportionate share of the collective net pension liability to changes in the discount rate.* The following presents the State's proportionate share of the collective net pension liability calculated using the discount rate of 8.00%, as well as what the State's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
<b>Primary Government:</b>			
Employer's proportionate share of the collective net pension liability	\$ 1,428,416	\$ 1,079,889	\$ 783,709
Nonemployer's proportionate share of the collective net pension liability	883,039	676,508	501,138
<b>Component Unit:</b>			
Component Unit's proportionate share of the collective net pension liability	316,653	240,024	174,989

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

*Prior period adjustment.* The implementation of GASB 68 resulted in a \$2,056,768 increase to the net pension liability, a \$131,845 increase to deferred outflows and a \$1,924,923 decrease to net position for the Primary

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## **IV. Other Information**

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Government as of July 1, 2014. The implementation of GASB 68 resulted in a \$288,521 increase to the net pension liability, a \$17,974 increase to deferred outflows and a \$270,547 decrease to net position for the Component Units as of July 1, 2014. It was impractical to restate the financial statements for the period ended June 30, 2014 due to not being able to determine the impact on expenses during the period ended June 30, 2014.

### ***Other Retirement Plans***

Faculty and other eligible unclassified professional employees of the Board of Regents (Regents) office and State universities must participate in the Regents' mandatory retirement plan. Authorized by statute, this 403(b) defined contribution plan is funded through contributions by the employees and the employer (the Regents office or the State University). Employees are required to serve a one-year waiting period before becoming eligible to participate in the plan, but participation can begin earlier if certain waiver provisions are met. The contributions and earnings are fully vested with the first contribution.

Employees participating in the Regents' mandatory retirement plan are required to contribute 5.5 percent of their salary, up to the maximum dollar amount permitted by the Internal Revenue Code. During fiscal year 2015, employees contributed approximately \$46.9 million. During fiscal year 2015, the 8.5 percent employer contribution totaled approximately \$72.6 million, representing covered wages of approximately \$853 million. These employees, along with employees who participate in the KPERS retirement program, may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the Regents' voluntary retirement plan, which allows the member to purchase a 403(b) contract to supplement the mandatory retirement plan. All employees, as well as student employees, also may elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the State's 457 deferred compensation program, to supplement their retirement savings.

The retirement plan for the School for the Blind and the School for the Deaf are also covered by KPERS in the 401(a) defined benefit plan. The KPERS employee rate is 5 percent for Tier I members through December 31, 2014 and 6 percent for Tier I members January 1, 2015. Tier II and III members employee rate is 6 percent. Employer rate is 12.12 percent (11.27 percent employer and 0.85 percent death & disability).

### **F. Related Party Transactions**

The Kansas Legislature annually appropriates state general fund dollars to the Regent Institutions comprising the State University System (University of Kansas, including the University of Kansas Medical School, Kansas State University, Wichita State University, Emporia State University, Pittsburg State University, and Fort Hays State University). During FY 2015 expenditures from these appropriations amounted to \$779.9 million and are recorded within the General fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.

These expenditures, along with a corresponding recognition of revenue, are also reported within the State University System in order to accurately reflect all financial activity of the Combining Statement of Activities - Component Units.

### **G. Subsequent Events**

#### ***Bonds and Notes***

##### **Short-term Debt**

*Certificate of Indebtedness* – On July 1, 2015, the Pooled Money Investment Board (PMIB) issued a \$840 million Certificate of Indebtedness per K.S.A. 75-3725a. See Section III-H, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

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## **IV. Other Information**

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*Accrued Receivables for Children's Initiatives Fund* – In July 2015, receivables were posted to the State Treasurer's receivables for the Children's Initiatives Fund in the amount of \$25.6 million per Senate Bill No. 171, Section 112, Session of 2014. See Section III-H, Short-term Obligations, for additional information.

*Accrued Receivables for Economic Development Initiatives Fund* – In July 2015, receivables were posted to the State Treasurer's receivables for the Economic Development Initiatives Fund in the amount of \$21.3 million per Senate Bill No. 112, Section 80, Session of 2014.

*Accrued Receivables for Correctional Institutions' Building Fund* – In July 2015, receivables were posted to the State Treasurer's receivables for the Correctional Institutions' Building Fund in the amount of \$4.0 million per Senate Bill No. 112, Section 80, Session of 2014.

*Accrued Receivables for Kansas Endowment for Youth Fund* – In July 2015, receivables were posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund in the amount of \$190 thousand per Senate Bill No. 112, Section 80, Session of 2014.

*Accrued Receivables for Expanded Lottery Act Revenues Fund* – In July 2015, receivables were posted to the State Treasurer's receivables for the Expanded Lottery Act Revenues Fund in the amount of \$82.8 million per Senate Bill No. 112, Section 80, Session of 2014.

### Long-term Debt

*Revenue Bonds* – In August 2015, the State issued Taxable Revenue Bonds K DFA Series 2015H in the amount of \$1,005,180, for the purpose of financing a portion of the unfunded actuarial pension liability of KPERS. The bonds were issued with coupons ranging from 1.44% to 4.93% with final maturity on April 15, 2045.

*Revenue Bonds* – In October 2015, K DFA issued Refunding Revenue Bonds Series 2015K on behalf of Pittsburg State University in the amount of \$1.5 million for the purpose of refunding Series 2005D. The bonds were issued with a coupon rate of 0.61% with final maturity on October 1, 2021.

### **H. Economic Condition**

The State had an accumulated unassigned deficit in the General Fund of \$5.4 million as of June 30, 2014. When the consensus estimating group \*\*\* met on November 10, 2014, consensus revenue estimates for FY 2015 were decreased by \$205.9 million from the FY 2015 approved budget. The education consensus caseload was also updated on November 10, 2014, and caseloads increased by \$63.6 million to the FY 2015 budget as a result of understating the local option budget costs, capital outlay costs and bond/interest aid for capital improvements. The consensus caseload for Medicaid was also updated and \$46.0 million was added to the FY 2015 approved Medicaid budget, which was primarily due to the health insurance premium tax from the Affordable Care Act. Taking into account these factors, estimated revenues, and approved expenditures it was determined that FY 2015 State General Fund ending balances would be approximately \$280.0 million below zero unless corrective action was taken. As provided by K.S.A. 75-3722, an allotment plan was put into place in December 2014 to begin the process of bringing State spending in alignment with projected revenues. The plan contained an initial phase of reductions of approximately \$62.4 million followed by actions requiring legislative approval of \$217.6 million in reductions. The expenditure reductions requiring action by the Legislature were contained in the FY 2015 rescission bill House Substitute for Senate Bill 4, which was signed into law on February 10, 2015. One of the items in the plan included a reduction of \$40.7 million from reduced KPERS employer contribution rates. This estimate has since been revised to \$52.1 million. Data from certain state agencies inadvertently were not included at the time the initial estimate was made.

Total State General Fund receipts through January 31, 2015 were \$48.3 million below estimates and taxes only receipts were \$65.5 million below estimates. A second allotment was enacted in February 2015 and reduced FY 2015 State General Fund expenditures by \$44.5 million. Of this total amount, \$28.3 million was from the Kansas

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## **IV. Other Information**

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Department of Education and \$16.2 million was from state universities.

As a result of a \$159.1 million downward revision to State General Revenue estimates on November 6, 2015, a budget adjustment plan was announced the same day. The plan will make \$123.8 million in revenue transfers and expenditure reductions which will occur in three phases. The first phase consists of the remaining \$56.9 million in budget adjustments authorized under 2015 HB 2135. That legislation gave the Kansas Budget Director the authority to make transfers and expenditure reductions of no more than \$100.0 million in FY 2016. An initial adjustment consisting of \$43.1 million from expenditure reductions and transfers was made under this authority in July. The second phase includes expenditure reductions totaling \$52.6 million that will be made through the regular allotment authority provided to the Governor. The third phase of adjustments includes \$14.3 million of transfers and expenditure reductions that will be enacted through legislation that will be introduced during the 2016 Legislative Session.

\*\*\*The tool used by both the Governor and the Legislature to determine State General Fund revenue is the "consensus revenue estimate" prepared by the Consensus Revenue Estimating Group. This group is composed of representatives of the Division of the Budget, Department of Revenue, Legislative Research Department, and one consulting economist each from the University of Kansas, Kansas State University, and Wichita State University. This group meets each spring and fall. Before December 4th, the group makes its initial estimate for the budget year and revises the estimate for the current year. By April 20th, the fall estimate is reviewed, along with any additional data. A revised estimate is published, which the Legislature may use in adjusting expenditures, if necessary.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

## **Budgetary Information**

Annual budgets are adopted on a cash basis with encumbrance modifications for all governmental funds. Appropriations may be re-appropriated if the balance is greater than \$100, or lapsed at fiscal year end.

On or before October 1 of even-numbered years, agencies are required to submit biennial budget estimates for the next two fiscal years to the Division of Budget. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However, in the case of the regular legislative session immediately following the election of a governor who was elected to the Office of Governor for the first time, that governor must submit the budget report to the legislature on or before the 21<sup>st</sup> calendar day of that regular session.

The State maintains budgetary restrictions and controls, imposed through annual appropriations and limitations, approved by the Legislature. Agency, fund, and budget unit usually establish the level of budgetary control in the central accounting system. Budgetary control is maintained by mechanisms in the accounting system that prevent expenditures and firm encumbrances in excess of appropriations or limitations and/or available cash. Encumbrances are reported as expenditures for budgetary purposes and as reserved fund balances in the governmental financial statements in this report. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the budget unit level. The supplemental budgetary appropriations made in the General Fund were not material. Due to the volume of data, the detailed budget information at the budget unit level is not presented here.

State of Kansas  
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June 30, 2015

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2015  
(expressed in thousands)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and other financing sources:</b>				
Property tax	\$ 24,000	\$ 11,000	\$ 882	\$ (10,118)
Income and inheritance tax	2,981,738	2,747,000	2,735,486	(11,514)
State sales tax	2,168,188	2,150,000	2,132,777	(17,223)
Consumer's and retailer's compensating use tax	358,984	355,000	352,176	(2,824)
Tobacco and liquor taxes	193,500	194,200	196,230	2,030
Severance taxes	129,546	96,600	93,213	(3,387)
Insurance premiums taxes	170,000	181,000	187,643	6,643
Other taxes	8,500	8,400	12,309	3,909
Investment earnings	10,000	12,000	10,046	(1,954)
Transfers	(120,175)	132,650	144,756	12,106
Charges for services, other revenues and financing sources	50,294	56,500	62,146	5,646
Total revenues and other financing sources	<u>5,974,575</u>	<u>5,944,350</u>	<u>5,927,664</u>	<u>(16,686)</u>
<b>Expenditures and other financing uses:</b>				
Current:				
General government	259,972	258,429	253,539	(4,890)
Human resources	919,571	934,447	929,139	(5,308)
Education	4,021,986	3,971,522	3,959,421	(12,101)
Public safety	393,638	392,371	388,326	(4,045)
Agriculture and natural resources	11,989	11,700	11,697	(3)
Health and environment	768,997	767,940	767,429	(511)
Total expenditures and other financing uses	<u>6,376,153</u>	<u>6,336,409</u>	<u>6,309,551</u>	<u>(26,858)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(401,578)</u>	<u>(392,059)</u>	<u>(381,887)</u>	<u>\$ 10,172</u>
Fund balances, beginning of year	559,640	646,163	239,926	
Adjustment for released encumbrances	0	0	0	
Fund balances, end of year	<u>\$ 158,062</u>	<u>\$ 254,104</u>	<u>\$ (141,961)</u>	

State of Kansas  
**Required Supplementary Information**  
June 30, 2015

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds for the *General Fund* For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ (381,887)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	19,364
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(37,887)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	82,156
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>36,039</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ (282,215)</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2015

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual**  
*Social Services*  
**For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and other financing sources:</b>				
Tobacco and liquor taxes	\$ 3,714	\$ 3,714	\$ 3,157	\$ (557)
Operating grants	474,667	474,734	702,474	227,740
Investment earnings	1	1	37	36
Transfers	795,649	819,257	805,832	(13,425)
Charges for services, other revenues and financing sources	136,491	142,233	125,040	(17,193)
Total revenues and other financing sources	<u>1,410,522</u>	<u>1,439,939</u>	<u>1,636,540</u>	<u>196,601</u>
<b>Expenditures and other financing uses:</b>				
Current:				
Human resources	<u>1,313,582</u>	<u>1,791,101</u>	<u>1,791,101</u>	<u>0</u>
Total expenditures and other financing uses	<u>1,313,582</u>	<u>1,791,101</u>	<u>1,791,101</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 96,940</u>	<u>\$ (351,162)</u>	<u>\$ (154,561)</u>	<u>\$ 196,601</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2015

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Governmental Funds for  
Social Services  
For the Fiscal Year Ended June 30, 2015  
(expressed in thousands)**

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ (154,561)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	12,692
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(29,696)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	161,063
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>(24,940)</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ (35,442)</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2015

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual**  
*Transportation Fund*  
**For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues:</b>				
Motor fuel taxes	\$ 289,643	\$ 288,240	\$ 289,386	\$ 1,146
Vehicle registrations and permits	218,093	218,840	219,153	313
Intergovernmental	354,512	345,246	453,958	108,712
Sales and use taxes	519,672	515,879	511,724	(4,155)
Investment earnings	2,109	583	3,193	2,610
Other	9,016	12,932	86,278	73,346
Transfers from other state funds	1,399	1,396	2,196	800
Total revenues	<u>1,394,444</u>	<u>1,383,116</u>	<u>1,565,888</u>	<u>182,772</u>
<b>Expenditures, with legal limits:</b>				
Current operating:				
Maintenance	140,090	136,978	133,810	(3,168)
Construction	66,960	65,888	61,897	(3,991)
Local support	7,296	7,222	5,968	(1,254)
Management	54,615	51,900	47,698	(4,202)
Expenditures with legal limits	<u>268,961</u>	<u>261,988</u>	<u>249,373</u>	<u>(12,615)</u>
<b>Expenditures, without legal limits:</b>				
Current operating:				
Maintenance	540	440	437	(3)
Local support	577,571	641,152	495,392	(145,760)
Management	32,285	42,078	56,881	14,803
Capital improvements	1,114	8,172	3,474	(4,698)
Transfers to other state funds	262,909	424,688	424,688	0
Expenditures without legal limits	<u>874,419</u>	<u>1,116,530</u>	<u>980,872</u>	<u>(135,658)</u>
Total expenditures	<u>1,143,380</u>	<u>1,378,518</u>	<u>1,230,245</u>	<u>(148,273)</u>
Excess of revenues over expenditures	<u>251,064</u>	<u>4,598</u>	<u>335,643</u>	<u>331,045</u>
<b>Other financing sources (uses):</b>				
Transfers-in	210,000	298,659	297,972	(687)
Transfers-out	(218,646)	(210,846)	(198,978)	11,868
Total other financing sources (uses)	<u>(8,646)</u>	<u>87,813</u>	<u>98,994</u>	<u>11,181</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 242,418</u>	<u>\$ 92,411</u>	<u>\$ 434,637</u>	<u>\$ 342,226</u>

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the *Transportation Fund* For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ 434,637
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	(140,096)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	(226,109)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	<u>(113,368)</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u>\$ (44,936)</u>

State of Kansas  
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**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
Health and Environment  
For the Fiscal Year Ended June 30, 2015  
(expressed in thousands)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and Other Financing Sources:</b>				
Income and inheritance tax	\$ 0	\$ 0	\$ 2	\$ 2
Tobacco & liquor taxes	0	5,760	0	(5,760)
Insurance premiums taxes	0	0	2,452	2,452
Other taxes	0	0	1,629	1,629
Operating grants	1,321,552	1,319,905	2,056,282	736,377
Investment earnings	590	1,631	159	(1,472)
Transfers	1,367	(53,941)	(865,755)	(811,814)
Charges for services, other revenues & financing sources	837,886	794,809	413,956	(380,853)
Total revenues and other financing sources	<u>2,161,395</u>	<u>2,068,164</u>	<u>1,608,725</u>	<u>(459,439)</u>
<b>Expenditures and Other Financing Uses:</b>				
Current:				
Health and environment	<u>1,601,098</u>	<u>1,622,684</u>	<u>1,622,684</u>	<u>0</u>
Total expenditures and other financing uses	<u>1,601,098</u>	<u>1,622,684</u>	<u>1,622,684</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 560,297</u>	<u>\$ 445,480</u>	<u>\$ (13,959)</u>	<u>\$ (459,439)</u>

State of Kansas  
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June 30, 2015

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for *Health and Environment* For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ (13,959)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	65,720
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(61,597)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	18,557
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>(11,308)</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ (2,587)</u></u>

State of Kansas  
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**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
Education**  
**For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and Other Financing Sources:</b>				
Property tax	\$ 580,000	\$ 579,232	\$ 590,631	\$ 11,399
Operating grants	478,615	478,615	475,048	(3,567)
Transfers	255,952	255,952	251,056	(4,896)
Charges for services, other revenues & financing sources	55,616	52,466	52,811	345
Total revenues and other financing sources	<u>1,370,183</u>	<u>1,366,265</u>	<u>1,369,546</u>	<u>3,281</u>
<b>Expenditures and Other Financing Uses:</b>				
Current:				
Education	1,359,098	1,362,971	1,362,971	0
Total expenditures and other financing uses	<u>1,359,098</u>	<u>1,362,971</u>	<u>1,362,971</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 11,085</u>	<u>\$ 3,294</u>	<u>\$ 6,575</u>	<u>\$ 3,281</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2015

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for *Education***  
**For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$	6,575
Current year encumbrances are reported as expenditures for budgetary reporting purposes		4,827
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes		(8,213)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis		(1,717)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis		<u>1,280</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	\$	<u><u>2,752</u></u>

**Support of Modified Approach for Kansas Department of Transportation Infrastructure Reporting**

**Roadway Pavement**

The highway pavement in the State is made up of two systems: Interstate Highways and Non-interstate Highways. Roadway Pavement is also referred to as Roadways. The condition of these systems is assessed annually using a Pavement Management System that measures the condition of the pavement surface. The Pavement condition is a combined score based on three factors: roughness (measured as International Roughness Index, or IRI), joint distress in concrete or transverse cracking in asphalt, and faulting in concrete or rutting in asphalt. The condition of the pavement surface to classify the roads into the following three performance levels:

- PL-1 Roadway surface is in good condition and needs only routine or light preventative maintenance.
- PL-2 Roadway surface needs at least routine maintenance.
- PL-3 Roadway surface is in poor condition and needs significant work.

KDOT has goals to maintain these systems at levels higher than the minimum acceptable condition. The cost to repair or replace deteriorated pavement far exceeds the cost to maintain pavement that is already in good condition, so maintaining pavement at levels above minimum acceptable condition requires a pavement management strategy that accounts for life-cycle costs. KDOT has redefined the minimum acceptable condition level as having at least 85 percent of the interstate miles in PL-1 and at least 80 percent of the non-interstate miles in PL-1. The following table compares the minimum acceptable condition level with the actual condition for the current and prior years.

Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition	Actual Condition	Minimum Acceptable Condition	Actual Condition
	Level*	Level*	Level*	Level*
2013	85	96	80	83
2014	85	98	80	89
2015	85	98	80	90

\*Percent of miles in PL-1

KDOT's goal is to continually maintain and improve the condition of the State Highway System. To achieve this goal it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. KDOT concentrates resources on items that are measured. To maintain the Interstate Highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$93 million in fiscal year 2015. To maintain the Non-interstate Highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$231 million in fiscal year 2015. The estimated expenditure amounts are based on the projected T-WORKS program funding levels for preservation that are anticipated to be needed to maintain the system. The actual expenses are based on these project expenditures during the fiscal year. The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years (expressed in thousands).

State of Kansas  
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June 30, 2015

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Fiscal Year	Interstate Highways		Non-interstate Highways	
	Minimum Acceptable Condition Level	Actual Expenses	Minimum Acceptable Condition Level	Actual Expenses
	2011	\$ 110,000	\$ 57,550	\$ 260,000
2012	84,000	112,600	208,000	442,608
2013	87,000	119,170	215,000	412,050
2014	90,000	126,485	223,000	375,772
2015	93,000	14,777	231,000	423,375

**Bridges**

Federal law (Title 23 CFR 650) requires that each bridge be inspected at least every 24 months. Bridge condition data for key elements (deck, girders, floor beams, columns, etc.) are collected during these inspections and stored within KDOT’s Bridge Management System. Each element is given a score based on its condition. These element scores are then weighted and aggregated to establish an overall Bridge Health Index (BHI) which ranges from 0 to 100. A BHI of 100 denotes a bridge that is in “like-new” condition.

The Performance Metric is the percent of state-owned bridges in Good Condition, with the condition state of a bridge being defined as follows:

- Good Condition: BHI ≥ 88
- Fair Condition: 75 ≤ BHI < 88
- Deteriorated Condition: BHI < 75

The following table below compares the actual percentage of bridges in good condition to the minimum acceptable percent of bridges in good condition. An overall state-wide condition level of 85 has been defined as the minimum acceptable percentage of bridges in good condition. This table compares the minimum acceptable percentage of bridges in good health with the actual measure of bridges in good health for the current and prior years.

Fiscal Year	Minimum Acceptable Health Index	Actual Condition Level
2013	85	88
2014	85	87
2015	85	86

KDOT’s goal is to continually improve the condition of the State’s bridge system. To achieve this goal it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. To maintain the State’s bridges at or above the stated minimum acceptable percentage of bridges in good condition, it is estimated that annual preservation and replacement expenditures must be approximately \$81 million for fiscal year 2015. The following table compares the

State of Kansas  
**Required Supplementary Information**  
June 30, 2015

estimated annual expenditures needed to maintain the bridges system with the actual expenditures for the current and prior years (expressed in thousands).

Fiscal Year	Minimum Acceptable Health Index	Actual Expenses
2011	\$ 75,000	\$ 69,950
2012	73,000	87,890
2013	76,000	82,046
2014	78,000	92,372
2015	81,000	129,420

**OPEB Schedule of Funding Progress**  
*(expressed in thousands)*

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Accrued Liability (AAL) ( b )	Unfunded AAL ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	Percent of Covered Payroll ((b-a)/c)
6/30/2013	0	\$ 278,153	\$ 278,153	0%	\$ 2,062,709	13.48%
6/30/2014	0	255,988	255,988	0%	2,074,593	12.34%
6/30/2015	0	213,937	213,937	0%	2,104,749	10.16%

State of Kansas  
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**Schedule of the State's Proportionate Share of the Net Pension Liability**  
**Kansas Pension Retirement Plan**  
**Last 2 Years**

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	<u>2015</u>	<u>2014</u>
<b>Primary Government: Employer</b>		
Proportion of the net pension liability		
State/School employees	15.897%	16.363%
Police and Firemen	7.451%	7.90%
Judges	100%	100%
Proportionate share of the collective net pension liability	\$ 1,079,889	\$ 1,282,721
Covered-employee payroll	\$ 1,284,193	\$ 1,275,266
Proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	84.09%	100.58%
Plan fiduciary net position as a percentage of the total pension liability	66.60%	59.94%
<b>Primary Government: Nonemployer</b>		
State's proportion of the net pension liability	100.00%	100.00%
State's proportionate share of the collective net pension liability	\$ 676,508	\$ 774,047
Plan fiduciary net position as a percentage of the total pension liability	66.60%	59.94%
<b>Component Units</b>		
Proportion of the net pension liability		
State/School employees	3.407%	3.587%
Police and Firemen	1.215%	1.775%
Local	1.169%	1.279%
Proportionate share of the collective net pension liability	\$ 240,024	\$ 288,521
Covered-employee payroll	\$ 790,266	\$ 803,161
Proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	30.37%	35.92%
Plan fiduciary net position as a percentage of the total pension liability	66.60%	59.94%

\* GASB 68 requires a presentation of 10 years. As of June 30, 2015 only two years of information is available

State of Kansas  
**Required Supplementary Information**  
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**Schedule of State Contributions**  
**Kansas Pension Retirement Plan**  
**Last 2 Years**

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	<u>2015</u>	<u>2014</u>
<b>Primary Government: Employer</b>		
Contractually required contribution	\$ 83,173	\$ 84,107
Contributions in relation to the contractually required contribution	<u>(83,173)</u>	<u>(84,107)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,284,193	\$ 1,275,266
Contributions as a percentage of covered-employee payroll	6.48%	6.60%
<b>Primary Government: Nonemployer</b>		
Contractually required contribution	\$ 45,182	\$ 47,738
Contributions in relation to the contractually required contribution	<u>(45,182)</u>	<u>(47,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
<b>Component Units</b>		
Contractually required contribution	\$ 18,256	\$ 17,974
Contributions in relation to the contractually required contribution	<u>(18,256)</u>	<u>(17,974)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 790,266	\$ 803,161
Contributions as a percentage of covered-employee payroll	2.31%	2.24%

\* GASB 68 requires a presentation of 10 years. As of June 30, 2015 only two years of information is available

State of Kansas  
**Required Supplementary Information**  
June 30, 2015

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*Changes in benefit terms for KPERS.* Effective January 1, 2014, KPERS Tier 1 member's employee contribution rate increased to 5.0% and then on January 1, 2015, will increase to 6.0% with an increase in benefit multiplier to 1.85% for future years of service. For Tier II members retiring after July 1, 2012, the cost of living adjustments (COLA) is eliminated, but members will receive a 1.85% multiplier for all years of service.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**Listing of Non-Major Governmental Funds**

**Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes:

State Regulatory Boards and Commissions  
Correctional Facilities  
Tobacco Settlement for Children's Initiatives  
Adjutant General  
Agriculture  
Attorney General  
Administration  
Highway Patrol  
Historical Society  
Labor  
Commerce  
Insurance  
Judicial  
State Library  
Revenue  
Secretary of State  
State Treasurer  
Wildlife, Parks and Tourism  
Executive  
Legislative  
Transportation Special Revenue  
State Water Plan  
Peace Officer Training

**Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds:

Transportation - Capital Projects  
State Buildings (Appropriated)  
Capitol Complex Buildings  
State Library

### **Debt Service Funds**

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principle and interest:

Master Lease Program  
Corrections  
Pooled Fund  
Armories  
Public Broadcasting Digital  
Vital Statistics Project  
Highway Patrol  
Labor  
Bond and Interest  
Highway Debt Service  
STAR Bonds Debt Service

State of Kansas  
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June 30, 2015

**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101,573	\$ 13,270	\$ 23,188	\$ 3,634
Receivables, net	9,432	996	0	2,107
Due from other funds	0	0	0	0
Inventories	0	1,372	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<b>\$ 111,005</b>	<b>\$ 15,638</b>	<b>\$ 23,188</b>	<b>\$ 5,741</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 10,138	\$ 1,324	\$ 5,448	\$ 4,232
Due to other funds	0	0	0	0
Advances from other funds	0	192	0	0
Bonds payable on demand	0	0	0	0
<b>Total liabilities</b>	<b>10,138</b>	<b>1,516</b>	<b>5,448</b>	<b>4,232</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
<b>Total deferred inflows of resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Long-term receivable	0	0	0	0
Inventories	0	1,372	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	61,679	0	0	0
Human Resources	1,659	0	17,740	0
Education	3	0	0	0
Public Safety	27,812	12,750	0	1,509
Agriculture and natural resources	9,714	0	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
<b>Total fund balance</b>	<b>100,867</b>	<b>14,122</b>	<b>17,740</b>	<b>1,509</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 111,005</b>	<b>\$ 15,638</b>	<b>\$ 23,188</b>	<b>\$ 5,741</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2015**  
*(expressed in thousands)*

Special Revenue Funds

	Agriculture	Attorney General	Administration	Highway Patrol
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,837	\$ 25,928	\$ 5,039	\$ 25,698
Receivables, net	633	23	13	299
Due from other funds	0	0	0	0
Inventories	0	0	2,749	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	1	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 13,470</u>	<u>\$ 25,951</u>	<u>\$ 7,802</u>	<u>\$ 25,997</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 1,298	\$ 1,777	\$ 4,223	\$ 7,126
Due to other funds	116	0	0	0
Advances from other funds	421	0	0	0
Bonds payable on demand	0	0	0	0
Total liabilities	<u>1,835</u>	<u>1,777</u>	<u>4,223</u>	<u>7,126</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Long-term receivable	0	0	0	0
Inventories	0	0	2,749	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	0	18,121	830	0
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	6,053	0	18,871
Agriculture and natural resources	11,635	0	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
Total fund balance	<u>11,635</u>	<u>24,174</u>	<u>3,579</u>	<u>18,871</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 13,470</u>	<u>\$ 25,951</u>	<u>\$ 7,802</u>	<u>\$ 25,997</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			
	Historical Society	Labor	Commerce	Insurance
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,524	\$ 33,598	\$ 77,692	\$ 13,236
Receivables, net	633	680	76	0
Due from other funds	0	0	0	0
Inventories	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	15,790	0
<b>Total assets</b>	<u>\$ 7,157</u>	<u>\$ 34,278</u>	<u>\$ 93,558</u>	<u>\$ 13,236</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 403	\$ 2,028	\$ 3,846	\$ 846
Due to other funds	0	0	0	0
Advances from other funds	0	0	0	0
Bonds payable on demand	0	0	0	0
<b>Total liabilities</b>	<u>403</u>	<u>2,028</u>	<u>3,846</u>	<u>846</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Long-term receivable	0	0	0	0
Inventories	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	0	0	89,712	12,390
Human Resources	0	32,250	0	0
Education	6,754	0	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
<b>Total fund balance</b>	<u>6,754</u>	<u>32,250</u>	<u>89,712</u>	<u>12,390</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 7,157</u>	<u>\$ 34,278</u>	<u>\$ 93,558</u>	<u>\$ 13,236</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2015**  
*(expressed in thousands)*

Special Revenue Funds

	Judicial	State Library	Revenue	Secretary of State
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,219	\$ 843	\$ 21,987	\$ 6,629
Receivables, net	186	0	82	1
Due from other funds	0	0	0	0
Inventories	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 13,405</u>	<u>\$ 843</u>	<u>\$ 22,069</u>	<u>\$ 6,630</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 2,495	\$ 69	\$ 3,824	\$ 279
Due to other funds	0	0	0	0
Advances from other funds	0	0	0	0
Bonds payable on demand	0	0	0	0
<b>Total liabilities</b>	<u>2,495</u>	<u>69</u>	<u>3,824</u>	<u>279</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Long-term receivable	0	0	0	0
Inventories	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	10,910	0	18,245	6,351
Human Resources	0	0	0	0
Education	0	774	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
<b>Total fund balance</b>	<u>10,910</u>	<u>774</u>	<u>18,245</u>	<u>6,351</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 13,405</u>	<u>\$ 843</u>	<u>\$ 22,069</u>	<u>\$ 6,630</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Treasurer	Wildlife, Parks and Tourism	Executive	Legislative
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,321	\$ 34,629	\$ 1,640	\$ 11
Receivables, net	0	1,240	0	0
Due from other funds	19,909	0	0	0
Inventories	0	0	0	0
Advances to other funds	124,787	0	0	0
Restricted cash and cash equivalents	0	314	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<b>\$ 147,017</b>	<b>\$ 36,183</b>	<b>\$ 1,640</b>	<b>\$ 11</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 145,057	\$ 5,003	\$ 44	\$ 0
Due to other funds	0	0	0	0
Advances from other funds	0	0	0	0
Bonds payable on demand	0	0	0	0
Total liabilities	145,057	5,003	44	0
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
Total deferred inflows of resources	0	0	0	0
<b>FUND BALANCES</b>				
Nonspendable:				
Long-term receivable	0	0	0	0
Inventories	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	1,960	0	1,596	11
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	31,180	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
Total fund balance	1,960	31,180	1,596	11
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 147,017</b>	<b>\$ 36,183</b>	<b>\$ 1,640</b>	<b>\$ 11</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			Capital Projects Funds
	Transportation- Special Revenue	State Water Plan	Peace Officer Training	Transportation-Capital Projects
<b>ASSETS</b>				
Cash and cash equivalents	\$ 36,031	\$ 9,558	\$ 649	\$ 0
Receivables, net	5,149	1,525	0	0
Due from other funds	0	0	0	0
Inventories	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 41,180</u>	<u>\$ 11,083</u>	<u>\$ 649</u>	<u>\$ 0</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 1,347	\$ 775	\$ 28	\$ 0
Due to other funds	0	0	0	0
Advances from other funds	0	0	0	0
Bonds payable on demand	0	0	0	147,000
Total liabilities	<u>1,347</u>	<u>775</u>	<u>28</u>	<u>147,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	159	0	0
Total deferred inflows of resources	<u>0</u>	<u>159</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Long-term receivable	4,085	0	0	0
Inventories	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	0	0	0	0
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	0	621	0
Agriculture and natural resources	0	10,149	0	0
Highways and other transportation	35,748	0	0	0
Unassigned	0	0	0	(147,000)
Total fund balance	<u>39,833</u>	<u>10,149</u>	<u>621</u>	<u>(147,000)</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 41,180</u>	<u>\$ 11,083</u>	<u>\$ 649</u>	<u>\$ 0</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2015**  
*(expressed in thousands)*

	Capital Projects Funds			Debt Service Funds
	State Buildings (Appropriated)	Capitol Complex Buildings	State Library	Master Lease Program
<b>ASSETS</b>				
Cash and cash equivalents	\$ 47,388	\$ 7	\$ 236	\$ 2,577
Receivables, net	0	0	0	17,479
Due from other funds	0	0	0	1,435
Inventories	0	0	0	0
Advances to other funds	0	0	0	3,071
Restricted cash and cash equivalents	0	36	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 47,388</u>	<u>\$ 43</u>	<u>\$ 236</u>	<u>\$ 24,562</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 2,267	\$ 0	\$ 4	\$ 5
Due to other funds	106	0	0	0
Advances from other funds	318	0	0	0
Bonds payable on demand	0	0	0	0
<b>Total liabilities</b>	<u>2,691</u>	<u>0</u>	<u>4</u>	<u>5</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Long-term receivable	0	0	0	0
Inventories	0	0	0	0
Restricted for:				
Capital Projects	44,697	43	232	0
Debt Service	0	0	0	24,557
General government	0	0	0	0
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
<b>Total fund balance</b>	<u>44,697</u>	<u>43</u>	<u>232</u>	<u>24,557</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 47,388</u>	<u>\$ 43</u>	<u>\$ 236</u>	<u>\$ 24,562</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2015**  
*(expressed in thousands)*

Debt Service Funds					
	Corrections	Pooled Funds	Armories	Public Broadcasting Digital	Vital Statistics Project
<b>ASSETS</b>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Receivables, net	0	0	0	0	0
Due from other funds	0	0	0	0	0
Inventories	0	0	0	0	0
Advances to other funds	0	0	0	0	0
Restricted cash and cash equivalents	14	0	44	9	1
Restricted investments	0	0	0	0	0
<b>Total assets</b>	<b>\$ 14</b>	<b>\$ 0</b>	<b>\$ 44</b>	<b>\$ 9</b>	<b>\$ 1</b>
<b>LIABILITIES</b>					
Accounts payable and other liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to other funds	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Bonds payable on demand	0	0	0	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	0	0	0	0	0
<b>Total deferred inflows of resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Long-term receivable	0	0	0	0	0
Inventories	0	0	0	0	0
Restricted for:					
Capital Projects	0	0	0	0	0
Debt Service	14	0	44	9	1
General government	0	0	0	0	0
Human Resources	0	0	0	0	0
Education	0	0	0	0	0
Public Safety	0	0	0	0	0
Agriculture and natural resources	0	0	0	0	0
Highways and other transportation	0	0	0	0	0
Unassigned	0	0	0	0	0
<b>Total fund balance</b>	<b>14</b>	<b>0</b>	<b>44</b>	<b>9</b>	<b>1</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 14</b>	<b>\$ 0</b>	<b>\$ 44</b>	<b>\$ 9</b>	<b>\$ 1</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Balance Sheet - Nonmajor Governmental Funds - Concluded**  
**June 30, 2015**  
*(expressed in thousands)*

Debt Service Funds					
	Labor	Bond and Interest	Highway Debt Service	STAR Bonds Debt Service	Total Nonmajor Governmental
<b>ASSETS</b>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 519,942
Receivables, net	0	0	152	0	40,706
Due from other funds	0	0	0	0	21,344
Inventories	0	0	0	0	4,121
Advances to other funds	0	0	0	0	127,858
Restricted cash and cash equivalents	6	20,207	113,794	0	134,426
Restricted investments	0	0	0	0	15,790
<b>Total assets</b>	<u>\$ 6</u>	<u>\$ 20,207</u>	<u>\$ 113,946</u>	<u>\$ 0</u>	<u>\$ 864,187</u>
<b>LIABILITIES</b>					
Accounts payable and other liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,886
Due to other funds	0	0	0	0	222
Advances from other funds	0	0	0	0	931
Bonds payable on demand	0	0	0	0	147,000
<b>Total liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>352,039</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	0	0	0	0	159
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>159</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Long-term receivable	0	0	0	0	4,085
Inventories	0	0	0	0	4,121
Restricted for:					
Capital Projects	0	0	0	0	44,972
Debt Service	6	20,207	113,946	0	158,784
General government	0	0	0	0	221,805
Human Resources	0	0	0	0	51,649
Education	0	0	0	0	7,531
Public Safety	0	0	0	0	67,616
Agriculture and natural resources	0	0	0	0	62,678
Highways and other transportation	0	0	0	0	35,748
Unassigned	0	0	0	0	(147,000)
<b>Total fund balance</b>	<u>6</u>	<u>20,207</u>	<u>113,946</u>	<u>0</u>	<u>511,989</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 6</u>	<u>\$ 20,207</u>	<u>\$ 113,946</u>	<u>\$ 0</u>	<u>\$ 864,187</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Regulatory Boards and Commission	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	6,738	0	0	0
Charges for services	163,935	18,683	62,443	2
Operating grants	1,768	1,352	0	38,555
Capital grants	1,287	0	0	0
Investment earnings	36	2	39	0
Other revenues	3,078	3,718	5	6
<b>Total revenues</b>	<u>176,842</u>	<u>23,755</u>	<u>62,487</u>	<u>38,563</u>
<b>Expenditures:</b>				
Current:				
General government	108,815	0	0	0
Human resources	13,809	0	34,145	0
Education	0	0	12,037	0
Public safety	27,973	25,908	0	41,136
Agriculture and natural resources	8,368	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	7,137	0
Debt service:				
Principal	1,609	20	0	0
Interest	648	43	0	0
<b>Total expenditures</b>	<u>161,222</u>	<u>25,971</u>	<u>53,319</u>	<u>41,136</u>
<b>Excess of revenues over (under) expenditures</b>	<u>15,620</u>	<u>(2,216)</u>	<u>9,168</u>	<u>(2,573)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of notes payable	3,858	0	0	0
Issuance of capital leases	424	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	(15,083)	6,353	(13,986)	888
<b>Total other financing sources (uses)</b>	<u>(10,801)</u>	<u>6,353</u>	<u>(13,986)</u>	<u>888</u>
<b>Net change in fund balances</b>	<u>4,819</u>	<u>4,137</u>	<u>(4,818)</u>	<u>(1,685)</u>
<b>Fund balances, beginning of year</b>	96,048	9,985	22,558	3,194
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>96,048</u>	<u>9,985</u>	<u>22,558</u>	<u>3,194</u>
<b>Fund balances, end of year</b>	<u>\$ 100,867</u>	<u>\$ 14,122</u>	<u>\$ 17,740</u>	<u>\$ 1,509</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			
	Agriculture	Attorney General	Administration	Highway Patrol
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	2,721
Gross receipts tax	0	0	0	0
Charges for services	20,354	14,386	4,307	10,840
Operating grants	8,206	6,874	1,010	10,682
Capital grants	0	0	0	0
Investment earnings	1	4	2	8
Other revenues	597	5,808	13,925	186
<b>Total revenues</b>	<u>29,158</u>	<u>27,072</u>	<u>19,244</u>	<u>24,437</u>
<b>Expenditures:</b>				
Current:				
General government	0	12,897	28,165	0
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	13,842	0	81,527
Agriculture and natural resources	38,006	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	207	0	12,835	0
Interest	345	0	23,343	0
<b>Total expenditures</b>	<u>38,558</u>	<u>26,739</u>	<u>64,343</u>	<u>81,527</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(9,400)</u>	<u>333</u>	<u>(45,099)</u>	<u>(57,090)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of notes payable	0	0	0	0
Issuance of capital leases	9,304	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	2,641	2,580	40,575	56,327
<b>Total other financing sources (uses)</b>	<u>11,945</u>	<u>2,580</u>	<u>40,575</u>	<u>56,327</u>
<b>Net change in fund balances</b>	<u>2,545</u>	<u>2,913</u>	<u>(4,524)</u>	<u>(763)</u>
<b>Fund balances, beginning of year</b>	9,090	21,261	8,103	19,634
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>9,090</u>	<u>21,261</u>	<u>8,103</u>	<u>19,634</u>
<b>Fund balances, end of year</b>	<u>\$ 11,635</u>	<u>\$ 24,174</u>	<u>\$ 3,579</u>	<u>\$ 18,871</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			
	Historical Society	Labor	Commerce	Insurance
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	25,317	0
Sales and excise tax	943	0	0	0
Gross receipts tax	0	0	27	14,895
Charges for services	1,001	976	79	14,073
Operating grants	817	25,815	44,269	291
Capital grants	0	0	0	0
Investment earnings	4	0	616	0
Other revenues	19	12,887	2,290	26
<b>Total revenues</b>	<u>2,784</u>	<u>39,678</u>	<u>72,598</u>	<u>29,285</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	96,385	22,666
Human resources	0	36,951	0	0
Education	2,801	0	4,280	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	17,800	0
Interest	0	0	8,052	0
<b>Total expenditures</b>	<u>2,801</u>	<u>36,951</u>	<u>126,517</u>	<u>22,666</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(17)</u>	<u>2,727</u>	<u>(53,919)</u>	<u>6,619</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of notes payable	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	7	1,491	19,983	(5,000)
<b>Total other financing sources (uses)</b>	<u>7</u>	<u>1,491</u>	<u>19,983</u>	<u>(5,000)</u>
<b>Net change in fund balances</b>	<u>(10)</u>	<u>4,218</u>	<u>(33,936)</u>	<u>1,619</u>
<b>Fund balances, beginning of year</b>	6,764	28,032	170,807	10,771
Revisions to beginning fund balances	0	0	(47,159)	0
Fund balances, beginning of year (restated)	<u>6,764</u>	<u>28,032</u>	<u>123,648</u>	<u>10,771</u>
<b>Fund balances, end of year</b>	<u>\$ 6,754</u>	<u>\$ 32,250</u>	<u>\$ 89,712</u>	<u>\$ 12,390</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			
	Judicial	State Library	Revenue	Secretary of State
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	6,803	0
Gross receipts tax	0	0	109	0
Charges for services	34,209	0	20,729	4,236
Operating grants	549	2,248	624	0
Capital grants	0	0	0	0
Investment earnings	5	0	0	6
Other revenues	1,230	104	427	2
<b>Total revenues</b>	<u>35,993</u>	<u>2,352</u>	<u>28,692</u>	<u>4,244</u>
<b>Expenditures:</b>				
Current:				
General government	36,007	0	74,560	4,945
Human resources	0	0	0	0
Education	0	2,250	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<u>36,007</u>	<u>2,250</u>	<u>74,560</u>	<u>4,945</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(14)</u>	<u>102</u>	<u>(45,868)</u>	<u>(701)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of notes payable	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	10	0	40,102	0
<b>Total other financing sources (uses)</b>	<u>10</u>	<u>0</u>	<u>40,102</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>(4)</u>	<u>102</u>	<u>(5,766)</u>	<u>(701)</u>
<b>Fund balances, beginning of year</b>	10,914	672	24,011	7,052
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>10,914</u>	<u>672</u>	<u>24,011</u>	<u>7,052</u>
<b>Fund balances, end of year</b>	<u>\$ 10,910</u>	<u>\$ 774</u>	<u>\$ 18,245</u>	<u>\$ 6,351</u>

State of Kansas  
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June 30, 2015

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Treasurer	Wildlife, Parks and Tourism	Executive	Legislative
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	918	0	0
Gross receipts tax	0	0	0	0
Charges for services	828	40,374	0	67
Operating grants	0	13,328	9,467	0
Capital grants	0	0	0	0
Investment earnings	3,105	16	3	0
Other revenues	21,211	66	77	0
<b>Total revenues</b>	<u>25,144</u>	<u>54,702</u>	<u>9,547</u>	<u>67</u>
<b>Expenditures:</b>				
Current:				
General government	24,043	0	8,592	174
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	62,845	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	65	0	0
Interest	0	79	0	0
<b>Total expenditures</b>	<u>24,043</u>	<u>62,989</u>	<u>8,592</u>	<u>174</u>
<b>Excess of revenues over (under) expenditures</b>	<u>1,101</u>	<u>(8,287)</u>	<u>955</u>	<u>(107)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of notes payable	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	(3,000)	22,920	(657)	0
<b>Total other financing sources (uses)</b>	<u>(3,000)</u>	<u>22,920</u>	<u>(657)</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>(1,899)</u>	<u>14,633</u>	<u>298</u>	<u>(107)</u>
<b>Fund balances, beginning of year</b>	3,859	16,547	1,298	118
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>3,859</u>	<u>16,547</u>	<u>1,298</u>	<u>118</u>
<b>Fund balances, end of year</b>	<u>\$ 1,960</u>	<u>\$ 31,180</u>	<u>\$ 1,596</u>	<u>\$ 11</u>

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Special Revenue Funds			Capital Projects Funds
	Transportation- Special Revenue	State Water Plan	Peace Officer Training	Transportation-Capital Projects
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	2,789	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	4,822	539	0
Operating grants	2,504	0	0	0
Capital grants	0	0	0	0
Investment earnings	121	0	0	4
Other revenues	1,967	4,391	215	0
<b>Total revenues</b>	<u>4,592</u>	<u>12,002</u>	<u>754</u>	<u>4</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	0	0
Human resources	0	0	0	0
Education	0	24	0	0
Public safety	0	0	748	0
Agriculture and natural resources	0	11,126	0	0
Highways and other transportation	18,926	0	0	0
Health and environment	0	1,612	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<u>18,926</u>	<u>12,762</u>	<u>748</u>	<u>0</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(14,334)</u>	<u>(760)</u>	<u>6</u>	<u>4</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	462,875
Issuance of notes payable	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	48,629
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	21,000	296	0	(275,293)
<b>Total other financing sources (uses)</b>	<u>21,000</u>	<u>296</u>	<u>0</u>	<u>236,211</u>
<b>Net change in fund balances</b>	<u>6,666</u>	<u>(464)</u>	<u>6</u>	<u>236,215</u>
<b>Fund balances, beginning of year</b>	33,167	10,613	615	(383,215)
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>33,167</u>	<u>10,613</u>	<u>615</u>	<u>(383,215)</u>
<b>Fund balances, end of year</b>	<u>\$ 39,833</u>	<u>\$ 10,149</u>	<u>\$ 621</u>	<u>\$ (147,000)</u>

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Capital Projects Funds			Debt Service Funds
	State Buildings (Appropriated)	Capitol Complex Buildings	State Library	Master Lease Program
<b>Revenues:</b>				
Property tax	\$ 53,380	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	0	0	0
Operating grants	0	0	53	0
Capital grants	0	0	0	0
Investment earnings	0	0	0	3
Other revenues	295	0	0	1,761
<b>Total revenues</b>	<u>53,675</u>	<u>0</u>	<u>53</u>	<u>1,764</u>
<b>Expenditures:</b>				
Current:				
General government	470	144	0	1,725
Human resources	3,141	0	0	0
Education	38,249	0	148	0
Public safety	6,456	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	7,505	0	4,622
Interest	0	6,707	0	826
<b>Total expenditures</b>	<u>48,316</u>	<u>14,356</u>	<u>148</u>	<u>7,173</u>
<b>Excess of revenues over (under) expenditures</b>	<u>5,359</u>	<u>(14,356)</u>	<u>(95)</u>	<u>(5,409)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of notes payable	0	0	0	0
Issuance of capital leases	0	0	0	1,752
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	(52,503)	0	0
Transfers, net	(3,288)	66,718	0	0
<b>Total other financing sources (uses)</b>	<u>(3,288)</u>	<u>14,215</u>	<u>0</u>	<u>1,752</u>
<b>Net change in fund balances</b>	<u>2,071</u>	<u>(141)</u>	<u>(95)</u>	<u>(3,657)</u>
<b>Fund balances, beginning of year</b>	42,626	184	327	28,214
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>42,626</u>	<u>184</u>	<u>327</u>	<u>28,214</u>
<b>Fund balances, end of year</b>	<u>\$ 44,697</u>	<u>\$ 43</u>	<u>\$ 232</u>	<u>\$ 24,557</u>

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Debt Service Funds			
	Corrections	Pooled Funds	Armories	Public Broadcasting Digital
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	0	0	0
Operating grants	0	0	0	0
Capital grants	0	0	0	0
Investment earnings	0	0	0	0
Other revenues	0	0	0	0
<b>Total revenues</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	0	0
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	7,935	2,280	75
Interest	0	7,407	890	33
<b>Total expenditures</b>	<u>0</u>	<u>15,342</u>	<u>3,170</u>	<u>108</u>
<b>Excess of revenues over (under) expenditures</b>	<u>0</u>	<u>(15,342)</u>	<u>(3,170)</u>	<u>(108)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of notes payable	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	(17,564)	(1,137)
Transfers, net	0	15,342	20,732	1,242
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>15,342</u>	<u>3,168</u>	<u>105</u>
<b>Net change in fund balances</b>	<u>0</u>	<u>0</u>	<u>(2)</u>	<u>(3)</u>
<b>Fund balances, beginning of year</b>	14	0	46	12
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>14</u>	<u>0</u>	<u>46</u>	<u>12</u>
<b>Fund balances, end of year</b>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ 44</u>	<u>\$ 9</u>

State of Kansas  
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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

Debt Service Funds				
	Vital Statistics Project	Highway Patrol	Labor	Bond and Interest
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	0	0	0
Operating grants	0	0	0	0
Capital grants	0	0	0	0
Investment earnings	0	0	0	20
Other revenues	0	0	0	0
<b>Total revenues</b>	0	0	0	20
<b>Expenditures:</b>				
Current:				
General government	0	0	0	258,725
Human resources	0	0	195	0
Education	0	0	0	0
Public safety	0	305	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	2,405	12,310
Interest	0	62	255	9,235
<b>Total expenditures</b>	0	367	2,855	280,270
<b>Excess of revenues over (under) expenditures</b>	0	(367)	(2,855)	(280,250)
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	242,770
Issuance of notes payable	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	34,936
Issuance of refunding bonds	0	0	0	191,290
Premium on issuance of refunding debt	0	0	0	32,882
Payment to refunded bond escrow agent	0	0	(2,577)	(21,327)
Transfers, net	0	367	5,431	(180,511)
<b>Total other financing sources (uses)</b>	0	367	2,854	300,040
<b>Net change in fund balances</b>	0	0	(1)	19,790
<b>Fund balances, beginning of year</b>	1	0	7	417
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	1	0	7	417
<b>Fund balances, end of year</b>	\$ 1	\$ 0	\$ 6	\$ 20,207

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Concluded  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Debt Service Funds		
	Highway Debt Service	STAR Bonds Debt Service	Total Nonmajor Governmental
<b>Revenues:</b>			
Property tax	\$ 0	\$ 0	\$ 53,380
Income and inheritance tax	0	0	25,317
Sales and excise tax	0	0	14,174
Gross receipts tax	0	0	21,769
Charges for services	0	0	416,883
Operating grants	0	0	168,412
Capital grants	0	0	1,287
Investment earnings	104	0	4,099
Other revenues	0	0	74,291
<b>Total revenues</b>	<u>104</u>	<u>0</u>	<u>779,612</u>
<b>Expenditures:</b>			
Current:			
General government	0	0	678,313
Human resources	0	0	88,241
Education	0	0	59,789
Public safety	0	0	197,895
Agriculture and natural resources	0	0	120,345
Highways and other transportation	0	0	18,926
Health and environment	0	0	8,749
Debt service:			
Principal	99,025	0	168,693
Interest	77,037	0	134,962
<b>Total expenditures</b>	<u>176,062</u>	<u>0</u>	<u>1,475,913</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(175,958)</u>	<u>0</u>	<u>(696,301)</u>
<b>Other financing sources (uses):</b>			
Issuance of bonds	0	0	705,645
Issuance of notes payable	0	0	3,858
Issuance of capital leases	0	0	11,480
Premium on issuance of debt	0	0	83,565
Issuance of refunding bonds	0	0	191,290
Premium on issuance of refunding debt	0	0	32,882
Payment to refunded bond escrow agent	(128,130)	0	(223,238)
Transfers, net	296,717	0	124,904
<b>Total other financing sources (uses)</b>	<u>168,587</u>	<u>0</u>	<u>930,386</u>
<b>Net change in fund balances</b>	<u>(7,371)</u>	<u>0</u>	<u>234,085</u>
<b>Fund balances, beginning of year</b>	121,317	31,201	356,264
Revisions to beginning fund balances	0	(31,201)	(78,360)
Fund balances, beginning of year (restated)	<u>121,317</u>	<u>0</u>	<u>277,904</u>
<b>Fund balances, end of year</b>	<u>\$ 113,946</u>	<u>\$ 0</u>	<u>\$ 511,989</u>

**Listing of Non-Major Proprietary Funds**

**Enterprise Funds**

Enterprise funds may be used to report any activity for which a fee for goods or services is charged external users. Enterprise funds are (1) required for any activity that operates under laws or regulations that its costs be recovered with fees and charges, rather than with taxes or similar revenues, (2) required for any activity for which management establishes fees, pursuant to its pricing policy, designed to recover its costs of providing services, and (3) required for activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity:

Workers' Compensation  
Lottery  
Intergovernmental Transfer Program  
Transportation Revolving Fund  
Communication Systems Revolving Fund

State of Kansas  
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**Combining Statement of Net Position - Nonmajor Proprietary Funds**

**June 30, 2015**

*(expressed in thousands)*

	Business-Type Activities					Total
	Workers Compensa- tion	Lottery	Intergovern- mental Transfer Program	Transporta- tion Revolving Fund	Communica- tion Systems Revolving Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 10,594	\$ 25,381	\$ 402	\$ 19,842	\$ 2,588	\$ 58,807
Restricted cash and cash equivalents	0	0	0	34,577	0	34,577
Receivables, net	0	10,580	0	5,418	449	16,447
Inventories	0	3,080	0	0	0	3,080
Total current assets	<u>10,594</u>	<u>39,041</u>	<u>402</u>	<u>59,837</u>	<u>3,037</u>	<u>112,911</u>
Noncurrent assets:						
Investments	0	0	0	15,277	0	15,277
Receivables, net	0	0	0	29,973	1,756	31,729
Capital assets (net of accumulated depreciation)	0	292	11	0	0	303
Total noncurrent assets	<u>0</u>	<u>292</u>	<u>11</u>	<u>45,250</u>	<u>1,756</u>	<u>47,309</u>
<b>Total assets</b>	<u>10,594</u>	<u>39,333</u>	<u>413</u>	<u>105,087</u>	<u>4,793</u>	<u>160,220</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows - pensions	<u>0</u>	<u>441</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>441</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 14	\$ 32,681	\$ 47	\$ 630	\$ 12	\$ 33,384
Due to other funds	0	4,807	0	0	0	4,807
Short-term compensated absences	8	0	0	0	0	8
Short-term portion of long-term liabilities	7,034	0	0	5,425	209	12,668
Total current liabilities	<u>7,056</u>	<u>37,488</u>	<u>47</u>	<u>6,055</u>	<u>221</u>	<u>50,867</u>
Noncurrent liabilities:						
Compensated absences	1	0	0	0	0	1
Claims and judgments	28,060	0	0	0	0	28,060
Bonds, notes and loans payable	0	0	0	40,571	787	41,358
Unearned lease revenue	0	0	0	0	975	975
Arbitrage rebate payable	0	0	0	237	0	237
Other noncurrent liabilities	0	5,894	0	0	0	5,894
Total noncurrent liabilities	<u>28,061</u>	<u>5,894</u>	<u>0</u>	<u>40,808</u>	<u>1,762</u>	<u>76,525</u>
<b>Total liabilities</b>	<u>35,117</u>	<u>43,382</u>	<u>47</u>	<u>46,863</u>	<u>1,983</u>	<u>127,392</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - pensions	<u>0</u>	<u>1,107</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,107</u>
<b>NET POSITION</b>						
Net investment in capital assets	0	292	11	0	0	303
Restricted for:						
Debt service	0	0	0	38,382	0	38,382
Unrestricted	(24,523)	(5,007)	355	19,842	2,810	(6,523)
<b>Total net position</b>	<u>\$ (24,523)</u>	<u>\$ (4,715)</u>	<u>\$ 366</u>	<u>\$ 58,224</u>	<u>\$ 2,810</u>	<u>\$ 32,162</u>

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**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Business-Type Activities					Total
	Workers Compensa- tion	Lottery	Intergovern- mental Transfer Program	Transporta- tion Revolving Fund	Communica- tion Systems Revolving Fund	
<b>Operating revenues:</b>						
Charges for services	\$ 7,613	\$ 615,051	\$ 0	\$ 93	\$ 233	\$ 622,990
Other revenue	409	4,775	87	1,326	0	6,597
<b>Total operating revenues</b>	<u>8,022</u>	<u>619,826</u>	<u>87</u>	<u>1,419</u>	<u>233</u>	<u>629,587</u>
<b>Operating expenses:</b>						
Personal services	178	5,816	24	0	0	6,018
Supplies and services	1,093	288,367	53	19	14	289,546
Lottery prize awards	0	144,914	0	0	0	144,914
Depreciation	0	117	3	0	0	120
Insurance claims and expenses	4,329	0	0	0	0	4,329
Other expenses	1,346	20,534	0	113	0	21,993
<b>Total operating expenses</b>	<u>6,946</u>	<u>459,748</u>	<u>80</u>	<u>132</u>	<u>14</u>	<u>466,920</u>
<b>Operating income (loss)</b>	<u>1,076</u>	<u>160,078</u>	<u>7</u>	<u>1,287</u>	<u>219</u>	<u>162,667</u>
<b>Nonoperating revenues (expenses):</b>						
Investment earnings	0	0	90	766	3	859
Interest expense	0	0	0	(1,851)	(55)	(1,906)
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>0</u>	<u>90</u>	<u>(1,085)</u>	<u>(52)</u>	<u>(1,047)</u>
<b>Net income (loss)</b>	1,076	160,078	97	202	167	161,620
Transfers out	0	(162,142)	(8)	0	0	(162,150)
Change in net position	1,076	(2,064)	89	202	167	(530)
Net position - beginning	(25,599)	3,620	277	58,022	2,643	38,963
Revisions to beginning net position	0	(6,271)	0	0	0	(6,271)
Net position - beginning (restated)	<u>(25,599)</u>	<u>(2,651)</u>	<u>277</u>	<u>58,022</u>	<u>2,643</u>	<u>32,692</u>
<b>Net position - ending</b>	<u>\$ (24,523)</u>	<u>\$ (4,715)</u>	<u>\$ 366</u>	<u>\$ 58,224</u>	<u>\$ 2,810</u>	<u>\$ 32,162</u>

### **Internal Service Funds**

Internal Service Funds are used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis:

Printing  
Accounting Services  
Motor Pool  
Information Technology  
Aircraft  
Building Maintenance  
Architectural Services  
State Workers' Compensation  
Capitol Security  
Osawatomie Motor Pool  
Wildlife  
Personnel Services  
GIS Services

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Statement of Net Position - Internal Service Funds**  
**June 30, 2015**  
*(expressed in thousands)*

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance	Architectural Services
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 593	\$ 5,138	\$ 558	\$ 4,451	\$ 4	\$ 10,119	\$ 3,236
Receivables, net	156	9	6	4,781	0	1,661	124
Inventories	0	0	0	0	0	360	1
Total current assets	<u>749</u>	<u>5,147</u>	<u>564</u>	<u>9,232</u>	<u>4</u>	<u>12,140</u>	<u>3,361</u>
Noncurrent assets:							
Capital assets not being depreciated	0	0	0	0	0	460	0
Capital assets (net of accumulated depreciation)	1,638	17,974	258	9,143	0	60,516	113
Total noncurrent assets	<u>1,638</u>	<u>17,974</u>	<u>258</u>	<u>9,143</u>	<u>0</u>	<u>60,976</u>	<u>113</u>
<b>Total assets</b>	<u>2,387</u>	<u>23,121</u>	<u>822</u>	<u>18,375</u>	<u>4</u>	<u>73,116</u>	<u>3,474</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and other liabilities	263	711	0	730	4	1,207	156
Due to other funds	0	0	39	545	0	0	0
Short-term compensated absences	150	324	0	422	0	336	87
Short-term portion of long-term liabilities	0	30,837	0	0	0	1,665	0
Total current liabilities	<u>413</u>	<u>31,872</u>	<u>39</u>	<u>1,697</u>	<u>4</u>	<u>3,208</u>	<u>243</u>
Noncurrent liabilities:							
Compensated absences	27	58	0	75	0	60	15
Claims and judgments	0	57	0	0	0	0	0
Bonds, notes and loans payable	0	0	0	0	0	40,370	0
Advances from other funds	0	0	32	820	0	0	0
Total noncurrent liabilities	<u>27</u>	<u>115</u>	<u>32</u>	<u>895</u>	<u>0</u>	<u>40,430</u>	<u>15</u>
<b>Total liabilities</b>	<u>440</u>	<u>31,987</u>	<u>71</u>	<u>2,592</u>	<u>4</u>	<u>43,638</u>	<u>258</u>
<b>NET POSITION</b>							
Net investment in capital assets	1,638	17,974	258	9,143	0	18,941	113
Unrestricted	309	(26,840)	493	6,640	0	10,537	3,103
<b>Total net position</b>	<u>\$ 1,947</u>	<u>\$ (8,866)</u>	<u>\$ 751</u>	<u>\$ 15,783</u>	<u>\$ 0</u>	<u>\$ 29,478</u>	<u>\$ 3,216</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Statement of Net Position - Internal Service Funds - Concluded**  
**June 30, 2015**  
*(expressed in thousands)*

	State Workers Compensation	Capitol Security	Osawatomie Motor Pool	Wildlife	Personnel Services	GIS Services	Total
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 12,690	\$ 445	\$ 76	\$ 253	\$ 8	\$ 7,737	\$ 45,308
Receivables, net	0	0	0	0	0	0	6,737
Inventories	0	686	0	0	0	0	1,047
<b>Total current assets</b>	<u>12,690</u>	<u>1,131</u>	<u>76</u>	<u>253</u>	<u>8</u>	<u>7,737</u>	<u>53,092</u>
Noncurrent assets:							
Infrastructure	0	0	0	0	0	0	460
Capital assets (net of accumulated depreciation)	0	0	0	0	0	0	89,642
<b>Total noncurrent assets</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>90,102</u>
<b>Total assets</b>	<u>12,690</u>	<u>1,131</u>	<u>76</u>	<u>253</u>	<u>8</u>	<u>7,737</u>	<u>143,194</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and other liabilities	141	68	0	0	0	0	3,280
Due to other funds	0	0	0	0	0	0	584
Short-term compensated absences	42	1	0	0	0	0	1,362
Short-term portion of long-term liabilities	12,707	0	0	0	0	0	45,209
<b>Total current liabilities</b>	<u>12,890</u>	<u>69</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,435</u>
Noncurrent liabilities:							
Compensated absences	8	0	0	0	0	0	243
Claims and judgements	40,514	0	0	0	0	0	40,571
Bonds, notes and loans payable	0	0	0	0	0	0	40,370
Advances from other funds	0	0	0	0	0	0	852
<b>Total noncurrent liabilities</b>	<u>40,522</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>82,036</u>
<b>Total liabilities</b>	<u>53,412</u>	<u>69</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>132,471</u>
<b>NET POSITION</b>							
Net investment in capital assets	0	0	0	0	0	0	48,067
Unrestricted	(40,722)	1,062	76	253	8	7,737	(37,344)
<b>Total net position</b>	<u>\$ (40,722)</u>	<u>\$ 1,062</u>	<u>\$ 76</u>	<u>\$ 253</u>	<u>\$ 8</u>	<u>\$ 7,737</u>	<u>\$ 10,723</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Internal Service Funds  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance	Architectural Services
<b>Operating revenues:</b>							
Charges for services	\$ 7,893	\$ 8,881	\$ 465	\$ 39,015	\$ 114	\$ 21,568	\$ 2,162
Other revenue	0	142	1,736	4	0	2	5
<b>Total operating revenues</b>	<u>7,893</u>	<u>9,023</u>	<u>2,201</u>	<u>39,019</u>	<u>114</u>	<u>21,570</u>	<u>2,167</u>
<b>Operating expenses:</b>							
Salaries and wages	2,323	5,532	0	7,761	0	8,027	1,473
Supplies and services	5,740	9,211	612	28,623	109	2,004	535
Depreciation	219	5,166	43	2,724	0	1,601	20
Insurance claims and expenses	0	0	0	0	0	0	0
Other expenses	0	0	0	81	0	10	0
<b>Total operating expenses</b>	<u>8,282</u>	<u>19,909</u>	<u>655</u>	<u>39,189</u>	<u>109</u>	<u>11,642</u>	<u>2,028</u>
<b>Operating income (loss)</b>	<u>(389)</u>	<u>(10,886)</u>	<u>1,546</u>	<u>(170)</u>	<u>5</u>	<u>9,928</u>	<u>139</u>
<b>Nonoperating revenues (expenses):</b>							
Investment earnings	0	0	0	0	0	0	0
Interest expense	0	0	0	0	0	(2,021)	0
Other expenses	0	0	0	0	0	(14)	1
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,035)</u>	<u>1</u>
<b>Net income (loss)</b>	<u>(389)</u>	<u>(10,886)</u>	<u>1,546</u>	<u>(170)</u>	<u>5</u>	<u>7,893</u>	<u>140</u>
Transfers in	0	871	0	1,923	0	720	0
Transfers out	(127)	(77)	(1,409)	(2,183)	0	(4,795)	(56)
<b>Change in net position</b>	<u>(516)</u>	<u>(10,092)</u>	<u>137</u>	<u>(430)</u>	<u>5</u>	<u>3,818</u>	<u>84</u>
Net position - beginning	<u>2,463</u>	<u>1,226</u>	<u>614</u>	<u>16,213</u>	<u>(5)</u>	<u>25,660</u>	<u>3,132</u>
<b>Net position - ending</b>	<u>\$ 1,947</u>	<u>\$ (8,866)</u>	<u>\$ 751</u>	<u>\$ 15,783</u>	<u>\$ 0</u>	<u>\$ 29,478</u>	<u>\$ 3,216</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2015

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Internal Service Funds - Concluded  
For the Fiscal Year Ended June 30, 2015**  
*(expressed in thousands)*

	State Workers Compensation	Capitol Security	Osawatomie Motor Pool	Wildlife	Personnel Services	GIS Services	Total
<b>Operating revenues:</b>							
Charges for services	\$ 0	\$ 198	\$ 0	\$ 7	\$ 8	\$ 77	\$ 80,388
Other revenue	21,808	240	0	0	0	0	23,937
<b>Total operating revenues</b>	<u>21,808</u>	<u>438</u>	<u>0</u>	<u>7</u>	<u>8</u>	<u>77</u>	<u>104,325</u>
<b>Operating expenses:</b>							
Salaries and wages	1,068	198	0	0	4	0	26,386
Supplies and services	2,021	57	0	10	0	0	48,922
Depreciation	0	0	0	0	0	0	9,773
Insurance claims and expenses	17,470	0	0	0	0	0	17,470
Other expenses	7	0	0	0	0	0	98
<b>Total operating expenses</b>	<u>20,566</u>	<u>255</u>	<u>0</u>	<u>10</u>	<u>4</u>	<u>0</u>	<u>102,649</u>
<b>Operating income (loss)</b>	<u>1,242</u>	<u>183</u>	<u>0</u>	<u>(3)</u>	<u>4</u>	<u>77</u>	<u>1,676</u>
<b>Nonoperating revenues (expenses):</b>							
Investment earnings	19	0	0	0	0	0	19
Interest expense	0	0	0	0	0	0	(2,021)
Other expenses	(341)	0	0	0	0	0	(354)
<b>Total nonoperating revenues (expenses)</b>	<u>(322)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,356)</u>
<b>Net income (loss)</b>	<u>920</u>	<u>183</u>	<u>0</u>	<u>(3)</u>	<u>4</u>	<u>77</u>	<u>(680)</u>
Transfers in	0	0	0	0	0	7,660	11,174
Transfers out	0	0	0	0	0	0	(8,647)
<b>Change in net position</b>	<u>920</u>	<u>183</u>	<u>0</u>	<u>(3)</u>	<u>4</u>	<u>7,737</u>	<u>1,847</u>
Net position - beginning	<u>(41,642)</u>	<u>879</u>	<u>76</u>	<u>256</u>	<u>4</u>	<u>0</u>	<u>8,876</u>
<b>Net position - ending</b>	<u>\$ (40,722)</u>	<u>\$ 1,062</u>	<u>\$ 76</u>	<u>\$ 253</u>	<u>\$ 8</u>	<u>\$ 7,737</u>	<u>\$ 10,723</u>

**STATISTICAL  
SECTION**

State of Kansas  
**Statistical Section**  
June 30, 2015

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	152
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	163
These schedules contain information to help the reader assess the state's most significant revenue source, the income and sales taxes.	
<b>Debt Capacity</b>	165
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	167
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	
<b>Operating Information</b>	169
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

State of Kansas  
**Statistical Section**  
June 30, 2015

**Financial Trends**

**Net Position by Fund Type**

**Last Ten Fiscal Years**

*(expressed in thousands)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities			
Net investment in capital assets	\$ 8,144,626	\$ 9,538,694	\$ 9,800,244
Restricted	97,386	93,923	87,640
Unrestricted	1,309,066	331,906	86,523
Total governmental activities net position	<u>\$ 9,551,078</u>	<u>\$ 9,964,523</u>	<u>\$ 9,974,407</u>
Business-type activities <sup>1</sup>			
Net investment in capital assets	\$ 388	\$ 256	\$ 364
Restricted	950,950	1,087,458	1,066,936
Unrestricted	20,004	6,768	18,330
Total business-type activities net position	<u>\$ 971,342</u>	<u>\$ 1,094,482</u>	<u>\$ 1,085,630</u>
Primary government			
Net investment in capital assets	\$ 8,145,014	\$ 9,538,950	\$ 9,800,608
Restricted	1,048,336	1,181,381	1,154,576
Unrestricted	1,329,110	338,674	104,853
Total primary government net position	<u>\$ 10,522,460</u>	<u>\$ 11,059,005</u>	<u>\$ 11,060,037</u>

State of Kansas  
**Statistical Section**  
June 30, 2015

**Financial Trends**

**Net Position by Fund Type**

**Last Ten Fiscal Years**

*(expressed in thousands)*

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ 9,509,615	\$ 9,601,110	\$ 9,219,935	\$ 9,279,477	\$ 9,323,734	\$ 9,791,994	\$ 9,664,367
143,946	209,443	869,678	920,031	1,162,509	1,238,216	1,110,905
105,512	155,995	122,947	286,900	512,524	(45,468)	(2,041,601)
<u>\$ 9,759,073</u>	<u>\$ 9,966,548</u>	<u>\$ 10,212,560</u>	<u>\$ 10,486,408</u>	<u>\$ 10,998,767</u>	<u>\$ 10,984,742</u>	<u>\$ 8,733,671</u>
\$ 478	\$ 8,351	\$ 6,194	\$ 54,273	\$ 43,844	\$ 299	\$ 320
779,479	433,809	466,317	474,957	496,714	536,957	1,021,260
(6,394)	118,772	90,826	171,381	215,568	331,144	(6,523)
<u>\$ 773,563</u>	<u>\$ 560,932</u>	<u>\$ 563,337</u>	<u>\$ 700,611</u>	<u>\$ 756,126</u>	<u>\$ 868,400</u>	<u>\$ 1,015,057</u>
\$ 9,510,093	\$ 9,609,461	\$ 9,226,129	\$ 9,333,750	\$ 9,367,578	\$ 9,792,293	\$ 9,664,687
923,425	643,252	1,335,995	1,394,988	1,659,223	1,775,173	2,132,165
99,118	274,767	213,773	458,281	728,092	285,676	(2,048,124)
<u>\$ 10,532,636</u>	<u>\$ 10,527,480</u>	<u>\$ 10,775,897</u>	<u>\$ 11,187,019</u>	<u>\$ 11,754,893</u>	<u>\$ 11,853,142</u>	<u>\$ 9,748,728</u>

State of Kansas  
**Statistical Section**  
June 30, 2015

**Financial Trends**

**Changes in Net Position Last Ten Fiscal Years**

*(expressed in thousands)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 975,416	\$ 1,074,391	\$ 1,002,719	\$ 955,701
Human resources	2,979,056	3,080,465	3,279,850	3,691,535
Education	4,378,010	4,696,343	5,011,242	5,183,287
Public safety	583,340	607,343	742,254	754,869
Agriculture and natural resources	98,116	102,471	111,445	126,940
Highways and other transportation	893,582	639,384	848,375	437,099
Health and environment	197,884	199,996	225,740	229,198
Economic development	3,780	3,125	251	0
Interest expense	0	149,550	145,246	151,702
Total governmental activities expenses	<u>10,109,184</u>	<u>10,553,068</u>	<u>11,367,122</u>	<u>11,530,331</u>
Business-type activities:				
Water pollution and safety	33,995	33,845	33,794	35,479
Health care stabilization	32,500	24,013	56,030	45,641
Employment security	253,055	245,910	277,545	735,844
Workers' compensation	4,888	4,342	5,050	4,511
Lottery	167,623	170,928	171,216	165,048
Intergovernmental transfer program	1,084	583	470	102
Transportation revolving loans	1,145	1,977	2,681	3,384
Total business-type activities expenses	<u>494,290</u>	<u>481,598</u>	<u>546,786</u>	<u>990,009</u>
Total primary government expenses	<u>\$ 10,603,474</u>	<u>\$ 11,034,666</u>	<u>\$ 11,913,908</u>	<u>\$ 12,520,340</u>
<b>Program Revenues</b>				
Governmental activities:				
General government	\$ 274,969	\$ 281,027	\$ 308,030	\$ 322,789
Human resources	2,090,961	2,099,064	2,163,300	2,609,468
Education	390,180	395,050	407,737	425,331
Public safety	149,638	165,609	255,683	266,768
Agriculture and natural resources	63,533	66,477	68,020	72,042
Highways and other transportation	586,235	697,979	697,233	579,323
Health and environment	129,227	122,938	139,367	138,245
Total governmental activities revenues	<u>3,684,743</u>	<u>3,828,144</u>	<u>4,039,370</u>	<u>4,413,966</u>
Business-type activities:				
Water pollution and safety	42,992	35,393	32,139	34,029
Health care stabilization	27,402	36,010	38,079	43,108
Employment security	349,919	275,733	224,745	220,886
Workers' compensation	1,182	7,395	5,508	4,049
Lottery	237,270	241,441	238,349	232,139
Intergovernmental transfer program	133	157	191	197
Transportation revolving fund	70	912	127	901
Total business-type activities revenues	<u>658,968</u>	<u>597,041</u>	<u>539,138</u>	<u>535,309</u>
Total primary government revenues	<u>\$ 4,343,711</u>	<u>\$ 4,425,185</u>	<u>\$ 4,578,508</u>	<u>\$ 4,949,275</u>
<b>Net (Expense) Revenue</b>				
Government activities	\$ (6,424,441)	\$ (6,724,924)	\$ (7,327,752)	\$ (7,116,365)
Business-type activities	164,678	115,443	(7,648)	(454,700)
Total primary net (expense) revenue	<u>\$ (6,259,763)</u>	<u>\$ (6,609,481)</u>	<u>\$ (7,335,400)</u>	<u>\$ (7,571,065)</u>

State of Kansas  
**Statistical Section**  
June 30, 2015

**Changes in Net Position Last Ten Fiscal Years**  
(expressed in thousands)

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 851,373	\$ 1,084,268	\$ 1,199,474	\$ 822,456	\$ 778,620	\$ 898,782
3,785,792	4,053,711	2,736,768	2,702,954	2,614,673	2,660,656
5,028,780	5,091,475	5,014,709	5,130,332	5,209,211	5,364,450
786,682	711,734	589,676	610,878	589,939	576,079
109,672	105,710	120,242	124,244	122,995	119,297
516,629	885,153	1,006,995	928,140	863,577	887,297
232,955	258,964	1,425,544	2,129,953	2,285,022	2,358,837
0	0	0	0	0	0
144,125	144,443	152,361	139,500	138,718	123,273
<u>11,456,008</u>	<u>12,335,458</u>	<u>12,245,769</u>	<u>12,588,457</u>	<u>12,602,755</u>	<u>12,988,671</u>
33,366	44,780	59,646	36,301	26,955	26,434
30,347	30,286	6,442	37,160	29,729	88,338
1,381,286	971,158	736,736	527,345	369,720	292,794
4,540	5,217	4,718	3,723	6,734	6,946
184,080	199,015	335,018	465,555	444,796	459,748
139	170	695	0	1,271	80
4,561	3,429	3,488	3,908	2,883	2,052
<u>1,638,319</u>	<u>1,254,055</u>	<u>1,146,743</u>	<u>1,073,992</u>	<u>882,088</u>	<u>876,392</u>
<u>\$ 13,094,327</u>	<u>\$ 13,589,513</u>	<u>\$ 13,392,512</u>	<u>\$ 13,662,449</u>	<u>\$ 13,484,843</u>	<u>\$ 13,865,063</u>
\$ 344,150	\$ 342,849	\$ 446,341	\$ 327,902	\$ 379,499	\$ 356,922
2,839,446	2,988,161	983,660	1,003,914	933,347	829,528
747,276	692,079	484,634	488,135	480,375	484,378
350,512	312,685	175,242	173,663	142,821	115,526
74,804	80,324	92,906	103,625	90,502	96,057
690,597	850,859	672,116	639,443	730,609	618,334
159,009	190,052	1,939,093	1,911,061	2,115,889	2,135,875
<u>5,205,794</u>	<u>5,457,009</u>	<u>4,793,992</u>	<u>4,647,743</u>	<u>4,873,042</u>	<u>4,636,620</u>
67,258	46,056	36,902	51,651	64,757	51,531
26,719	31,570	29,350	27,027	25,348	27,372
310,145	401,477	435,729	422,553	409,368	426,989
3,148	9,004	4,932	1,779	5,016	7,613
258,494	273,995	499,479	610,317	598,731	615,051
0	0	0	0	0	0
674	730	815	2,214	497	326
<u>666,438</u>	<u>762,832</u>	<u>1,007,207</u>	<u>1,115,541</u>	<u>1,103,717</u>	<u>1,128,882</u>
<u>\$ 5,872,232</u>	<u>\$ 6,219,841</u>	<u>\$ 5,801,199</u>	<u>\$ 5,763,284</u>	<u>\$ 5,976,759</u>	<u>\$ 5,765,502</u>
\$ (6,250,214)	\$ (6,878,449)	\$ (7,451,777)	\$ (7,940,714)	\$ (7,729,713)	\$ (8,352,051)
(971,881)	(491,223)	(139,536)	41,549	221,629	252,490
<u>\$ (7,222,095)</u>	<u>\$ (7,369,672)</u>	<u>\$ (7,591,313)</u>	<u>\$ (7,899,165)</u>	<u>\$ (7,508,084)</u>	<u>\$ (8,099,561)</u>

State of Kansas  
**Statistical Section**  
June 30, 2015

**Financial Trends**

**Revenues and Other Changes in Net Position**

**Last Ten Fiscal Years**

*(Expressed in thousands)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:			
Taxes			
Property tax	\$ 548,725	\$ 593,229	\$ 613,222
Income and inheritance tax	2,866,019	3,210,696	3,431,970
Sales and excise tax	2,789,933	2,863,794	2,949,551
Gross receipts tax	132,928	134,872	138,094
Investment earnings	61,617	106,727	35,563
Other revenue	244,009	218,482	106,339
Transfers	66,868	69,881	78,160
Total governmental activities revenues	<u>6,710,099</u>	<u>7,197,681</u>	<u>7,352,899</u>
Business-type activities: <sup>1</sup>			
Investment earnings	37,446	45,914	44,956
Other revenue	35,972	31,624	33,014
Transfers	(66,868)	(69,881)	(78,160)
Total business-type activities revenues	<u>6,550</u>	<u>7,657</u>	<u>(190)</u>
Total primary government revenues	<u>\$ 6,716,649</u>	<u>\$ 7,205,338</u>	<u>\$ 7,352,709</u>
 <b>Change in Net Position</b>			
Governmental activities	\$ 285,658	\$ 472,757	\$ 25,147
Business-type activities	171,228	123,100	(7,838)
Total primary government	<u>\$ 456,886</u>	<u>\$ 595,857</u>	<u>\$ 17,309</u>

State of Kansas  
**Statistical Section**  
June 30, 2015

**Financial Trends**

**Revenues and Other Changes in Net Position**

**Last Ten Fiscal Years**

*(Expressed in thousands)*

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 631,800	\$ 625,862	\$ 610,463	\$ 626,121	\$ 641,553	\$ 623,983	\$ 644,964
2,997,595	2,562,404	3,033,559	3,203,760	3,382,048	2,610,490	2,864,790
2,883,012	2,764,218	3,289,025	3,424,419	3,510,478	3,599,390	3,607,478
138,532	139,813	161,280	163,862	177,215	198,479	215,145
17,811	30,229	48,684	(19,548)	58,671	42,199	7,805
232,779	278,082	237,319	313,929	489,719	402,911	474,171
78,177	81,784	69,530	122,855	165,514	171,891	164,266
<u>6,979,706</u>	<u>6,482,392</u>	<u>7,449,860</u>	<u>7,835,398</u>	<u>8,425,198</u>	<u>7,649,343</u>	<u>7,978,619</u>
37,890	32,033	39,149	21,265	6,298	12,681	14,731
182,920	809,001	524,020	378,400	188,955	96,708	49,973
<u>(78,177)</u>	<u>(81,784)</u>	<u>(69,530)</u>	<u>(122,855)</u>	<u>(165,514)</u>	<u>(171,891)</u>	<u>(164,266)</u>
<u>142,633</u>	<u>759,250</u>	<u>493,639</u>	<u>276,810</u>	<u>29,739</u>	<u>(62,502)</u>	<u>(99,562)</u>
<u>\$ 7,122,339</u>	<u>\$ 7,241,642</u>	<u>\$ 7,943,499</u>	<u>\$ 8,112,208</u>	<u>\$ 8,454,937</u>	<u>\$ 7,586,841</u>	<u>\$ 7,879,057</u>
\$ (136,659)	\$ 232,178	\$ 571,411	\$ 383,621	\$ 484,484	\$ (80,370)	\$ (373,432)
<u>(312,067)</u>	<u>(212,631)</u>	<u>2,416</u>	<u>137,274</u>	<u>71,288</u>	<u>159,127</u>	<u>152,928</u>
<u>\$ (448,726)</u>	<u>\$ 19,547</u>	<u>\$ 573,827</u>	<u>\$ 520,895</u>	<u>\$ 555,772</u>	<u>\$ 78,757</u>	<u>\$ (220,504)</u>

State of Kansas  
**Statistical Section**  
June 30, 2015

**Financial Trends**

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund			
Reserved	\$ 22,386	\$ 28,871	\$ 7,324
Unreserved	649,526	791,980	414,713
Total general fund	<u>\$ 671,912</u>	<u>\$ 820,851</u>	<u>\$ 422,037</u>
Social Services Fund <sup>1</sup>			
Reserved	\$ 18,125	\$ 16,708	\$ 0
Unreserved	45,558	7,810	0
Total social services fund	<u>\$ 63,683</u>	<u>\$ 24,518</u>	<u>\$ 0</u>
Transportation Fund			
Reserved	\$ 962,147	\$ 977,154	\$ 735,930
Unreserved	(243,585)	(356,696)	(94,692)
Total transportation fund	<u>\$ 718,562</u>	<u>\$ 620,458</u>	<u>\$ 641,238</u>
Transportation - Capital Projects Fund			
Reserved	\$ 0	\$ 0	\$ 0
Unreserved	(755,115)	(755,115)	(755,115)
Total transportation - capital projects fund	<u>\$ (755,115)</u>	<u>\$ (755,115)</u>	<u>\$ (755,115)</u>
Health Policy Authority Fund			
Reserved	\$ 4,152	\$ 8,405	\$ 0
Unreserved	4,917	15,785	1,464
Total health policy authority fund	<u>\$ 9,069</u>	<u>\$ 24,190</u>	<u>\$ 1,464</u>
All Other Governmental Funds			
Reserved reported in:			
Reserved for debt service	\$ 13,489	\$ 13,767	\$ 32,224
Reserved for encumbrances	149,569	189,578	11,575
Reserved for advances to other funds	86,002	41,023	78,530
Unreserved	402,889	416,568	722,144
Total all other governmental funds	<u>\$ 651,949</u>	<u>\$ 660,936</u>	<u>\$ 844,473</u>

<sup>1</sup> In fiscal year 2008 the Social and Rehabilitation Fund was no longer a major fund.  
In FY 2011, the State implemented GASB Statement No. 54; presentation is not comparable to prior years.

State of Kansas  
**Statistical Section**  
 June 30, 2015

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**Financial Trends**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(expressed in thousands)*

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2009	2010
\$ 24,663	\$ 29,680
(201,007)	(278,000)
\$ (176,344)	\$ (248,320)

\$ 0	\$ 0
0	0
\$ 0	\$ 0

\$ 1,022,259	\$ 781,308
(562,388)	(524,154)
\$ 459,871	\$ 257,154

\$ 0	\$ 0
(885,715)	(664,315)
\$ (885,715)	\$ (664,315)

\$ 7,964	\$ 5,204
8,722	4,312
\$ 16,686	\$ 9,516

\$ 165,598	\$ 209,443
237,604	199,753
78,717	73,581
251,858	326,572
\$ 733,777	\$ 809,349

State of Kansas  
**Statistical Section**  
June 30, 2015

**Financial Trends**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(expressed in thousands)*

	2011	2012	2013	2014	2015
<b>General Fund</b>					
Nonspendable:					
Inventory	\$ 6,620	\$ 7,593	\$ 7,446	\$ 7,851	\$ 5,308
Unassigned	(182,683)	207,530	390,890	(5,376)	(285,048)
Total General Fund	<u>\$ (176,063)</u>	<u>\$ 215,123</u>	<u>\$ 398,336</u>	<u>\$ 2,475</u>	<u>\$ (279,740)</u>
<b>Social Services Fund</b>					
Nonspendable:					
Inventory	\$ 0	\$ 0	\$ 0	\$ 23	\$ 1,346
Restricted for:					
Human resources	56,200	56,773	61,041	58,794	22,029
Total Social Services Fund	<u>\$ 56,200</u>	<u>\$ 56,773</u>	<u>\$ 61,041</u>	<u>\$ 58,817</u>	<u>\$ 23,375</u>
<b>Health and Environment Fund<sup>1</sup></b>					
Restricted for:					
Health and Environment	\$ 0	\$ 101,844	\$ 138,777	\$ 187,268	\$ 198,181
Total Health and Environment Fund	<u>\$ 0</u>	<u>\$ 101,844</u>	<u>\$ 138,777</u>	<u>\$ 187,268</u>	<u>\$ 198,181</u>
<b>Education Fund<sup>2</sup></b>					
Restricted for:					
Education	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,568
Total Education Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,568</u>
<b>Transportation Fund</b>					
Nonspendable:					
Inventory	\$ 23,968	\$ 24,940	\$ 24,363	\$ 23,983	\$ 23,465
Long-term receivable	0	0	0	0	1,495
Prepaid Insurance	0	0	0	1,096	391
Restricted for:					
Highways and other transportation	248,808	102,629	292,903	432,854	387,128
Total Transportation Fund	<u>\$ 272,776</u>	<u>\$ 127,569</u>	<u>\$ 317,266</u>	<u>\$ 457,933</u>	<u>\$ 412,479</u>
<b>Transportation-Capital Projects Fund<sup>3</sup></b>					
Unassigned	\$ (379,464)	\$ (504,312)	\$ (321,812)	\$ (383,215)	\$ 0
Total Transportation - Capital Projects Fund	<u>\$ (379,464)</u>	<u>\$ (504,312)</u>	<u>\$ (321,812)</u>	<u>\$ (383,215)</u>	<u>\$ 0</u>
<b>Health Policy Authority<sup>1</sup></b>					
Unassigned	\$ (16,319)	\$ 0	\$ 0	\$ 0	\$ 0
Total Health Policy Authority Fund	<u>\$ (16,319)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>All Other Governmental Funds</b>					
Nonspendable:					
Long-Term Receivables	\$ 0	\$ 6,275	\$ 4,487	\$ 4,153	\$ 4,085
Inventory	0	4	0	3,613	4,121
Restricted for:					
Capital projects	33,134	67,654	52,789	43,137	44,972
Debt Service	101,204	82,836	60,756	59,912	158,784
General government	243,636	350,578	355,907	309,541	221,805
Human resources	22,574	24,698	34,929	51,847	51,649
Education	8,959	15,669	17,837	16,255	7,531
Public safety	40,305	44,056	61,931	68,200	67,616
Agriculture and natural resources	47,663	53,988	56,521	41,306	62,678
Highways and other transportation	25,902	19,306	19,348	29,014	35,748
Health and environment	41,293	0	0	0	0
Assigned to:					
Debt Service	106,038	113,867	109,231	121,317	0
Unassigned	0	0	0	0	(147,000)
Total All Other Governmental Funds	<u>\$ 670,708</u>	<u>\$ 778,931</u>	<u>\$ 773,736</u>	<u>\$ 748,295</u>	<u>\$ 511,989</u>

**Note:** Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement 54 but prior years were not restated.

<sup>1</sup> Health Policy Authority was merged into the Department of Health and Environment during fiscal year 2012.

<sup>2</sup> This fund is a major fund starting in fiscal year 2015, all prior years is included in All Other Government Funds.

<sup>3</sup> This fund is not a major fund starting in fiscal year 2015, starting in 2015 included in All Other Governmental Funds.

State of Kansas  
**Statistical Section**  
June 30, 2015

**Financial Trends**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(expressed in thousands)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>				
Taxes	\$ 6,378,200	\$ 6,828,429	\$ 7,138,723	\$ 6,625,408
Charges for services	655,564	744,423	654,744	845,364
Intergovernmental (operating and capital grants)	3,042,060	3,091,345	3,391,868	3,580,727
Investment earnings	61,625	106,733	35,573	17,821
Other revenues (includes extraordinary items)	<u>263,737</u>	<u>290,090</u>	<u>127,260</u>	<u>240,323</u>
Total revenues	<u>10,401,186</u>	<u>11,061,020</u>	<u>11,348,168</u>	<u>11,309,643</u>
<b>Expenditures</b>				
General government	999,533	1,101,740	1,044,775	1,082,627
Human resources	2,982,450	3,089,907	3,289,095	3,697,593
Education	4,380,427	3,879,673	5,014,160	5,185,294
Public safety	577,042	611,471	749,165	755,762
Agriculture and natural resources	96,026	102,387	111,419	126,182
Highways and other transportation	1,027,094	1,033,768	1,033,419	1,010,200
Health and environment	199,016	200,906	227,102	227,159
Economic Development	3,780	3,125	251	0
Debt service:				
Principal	93,570	112,398	135,524	134,367
Interest	<u>142,316</u>	<u>147,770</u>	<u>145,694</u>	<u>146,375</u>
Total expenditures	<u>10,501,254</u>	<u>10,283,145</u>	<u>11,750,604</u>	<u>12,365,559</u>
Excess of revenues over (under) expenditures	(100,068)	777,875	(402,436)	(1,055,916)
<b>Other Financing Sources (Uses)</b>				
Issuance of bonds	532,422	54,188	225,171	117,248
Issuance of notes payable	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bonds escrow agent	0	0	0	0
Transfers, net	37,830	(797,276)	83,167	84,246
Other financing sources (uses)	(177,402)	0	(150,275)	0
Extraordinary items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>392,850</u>	<u>(743,088)</u>	<u>158,063</u>	<u>201,494</u>
Net change in fund balances	<u>\$ 292,782</u>	<u>\$ 34,787</u>	<u>\$ (244,373)</u>	<u>\$ (854,422)</u>
Debt service as a percentage of noncapital expenditures	2.25%	2.53%	2.39%	2.27%

State of Kansas  
**Statistical Section**  
June 30, 2015

**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(expressed in thousands)*

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$	6,207,094	\$ 7,032,605	\$ 7,474,894	\$ 7,637,721	\$ 7,144,913	\$ 7,269,247
	704,012	752,092	758,369	871,562	922,162	829,508
	4,486,248	4,723,639	3,955,974	3,780,418	3,955,175	3,807,458
	29,636	42,170	9,394	31,200	47,697	8,689
	260,349	213,449	319,926	435,276	382,441	464,638
	<u>11,687,339</u>	<u>12,763,955</u>	<u>12,518,557</u>	<u>12,756,177</u>	<u>12,452,388</u>	<u>12,379,540</u>
	991,136	1,052,688	1,120,050	668,180	743,637	895,287
	3,777,533	4,040,706	2,741,155	2,697,933	2,632,279	2,678,419
	5,026,615	5,090,986	5,015,177	5,132,786	5,207,568	5,363,336
	779,411	720,548	614,237	631,164	635,851	583,720
	108,018	114,677	124,041	130,156	128,294	131,411
	988,028	1,022,332	1,101,841	1,042,855	1,026,126	1,158,149
	233,173	259,139	1,426,387	2,134,837	2,286,017	2,359,955
	0	0	0	0	0	0
	190,938	187,832	204,455	238,498	222,209	170,094
	141,200	153,293	146,679	140,544	139,887	135,803
	<u>12,236,052</u>	<u>12,642,201</u>	<u>12,494,022</u>	<u>12,816,953</u>	<u>13,021,868</u>	<u>13,476,174</u>
	(548,713)	121,754	24,535	(60,776)	(569,480)	(1,096,634)
	561,972	370,053	178,448	554,016	59,963	705,645
	0	0	0	0	0	3,858
	0	0	0	0	11,777	12,550
	0	0	0	0	5,644	83,565
	0	0	0	0	58,550	191,290
	0	0	0	0	7,909	32,882
	0	0	0	0	(53,095)	(223,238)
	86,169	75,071	129,104	170,825	177,054	161,739
	0	0	0	(100,489)	0	0
	<u>(87,359)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>560,782</u>	<u>445,124</u>	<u>307,552</u>	<u>624,352</u>	<u>267,802</u>	<u>968,291</u>
\$	<u>12,069</u>	\$ <u>566,878</u>	\$ <u>332,087</u>	\$ <u>563,576</u>	\$ <u>(301,678)</u>	\$ <u>(128,343)</u>
	2.71%	2.70%	2.81%	3.02%	2.85%	2.35%

State of Kansas  
**Statistical Section**  
June 30, 2015

**Revenue Capacity**

**Personal Income by Industry, Last Ten Calendar Years**

*(expressed in thousands)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Private Earning</b>				
Agricultural, Forestry, Fishing and Hunting	\$ 228,199	\$ 234,407	\$ 280,613	\$ 285,723
Mining	1,328,010	1,589,409	1,569,892	1,288,477
Utilities	690,152	722,574	792,169	795,278
Construction	3,776,521	4,094,066	4,071,929	4,413,807
Manufacturing	11,661,073	12,504,265	13,461,380	12,736,605
Wholesale trade	3,772,210	3,991,402	4,241,222	4,657,163
Retail trade	4,362,037	4,582,546	4,678,343	4,920,439
Transportation and warehousing	2,489,576	2,611,443	2,767,873	2,970,686
Information	3,344,081	3,521,742	3,716,215	3,479,790
Finance and insurance	3,684,245	3,883,858	4,188,156	4,361,995
Real estate and rental and leasing	1,167,144	1,171,789	1,042,920	911,215
Professional, scientific, and technical services	4,494,448	4,875,571	5,190,583	5,215,212
Management of companies and enterprises	684,829	879,612	1,116,081	1,325,278
Administrative and waste management services	2,469,462	2,847,681	2,855,338	3,098,871
Educational services	507,546	541,281	527,279	617,913
Health care and social assistance	6,444,008	6,819,398	7,198,640	8,139,847
Arts, entertainment, and recreation	274,399	295,266	312,531	326,814
Accommodation and food services	1,655,420	1,759,646	1,793,797	2,102,920
Other services, except public administration	1,984,554	2,059,524	2,230,187	3,084,342
<b>Government</b>				
Federal, civilian	2,054,583	2,145,533	2,140,546	2,197,668
Military	1,889,902	2,096,824	2,544,087	2,844,514
State and local	9,889,548	10,239,615	9,703,924	10,333,042

Source: U.S. Department of Commerce, Bureau of Economic Analysis at: <http://www.bea.gov/regional/spi>

State of Kansas  
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**Revenue Capacity**

**Personal Income by Industry, Last Ten Calendar Years**

*(expressed in thousands)*

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 304,439	\$ 317,562	\$ 476,468	\$ 424,247	\$ 509,533	\$ 566,214
1,549,581	1,119,291	1,312,659	2,450,391	2,363,628	2,250,743
865,694	880,301	1,019,849	1,072,857	1,038,267	1,035,120
3,988,070	4,192,919	4,295,913	4,584,441	4,927,057	5,155,475
11,899,007	11,217,913	12,245,199	12,858,450	12,975,820	12,586,349
4,436,794	4,549,753	4,622,713	4,804,592	4,893,810	5,129,704
4,540,800	4,893,380	5,070,180	5,137,811	5,276,719	5,306,422
2,850,770	2,824,582	3,035,855	3,383,190	3,471,380	3,527,677
3,102,540	2,362,177	2,282,041	2,393,542	2,442,177	2,579,813
4,232,883	4,512,022	4,847,908	5,012,431	5,362,230	5,520,793
874,085	976,563	965,612	1,040,947	1,244,046	1,258,576
5,252,448	5,294,398	5,437,098	5,606,490	5,966,214	6,190,944
1,182,450	1,503,770	1,384,309	1,474,957	1,624,865	1,979,648
2,925,202	3,163,367	3,511,110	3,702,063	3,939,882	4,002,036
658,248	684,460	720,020	761,842	785,353	823,275
8,503,526	8,893,444	9,226,828	9,466,219	9,667,124	9,832,906
318,636	338,025	356,520	424,011	461,991	481,064
2,018,859	2,114,290	2,158,100	2,318,669	2,364,565	2,496,760
2,905,835	2,986,984	3,151,597	3,199,920	3,377,835	3,464,098
2,321,229	2,560,832	2,628,836	2,344,005	2,250,015	2,275,401
3,143,234	3,490,732	3,739,591	2,886,228	2,761,891	2,712,249
10,770,093	10,799,866	10,961,004	11,282,155	11,309,364	11,633,575

State of Kansas  
**Statistical Section**  
June 30, 2015

**Debt Capacity**

**Long Term Obligations**

**Last Ten Fiscal Years**

*(Expressed in thousands)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Government Activities</b>				
Revenue bonds payable (includes demand bonds)	\$ 2,764,949	\$ 2,740,099	\$ 2,726,970	\$ 2,744,828
Sales tax limited obligation	232,322	218,420	185,924	156,196
Note payable	20,448	18,278	17,597	26,655
Capital leases payable	152,483	145,366	140,106	130,533
Arbitrage rebate payable	93	97	481	385
Claims and judgements	68,033	61,593	82,858	85,920
Compensated absences	109,214	118,795	121,255	134,386
Other post employment benefits	0	0	16,813	26,626
Net pension liability	0	0	0	0
Pollution remediation	0	0	0	81,092
Total governmental activities	<u>3,347,542</u>	<u>3,302,648</u>	<u>3,292,004</u>	<u>3,386,621</u>
<b>Business-Type Activities</b>				
Revenue bonds payable	720,978	714,857	677,472	765,976
Note payable	0	0	0	0
Arbitrage rebate payable	963	1,340	1,755	2,885
Unemployment benefits loan	0	0	0	0
Claims and judgements	186,871	180,802	205,766	218,332
Compensated absences	47	59	56	72
Other post employment benefits	0	0	89	155
Net pension liability	0	0	0	0
Other	12,961	13,730	14,703	17,115
Total business-type activities	<u>921,820</u>	<u>910,788</u>	<u>899,841</u>	<u>1,004,535</u>
<b>Component Units</b>				
Revenue bonds payable	691,253	684,398	692,025	705,223
Note payable	109,783	20,443	119,073	146,517
Other component units of university system	0	0	0	0
Capital leases payable	4,666	16,143	15,019	14,147
Arbitrage rebate payable	80	69	163	123
Compensated absences	49,655	52,503	58,743	61,943
Other post employment benefits	0	0	11,775	20,068
Net pension liability	0	0	0	0
Pollution remediation	0	0	0	0
Other	103,761	127,836	110,071	111,701
Total component units	<u>959,198</u>	<u>901,392</u>	<u>1,006,869</u>	<u>1,059,722</u>
Total	<u>\$ 5,228,560</u>	<u>\$ 5,114,828</u>	<u>\$ 5,198,714</u>	<u>\$ 5,450,878</u>

State of Kansas  
**Statistical Section**  
June 30, 2015

**Debt Capacity**  
**Long Term Obligations**  
**Last Ten Fiscal Years**  
*(Expressed in thousands)*

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ 2,861,825	\$ 3,077,604	\$ 3,066,913	\$ 2,726,723	\$ 2,681,470	\$ 3,292,111
208,425	225,548	192,045	139,662	105,033	0
25,843	20,031	18,399	63,100	15,350	18,093
138,821	129,089	114,926	97,515	91,027	80,809
400	827	136	136	190	184
87,216	88,797	88,501	102,385	154,457	148,976
129,921	126,241	120,131	118,656	120,831	113,015
36,270	47,188	51,998	55,079	58,631	59,504
0	0	0	0	0	1,750,877
70,936	73,660	69,152	63,575	65,678	48,747
<u>3,559,657</u>	<u>3,788,985</u>	<u>3,722,201</u>	<u>3,366,831</u>	<u>3,292,667</u>	<u>5,512,316</u>
749,001	767,878	620,153	474,771	452,317	407,056
0	0	0	0	0	0
1,254	173	176	196	190	237
88,159	170,821	4,602	50,209	0	0
215,402	221,160	199,234	200,180	198,631	258,093
68	73	68	75	89	92
224	300	343	378	412	424
0	0	0	0	0	5,520
17,697	17,597	17,093	12,992	11,965	11,680
<u>1,071,805</u>	<u>1,178,002</u>	<u>841,669</u>	<u>738,801</u>	<u>663,604</u>	<u>683,102</u>
700,808	691,971	667,137	619,256	809,260	825,775
0	0	0	0	0	0
174,530	217,034	263,592	262,421	333,000	406,927
14,568	13,616	11,761	11,991	9,380	7,752
98	51	46	49	51	404
65,691	69,101	73,516	68,897	78,918	78,459
30,404	41,794	48,078	56,415	64,993	71,015
0	0	0	0	0	240,024
4,000	3,700	1,200	0	0	0
110,928	61,395	54,711	48,676	252,759	221,062
<u>1,101,027</u>	<u>1,098,662</u>	<u>1,120,041</u>	<u>1,067,705</u>	<u>1,548,361</u>	<u>1,851,418</u>
<u>\$ 5,732,489</u>	<u>\$ 6,065,649</u>	<u>\$ 5,683,911</u>	<u>\$ 5,173,337</u>	<u>\$ 5,504,632</u>	<u>\$ 8,046,836</u>

State of Kansas  
**Statistical Section**  
 June 30, 2015

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**Demographic and Economic Information**  
**Kansas Demographic Statistics**  
**Last Ten Fiscal Years**

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<b>Year</b>	<b>Population</b> (1)	<b>Per Capita Personal Income</b> (2)	<b>Median Age</b> (3)	<b>Education Level in Years of Formal Schooling</b> (4)	<b>K to 12 Public School Enrollment</b> (4)	<b>Unemployment Rate</b> (5)
2006	2,764,075	34,743	36.0	-	465,374	4.7%
2007	2,775,997	36,483	36.7	-	465,135	4.8%
2008	2,802,134	37,978	36.2	-	471,263	4.4%
2009	2,818,747	38,886	35.9	-	503,229	7.2%
2010	2,853,118	37,916	36.0	-	478,897	6.9%
2011	2,871,238	37,418	36.1	13.28	511,258	6.7%
2012	2,885,905	40,883	36.1	-	507,259	6.0%
2013	2,893,957	43,916	36.0	-	480,149	5.8%
2014	2,904,021	45,546	36.1	-	492,905	4.9%
2015	(6)	(6)	(6)	(6)	(6)	(6)

**Data Sources:**

- (1) U.S. Bureau of the Census Web Site: <http://www.census.gov>.
- (2) State Department of Commerce and U.S. Department of Commerce, BEA Web Site: <http://kansascommerce.com> or <http://www.bea.gov>
- (3) State Department of Health and Environment: <http://www.kdheks.gov>
- (4) State Department of Education Web Site: <http://www.ksde.org>. The source for education level in years of formal schooling came from 1990 and 2000 census reports issued by the U.S. Census Bureau. The K-12 public school enrollment represents the head count as of September 20 of each year.
- (5) State Department of Labor, Kansas Labor Market Information Services Web Site: <http://laborstats.dol.ks.gov>.
- (6) Information is not available at this time.

State of Kansas  
**Statistical Section**  
June 30, 2015

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**Demographic and Economic Information**

**Principal Employers in Kansas**

**Current Year and Ten Years Ago**

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Employer	2015			2006		
	Local/Total Employees	Rank	Percentage of Total Employment	Local/Total Employees	Rank	Percentage of Total Employment
State Government (actual & excludes Regents)	22,357 / 22,357	1	1.59%	23,460 / 23,460	1	1.63%
KU and KUMC	7,974 / 7,974	2	0.57%	7,084 / 7,084	3	0.49%
Cessna Aircraft Corporation	6,200 / 8,600	3	0.44%			
Kansas State University	5,982 / 5,982	4	0.43%	4,879 / 4,879	5	0.34%
Black & Veatch Corp - Baker Guam JV	4,500 / 4,500	5	0.32%	2,392 / 6,304	9	0.17%
Railcrew Xpress	4,500 / 4,500	6	0.32%			
Shawnee Mission Unified School District	4,087 / 4,087	7	0.29%			
Via Christi Hospitals Wichita, Inc.	4,000 / 4,100	8	0.28%	4,000 / 11,000	6	0.28%
Stormont-Vail Healthcare, Inc.	3,091 / 3,091	9	0.22%	3,748 / 4,778	7	0.26%
Performance Contracting Inc.	2,900 / 3,000	10	0.21%			
Spirit Aerosystems Inc.	-	-	-	9,500 / 98,000	2	0.66%
Raytheon Aircraft Company	-	-	-	7,000 / 80,000	4	0.49%
University Kansas Hospital Authority	-	-	-	2,750 / 2,750	8	0.19%
Koch Industries, Inc.	-	-	-	2,000 / 85,000	10	0.14%
Total	<u>65,591 / 68,191</u>		<u>4.68%</u>	<u>66,813 / 323,255</u>		<u>4.65%</u>

Source: Dun & Bradstreet Corporation, Million Dollar Databases, Dun & Bradstreet, and Kansas Department of Labor at <http://www.dol.ks.gov>. The base numbers used to calculate the percentages are the average numbers of the total civilian Labor Force from FY2015 and FY2006 respectively.

State of Kansas  
**Statistical Section**  
June 30, 2015

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**Operating Information**

**Full-time Equivalent State Government Employees by Function/Program**

**Last Ten Fiscal Years**

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<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government	5,837	5,834	5,937	5,849	5,835
Public Safety	5,538	5,622	5,692	5,710	5,573
Education	17,074	17,779	18,448	18,417	18,444
Transportation	3,266	3,258	3,243	3,160	3,165
Agriculture and Natural Resources	1,337	1,388	1,414	1,484	1,437
Human Resources	8,360	8,475	8,588	8,612	8,636
Total	<u>41,412</u>	<u>42,356</u>	<u>43,322</u>	<u>43,232</u>	<u>43,090</u>

**Source:** Department of Administration Workforce Reports at <http://www.da.ks.gov/ps/comparis.htm>.

**Note:** This table has been revised to provide consistent data for the last ten fiscal years and is now taken from the Division of the Budget Comparison Reports presenting the combined full-time equivalent and non-full-time equivalent State government positions by function.

State of Kansas  
**Statistical Section**  
June 30, 2015

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**Operating Information**

**Full-time Equivalent and Non-Full-time Equivalent Unclassified Permanent State Government Positions by Function**

**Last Ten Fiscal Years**

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<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
5,846	5,490	5,275	5,287	5,275
5,520	5,415	5,445	5,400	5,426
18,096	18,446	18,402	18,400	18,388
3,164	2,968	2,880	2,737	2,737
1,430	1,412	1,301	1,302	1,303
<u>8,679</u>	<u>7,470</u>	<u>7,058</u>	<u>7,001</u>	<u>6,643</u>
<u>42,735</u>	<u>41,201</u>	<u>40,361</u>	<u>40,127</u>	<u>39,772</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

We have audited, in accordance with the 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 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 State of Kansas (the State), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 1, 2015. Our report includes a reference to other auditors who audited the financial statements of the various component units of the six state universities, the Kansas Development Finance Authority (KDFFA), the Kansas Center for Entrepreneurship (KCE), the Kansas Housing Resources Corporation (KHRC), the Kansas Bioscience Authority (KBA), the Kansas Turnpike Authority (KTA), Kansas Lottery and the Kansas Universal Services Fund (reported within the State Regulatory Boards and Commission Fund) as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the various component units of the six state universities were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in these circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying financial statement schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying financial statement schedule of findings listed as 2015-001, 2015-002, 2015-003, 2015-004 and 2015-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no items which we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **State of Kansas' Response to Findings**

The State's responses to the findings identified in our audit are described in the accompanying financial statement schedule of findings. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



### **CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
December 1, 2015

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## *Section II – Financial Statement Findings*

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### **2015 – 001 - Income Tax Receivable, Deferred Inflow of Resources and Revenue**

#### **Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Criteria or specific requirement:** The State is required to estimate and report a receivable on its annual financial statements for income tax filers who owe more in taxes than what has been withheld during the year. Under generally accepted accounting principles, the State records as revenue those income taxes it expects to collect within sixty days subsequent to the fiscal year end in the governmental funds, and a deferred inflow of resources for those income tax payments it expects to receive sixty days or more subsequent to the fiscal year end.

**Condition:** Throughout the year, the State collects individual income tax withholdings from employees throughout the State. Related to collections during the second half of the fiscal year (January through June), the State reports a June 30 liability for the portion it expects to refund to taxpayers the following spring. Likewise, the State reports a June 30 receivable for amounts it expects to receive from annual filers the following spring.

The State inadvertently posted a journal entry to revenue, rather than to deferred inflows of resources and did not identify the error in a timely manner. Throughout the State's review process, the State performs a final analytical review over account fluctuations from the prior year to the current year. This final review is performed prior to the State releasing a draft CAFR to the auditors for the auditors review, but after the audit process begins. During our testwork over the tax receivables, deferred inflows of resources and revenues, we noted the journal entry to record the deferred inflow of resources was inadvertently posted to revenue in the amount of \$162 million prior to our receipt of the general fund trial balance on October 1, 2015. The error was brought to the Department of Administration's attention on October 23, 2015 prior to the receipt of the draft CAFR on November 1, 2015. The State does have a review process after journal entries are posted to the general ledger; however, this review process did not identify the incorrect posting in a timely manner. Consequently, the review process for journal entries was identified as a material weakness due to the necessary adjustment to the trial balance being material to the financial statements.

**Context:** The State reports individual income tax revenue in excess of \$2 billion. As of June 30, 2015, the State also has a receivable recorded of approximately \$210 million, specifically related to individual income taxes. As of June 30, 2015, the State estimated that approximately \$162 million would be received after sixty days following the fiscal year end.

**Cause:** Only cash receipts received within the first sixty days of a fiscal year end (See note I.C) are to be reported as revenues. This resulted in a \$162 million adjustment to properly reflect the deferred inflows of resources and revenue balance associated with individual income taxes as of June 30, 2015 as the incorrect posting of the journal entry was not detected in a timely manner as described above.

**Effect:** Deferred Inflows of Resources and revenues could be misstated based on the timing of the cash receipt by the State.

**Recommendation:** We recommend the State review, improve and document its procedures surrounding the yearend journal entry process specifically related to tax receivables, deferred inflows of resources and revenues.

**Views of responsible officials and planned corrective actions:**

**Explanation of disagreement with audit finding:** The Department of Administration follows a process with multiple steps in order to aggregate the required data to create the CAFR within the timeline established. One step in the process is designed to locate any errors of this type; this step was not initiated until Monday, October 26, 2015, prior to the scheduled release of the draft CAFR on November 1, 2015. Our understanding at the audit kickoff meeting in January 2015 was the draft CAFR would be the first document that contained information that could be used to audit against. All auditor work before that point would be deemed advance work, not subject to audit criteria. The auditors held a different understanding.

**Actions planned in response to finding:** The Department of Administration will not release any documents for major areas to the auditors without the approval of the CFO. The designation of those major areas will be made at the audit kick off meeting.

**Responsible party:** DeAnn Hill, Chief Financial Officer, State of Kansas

**Planned completion date for corrective action plan:** During fiscal year 2016 fieldwork

**Plan to monitor completion of corrective action plan:** The Department of Administration will establish a schedule of when documents will be released to the auditors. This schedule will be monitored and only adjusted with approval by the CFO.

**2015 – 002 - Department of Commerce and State Universities Material Prior Period Adjustment**

**Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Criteria or specific requirement:** The State utilizes an Economic Development Initiative Fund (EDIF), which is funded through the State Gaming Revenues through transfers. The primary recipient of funds from the EDIF is the Department of Commerce.

Kansas State University and Wichita State University are to receive funds from the EDIF as a means of reimbursement for expenditures incurred during the fiscal year. The State is responsible for recording the reimbursement from the Department of Commerce to Kansas State University and Wichita State University at the end of each fiscal year. These expenditures are restricted for the following purposes:

1. Kansas State University – Funds are remitted from the Department of Commerce to KSU for the KSU Extension System and Agriculture Research Program’s Cooperative Extension Program (ESARP).
2. Wichita State University – Funds remitted to WSU are used to support the development of employees for the aviation industry and to provide equipment and assistance consistent with the program’s curriculum.

**Condition:** During fiscal year 2015, the State revised the process by which financial information is communicated from the six major Universities, to the Department of Administration as a means to more effectively account for the Universities financial information. The changes instituted by the State enabled it to identify that the reimbursement process between the Department of Commerce, KSU and WSU, had in fact not been accounted for prior to fiscal year 2015. As a result of the State's identification of the omitted reimbursement process, a material adjustment to a prior period balance was proposed by the State. CLA agreed with the material adjustment related to the Department of Commerce, KSU and WSU.

**Context:** As of June 30, 2015, total expenditures incurred by Wichita State University and Kansas State University have totaled approximately \$47 million. This balance represents expenditures incurred since 2010 and prior, related to the Economic Development Initiative Fund.

**Cause:** The omission of the reimbursement from the Department of Commerce to KSU and WSU was not detected for an extended period (2010 and prior).

**Effect:** The State proposed a prior period adjustment of approximately \$47 million to the State's Department of Commerce, Kansas State University (approximately \$3 million) and Wichita State University (approximately \$44 million). This resulted in a material weakness in the current year due to the adjustment being a material adjustment in the current year even though the internal control weakness is related to a prior period.

**Recommendation:** We recommend the State continue to evaluate and implement new processes and procedures, specifically, revolving around the flow of financial information from outside agencies and discretely presented component units to the Department of Administration. As the State continues to revise or implement new procedures, it will help to ensure the flow of information is both effective and efficient. In addition, as the State institutes new procedures, specifically related to the flow of financial information, the State will continue to strengthen its control environment and will ensure all financial information is properly accounted for at the end of the fiscal year.

**Views of responsible officials and planned corrective actions:**

**Explanation of disagreement with audit finding:** The statement that "Kansas State University and Wichita State University are to receive funds from the EDIF as a means of reimbursement for expenditures incurred during the fiscal year." is incorrect. When the Legislature appropriates money from the EDIF to a variety of state agencies, including Wichita State University and Kansas State University—Extension Systems and Agriculture Research Programs (KSU-ESARP) there is no reimbursement mechanism involved. It has now been made apparent by the new data collection methodology that the recording of cash within the universities' accounting systems needs to be changed in order to properly account for the actual cash within the EDIF. In the future, affected universities will record a receivable from the EDIF for expenditures recorded against EDIF appropriations. The Universities complied with the appropriation language enacted into law by the legislature that appropriated EDIF to them for specific purposes. It is not their duty to manage this state fund. Now that it is known that proper recording of the cash was not done, the Universities will alter their processes so that the cash status of the EDIF is properly recorded.

**Actions planned in response to finding:** At June 30 each fiscal year, those universities will notify the Department of Administration of the amount of EDIF expenditures that require a CAFR adjustment to record a transfer of cash from the EDIF to the University systems' funds. This notification will be incorporated in the financial statement template.

**Responsible party:** University Staff, specifically Wichita State and Kansas State University and the Department of Administration

**Planned completion date for corrective action plan:** June 30, 2016

**Plan to monitor completion of corrective action plan:** The Universities will monitor expenditures recorded against EDIF appropriations during the fiscal year and will report the amount, which requires CAFR adjustment to the Department of Administration.

### **2015 – 003 - Kansas Department of Health and Environment Receivable and Revenue**

#### **Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Criteria or specific requirement:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are due at year-end and collected within sixty days thereafter. All revenue measurable and available as of June 30, 2015 and received subsequent to year-end should be accounted for as a receivable, deferred inflow of resources or revenue.

Year-end financial reporting is the responsibility of the Financial Integrity Team within the Department of Administration (DOA). The State of Kansas utilizes a financial management system called the Statewide Management Accounting and Reporting Tool (SMART). If an outside agency (other than the DOA) utilized the SMART system, the accounting clerk of that agency or another agency employee with specific rights in SMART, records and codes financial activity within SMART.

For the agencies that do not use SMART to record financial activity, the Financial Integrity Team sends out a questionnaire at the end of each fiscal year to these agencies to collect all necessary financial information. The Financial Integrity Team inputs this information into SMART at a summary level for recording in the Comprehensive Annual Financial Report. Period end account reconciliations and accruals are made either by the Finance Integrity Team or by the underlying agency. Account reconciliations performed include the recorded of accounts receivable, deferred inflows of resources and revenue. The Financial Integrity Team reviews back up documentation for agency calculated accruals.

**Condition:** Provider assessments paid by hospitals are receipted into a fund reported in the Kansas Department of Health and Environment (KDHE) related to the fee-for-service program. The total amount assessed in fiscal year 2015 was approximately \$48 million, which has remained unchanged from prior years.

The State's accounting function is highly decentralized, in that the DOA is reliant on various State agencies, departments and components to provide accurate financial information necessary to draft the Comprehensive Annual Financial Report. Through work performed and inquiries of DOA and KDHE personnel, it was noted that approximately \$31.5 million of the total \$48 million assessed during fiscal year 2015, was received prior to June 30, 2015. It was also noted, there was not a receivable recorded as of June 30, 2015 for the additional \$16.5 million not yet received as of June 30, 2015. Through additional discussions with State personnel, it was noted that a prior year receivable balance of approximately \$13 million had not been recorded.

**Context:** The State assessed approximately \$48 million during fiscal year 2015. As of June 30, 2015, approximately \$16.5 million was measurable and available, but had not yet been received at the conclusion of fiscal year 2015.

**Cause:** Information and balance related to the outstanding receivable as of June 30, 2015 was not communicated to the Department of Administration on the year-end questionnaire.

**Effect:** By omitting the outstanding financial information on the year-end questionnaire, the Department of Administration was not able to accurately reflect the receivable and revenue balance related to those receipts subsequent to June 30, 2015.

**Recommendation:** We recommend the Department of Administration re-evaluate the process by which it obtains and reviews the information necessary to draft and review the State's Comprehensive Annual Financial Report prior to the start of the audit. This will help ensure information obtained from outside agencies is complete prior to drafting of the Comprehensive Annual Financial Report.

**Views of responsible officials and planned corrective actions:**

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** Provider assessments are due on December 31<sup>st</sup> and June 30<sup>th</sup> of each fiscal year. The Kansas Department of Health and Environment's (KDHE) Division of Health Care Finance will track provider assessments as they are paid and report any outstanding assessments to KDHE's Division of Management and Budget at the conclusion of each fiscal year. The outstanding amount will subsequently be reported on the agency's DA-32 – Annual Report – Accounts and Other Receivables.

**Responsible Party:** Kelly Chilson, PSE IV through Aaron Dunkel, Chief Financial Officer

**Planned completion date for corrective action plan:** Immediately. Action has already been taken to implement the corrective action.

**Plan to monitor completion of corrective action plan:** Outstanding receivables for provider assessments have been added to the KDHE's end of year checklist for receivables to ensure inclusion on the agency's DA-32 report going forward.

**2015 – 004 - State University System Restatement and Financial Statement Preparation Process:**

**Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Criteria or specific requirement:** State statute requires the annual financial statement audit over the CAFR be completed by December 31 each year. Per the contract, CLA is required to audit and provide an opinion on the CAFR, including an opinion over the Discretely Presented Component Units (DPCU) The DPCU includes the State University System and their various component units (Other Component Units).

The DOA is responsible for issuance of the CAFR. The State University System is responsible for reporting their annual financial information to the DOA for CAFR preparation purposes. The DOA receives the State University System's and Other Component Units' financial information and, due to its required inclusion in the State's CAFR, reports the information in compliance with Generally Accepted Accounting Principles (GAAP).

**Condition:** In performing the Fiscal Year 2015 audit of the State's CAFR, a restatement of beginning net position was required for the State University System in the CAFR to correct errors that were not noted or corrected in the 2014 CAFR. In addition, the detail for the restatement supported \$176 million but the actual restatement on the financial statements was only \$169 million.

**Context:** The State University System includes \$7.2 billion in assets and \$3.0 billion in revenue during FY 2015.

**Cause:** In prior year, we reported a material weakness over financial reporting for the State University System column in the CAFR due to large adjusting entries that were found during the course of the audit. Several factors were listed as the cause of the prior year material weakness, including the decentralization between the universities and the DOA who is responsible for ultimately preparing the CAFR based upon information provided by the universities. While a new process was implemented by the Universities and DOA in the current year to address the prior year reporting issues, during the implementation process, errors from the prior year were discovered that caused the restatement.

**Effect:** Detail of the restatement was provided and totaled a reduction of beginning net position of \$176 million. Of this amount, \$250 million was due to the implementation of GASB Statement No. 68. This amount was then offset by \$74 million due to prior year errors. These amounts total to the \$176 million; yet, the financial statements were restated for \$169 million. The reason for this \$7 million difference is unknown.

**Recommendation:** We noted that some policies, procedures and processes were implemented from our 2014 material weakness over financial reporting. While we recognize that some improvements were made from the fiscal 2014 audit and there were not as many adjusting entries as 2014 in the current year audit, we recommend that the DOA and State University System continue to re-evaluate and improve the process by which financial information from the State University System is obtain and recorded for inclusion in the CAFR. Firstly, all universities should obtain a comprehensive general ledger system (see finding 2015-005 below). The DOA and the State University system should continue to mutually agree on deadlines for submission of complete financial statements, including component units, with all eliminations made, on the State's timeline to meet its statutory requirements.

We also recommend that the DOA and the State University System agree upon an appropriate threshold to record adjustments to numbers already submitted to the DOA to ensure that both the DOA and State University System are presenting the same financial information for a given fiscal year end. Lastly, absent audits for all universities, DOA should share the final consolidating information with the universities so that the universities can certify that complete and accurate data is being reflected in the CAFR so that all parties take appropriate ownership.

**Views of responsible officials and planned corrective actions:**

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** The Kansas Board of Regents and State University staff will work with the Department of Administration to review and refine the method for the State University System to present their financial statements that includes their component units in a manner that fulfills the Department of Administration's needs in completing the statewide CAFR.

1. University staff will meet with the Department of Administration in early 2016 to review the new template used for fiscal year 2015 to discuss what still needs improvement (e.g., recording of EDIF receivables within the template).
2. Each member of the State University System will submit its individual financial statements that include their component units, reflecting all elimination entries to the Department of Administration per the required timeline. These financial statements will include:
  - a. Statement of Net Position
  - b. Statement of Revenue, Expenses, and Changes in Net Position
3. The Department of Administration, University staff, and CLA will continue to hold status conference calls during interim and year-end fieldwork to keep the lines of communication open throughout the audit.

**Responsible Party:** Elaine Frisbie, Kansas Board of Regents, University staff and the Department of Administration

**Planned completion date for corrective action plan:** The Department of Administration, University staff, and CLA will work together to create a written project timeline that includes all aspects of the financial statement audit.

**Plan to monitor completion of corrective action plan:** The Department of Administration, University staff, and CLA will continue to hold status conference calls during interim and year-end fieldwork to keep lines of communication open throughout the audit.

## **2015 – 005 - State University System General Ledger**

### **Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Criteria or specific requirement:** A general ledger is a complete record of financial transactions over the life of an entity. The ledger holds account information that is needed to prepare financial statements and includes accounts for assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

To accurately and effectively account for financial transactions, a general ledger should be utilized by a governmental entity as a way to track fiscal transactions for internal and external accountability. Proper financial statement controls ensure that all financial activities are properly captured in a comprehensive general ledger system so that activity and balances are properly reflected in the financial statements.

**Condition:** In performing the fiscal year 2015 audit of the State University System column of the State's CAFR, we noted that certain universities did not have a comprehensive automated general ledger system to track and account for fiscal transactions. Those universities included University of Kansas Medical Center (KUMC) and Fort Hays State University (FHSU). In addition, we noted that the current general ledger systems for two schools – Kansas State University (KSU) and Pittsburg State University (PSU) – were either dated or did not capture all financial activity. In order to capture the financial activity for the financial statements, some of the universities had to review bank statement activity for the year and capture the information into excel spreadsheets. Then, accrual based adjustments were posted to these excel spreadsheets. For others, large adjustments for material activity had to be made outside of the general ledger system. (Excel workbook). These processes provide opportunities for errors and misstatements to occur.

**Context:** KSU and the KUMC reported \$2.156 billion and \$370 million in assets, respectively, and \$894 million and \$401 million in revenues, respectively. FHSU and PSU reported \$244 million and \$328 million in assets, respectively, and \$142 million and \$133 million in revenues, respectively.

**Cause:** The State's accounting function is highly decentralized and the Department of Administration is reliant on the State University System to provide accurate financial information necessary to draft the Comprehensive Annual Financial Report. These comprehensive automated general ledger systems are not in place at the State Universities noted above.

**Effect:** Assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses could be misstated.

**Recommendation:** We recommend the State Universities noted above implement a comprehensive automated general ledger system to account for fiscal transactions. This will help to ensure all fiscal transactions are appropriately tracked and accounted for.

### **Views of responsible officials and planned corrective actions:**

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

### **Actions planned in response to finding:**

University of Kansas Medical Center: The University of Kansas Medical Center does have in place a fully functional General Ledger system. It currently utilizes a general ledger module as part of its 8.9 version of PeopleSoft/Oracle financial accounting system. It is automatically interfaced to other accounting subsystems such as Campus Solutions (Student Tuition Assessment and Billing), HR/Payroll, among many others. However, as indicated by the auditors, KUMC has in the past prepared its formal annual financial reports by consolidating all of the various sub ledgers entries outside of the actual general ledger itself. As such, KUMC agrees with the auditor's assessment that KUMC does not maintain all of its financial statement entries for assets, liabilities, equity, revenue, and expenses in one formal single electronic general ledger. KUMC will undertake a program to revise its business practices regarding how the formal annual financial accrual based reports are prepared. KUMC will adopt practices that allow for all sub-ledger entries, and final adjusting journal entries, to post to the formal General Ledger module. KUMC will collaborate with the University of Kansas Lawrence campus and outside accounting firm consultants, and provide additional internal staff as needed to plan, revise, and implement the necessary business practices.

Kansas State University: Kansas State University utilizes a comprehensive accounting system; however, not all of the accrual based entries are made into the system prior to close. The University has been working with the accounting firm Rubin Brown since last spring to develop procedures to input all accruals into KSU's financial system and to enhance the general ledger mapping directly into the financial statement categories. KSU is comfortable that the university's data is correct and that adequate processes are in place, but concur that the audit trail is weak under the current methods and believe the enhancements will greatly improve the process. The system modifications are underway to accomplish this for future fiscal years; KSU will have the process fully implemented for the FY 2016 annual financial report.

Fort Hays State University: FHSU is in the process of entering into an Enterprise Resource Planning (ERP) to implement a more robust financial reporting system, which will include a complete set of financial statements, and working trial balance.

Pittsburg State University: Pittsburg State University has a general ledger system on a cash basis, which is maintained in balance with the State of Kansas SMART Actuals ledger. The general ledger does not have the capability to post to a reporting period or reporting ledger separately from the daily transactional activity. The current financial statement process includes a data extract from the general ledger to Excel, where all accrual and adjusting entries are posted and mapped to the GAAP financial statements. PSU is in the process of implementing Oracle Cloud Financials. With the implementation of Oracle Cloud, PSU will incorporate a reporting ledger specifically for posting accrual entries and generating the annual financial report.

### **Responsible Parties:**

University of Kansas Medical Center: David Vranicar, Chief Financial Officer  
R. Michael Keeble, Associate Vice Chancellor of Finance  
Jerry Glenn, Associate Controller

Kansas State University: Fran Willbrant, Assistant Vice President for Financial Services

Fort Hays State University: Phil Toepfer, Controller

Pittsburg State University: John Patterson, Vice President of Administration and Finance  
Barbara Winter, Controller

**Planned completion date for corrective action plan:**

University of Kansas Medical Center: KUMC will begin work for implementing these revised business practices immediately. KUMC will target to have all, or if that is not possible, a significant portion of this work completed by June 30, 2016.

Kansas State University: June 30, 2016

Fort Hays State University: The financial statements for fiscal year 2017 will be generated from the new financial system.

Pittsburg State University: PSU is in the process of implementing Oracle Cloud Financials, with an anticipated implementation date of July 1, 2016. The financial statements for fiscal year 2017 will be produced in the new system. PSU will evaluate the timing of implementation to determine if corrective action can be achieved for fiscal year 2016.

**Plan to monitor completion of corrective action plan:**

University of Kansas Medical Center: KUMC Associate Controller will report on a monthly basis to the Associate Vice Chancellor and the Chief Financial Officer the status of the project. Any required resource adjustments will be modified as necessary.

Kansas State University: KSU will work with the Department of Administration and CLA over the next few months to ensure that the developed process and trial balance are consistent with their expectations for the fiscal year 2016 financial audit.

Fort Hays State University: As a member of the ERP Steering Committee, Phil Toepfer will assist the Project Director in making strategic decisions, address executive level resources, scope, and schedule issues, and help with decisions that must be made to ensure a successful implementation.

Pittsburg State University: The Controller will report progress to the Vice President of Administration and Finance and adjustments will be made as necessary.

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### ***Section III – Prior Year Financial Statement Findings***

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#### **2014 – 001 - Deposit and Investment Reconciliation**

##### **Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Condition:** The State holds many individual deposit and investment accounts. The management and accounting for such accounts is highly decentralized. The majority of accounts are maintained by either the State Treasurer's Office (STO) or the Kansas Public Employee Retirement System (KPERs), though certain individual agencies maintain their own accounts as well. While the Department of Administration (DOA) has the ultimate responsibility for accurately reporting the deposit and investment accounts in accordance with generally accepted accounting principles, DOA is heavily reliant on other state agencies in fulfilling that responsibility.

The State's primary pooled cash is held by the STO and the Pooled Money Investment Board (PMIB). The STO utilizes a "top sheet" to summarize and track its deposits and investments. DOA then utilizes the "top sheet" to make necessary adjustments to SMART. However, we noted that not all balances on the top sheet are reconciled from a third party bank statement to SMART on a monthly basis. Further, certain balances on the "top sheet" are reported at fair market value, and certain balances are reported at historical cost and require subsequent fair market value adjustments by DOA. Finally, we noted the "top sheet" included balances that had been either transferred or loaned to other State agencies, or loaned to third party entities.

Related to the State's primary operating account, we noted that outstanding checks were not reviewed to identify old checks that should be escheated to the State's unclaimed property.

**Recommendation:** We recommend the State review its existing process to report deposits and investments and make revisions to ensure that all balances are reconciled from third party bank statements to SMART on a monthly basis and that reconciling items are reviewed for accuracy. The revised process should be documented and included in a written policy.

**Current Year Status:** Through work performed during fiscal year 2015, prior year material weakness appears to be implemented.

#### **2014 – 002 – Audit Preparation**

##### **Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Condition:** In performing the fiscal year 2014 audit of the State's Comprehensive Annual Financial Report (CAFR), we experienced delays in receiving certain audit supporting schedules, including a draft CAFR. In addition, numerous revisions were required of the supporting schedules and draft CAFR once received.

CliftonLarsonAllen (CLA) received the initial CAFR draft approximately 2 weeks after the contractual deadline (see below). The initial draft did not include footnotes or various other necessary schedules, and required numerous and significant revisions through the first week of December.

**Recommendation:** We recommend the DOA re-evaluate the process by which it obtains and reviews the information necessary to draft and review the State's CAFR prior to the start of the audit.

In addition, we recommend the State identify audit supporting schedules that can be prepared well in advance of the start of the audit (or as soon as the information becomes available). Examples may include budget schedules, analysis of claims, judgments and contingent liabilities, and certain required disclosures related to bonds, compensated absences, capital leases, deposits and investments.

**Current Year Status:** Through work performed during fiscal year 2015, prior year material weakness appears to have been implemented.

### **2014 – 003 - Workers' Compensation Liability**

#### **Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** The State operates a program that provides certain workers' compensation benefits for employees of Kansas employers. The plan does not relate to the State's self-insured workers' compensation plan for State employees.

In 2002, the State obtained an actuarial valuation to estimate the workers' compensation liability and to project claims expense and benefit payments through 2030. The State has not obtained an updated actuarial valuation since 2002.

In calculating the year-end workers' compensation liability each year, the State utilizes the annual estimates of claims expense and benefit payments, provided in the 2002 actuarial valuation. However, we noted the State has incorrectly applied the 2002 projections in calculating the year-end liability. Specifically, the State uses the 2002 liability as a starting point (as opposed to the prior year liability), in calculating the liability each year. In addition, we note the State is discounting the liability based on a present value discount factor determined in 2002. Given the changes in projected payments on claims, relative to the claim date, the present value discount factor is expected to change annually.

We note the State does not have a policy regarding how frequently, or under what circumstances, it should obtain a revised actuarial valuation related to the workers' compensation program.

**Recommendation:** We recommend the State develop a policy regarding how frequently, or under what circumstances, it should obtain a revised actuarial valuation. While management has performed certain analysis to support the validity of the 2002 projections, it is difficult to accurately estimate the liability without a detailed and actuarial analysis of the claims outstanding, claims payment trends and changes in demographics of Kansas employees. Further, the policy should include procedures and guidance regarding how to apply estimates from the most recent actuarial valuation in estimating the liability. Specifically, the procedures should address the mechanics used to calculate the annual liability and how to apply a present value discount factor, as necessary.

**Current Year Status:** Through work performed during fiscal year 2015, prior year significant deficiency appears to have been implemented.

## **2014 – 004 - Unclaimed Property Liability**

### **Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** The State receives and holds unclaimed (escheat) property, until such time the property owner claims the property. For the past several years, the State has recorded an estimated liability equal to one-third of the total unclaimed property balance held by the State. Management indicated the one-third calculation was likely estimated over 10 years ago and has been since carried forward. We note the use of a static calculation does not consider previous and current trends in amounts reclaimed and paid relative to amounts escheated. Further, the use of a static calculation does not adequately consider the “aging” of unclaimed property balances (balances outstanding for over 20 years have a much lower likelihood to be claimed than balances received in the last year).

**Recommendation:** While management improved its estimate of the State’s unclaimed property liability in the current year, we recommend management perform a more comprehensive analysis to calculate the liability as of June 30, 2015. We recommend the calculation give more consideration to the “aging” of unclaimed property balances. In addition, we recommend management develop a policy governing the annual unclaimed property liability calculation. A policy will ensure consistency in the methodology applied by management each year.

**Current Year Status:** Through work performed during fiscal year 2015, prior year significant deficiency appears to have been implemented.

## **2014 – 005 - Income Tax Receivable**

### **Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** Throughout the year, the State collects individual income tax withholdings from employees throughout the State. Related to collections during the second half of the fiscal year (January through June), the State reports a June 30 liability for the portion it expects to refund to taxpayers the following spring. Likewise, the State reports a June 30 receivable for amounts it expects to receive from annual filers the following spring. The State developed a methodology to estimate the liability and receivable in the late 1990’s and there has been no change since that time. Related to the State’s estimation process, we note the following:

- The State does not have a process to retrospectively review the validity of its estimates based on actual results from the following spring.
- The State bases its receivable estimate on receipts from the previous April. However, for the past two years, April receipts represent less than 60% of total receipts from annual filers. The remaining receipts from annual filers (primarily in March) are not considered in the current receivable estimation.
- The June 30 liability and receivable are estimated based on prior year actual data, which does not consider potential changes in state tax law that may impact filing trends in the current year.

- The June 30 liability and receivable are estimated based only on actual refunds and collections, respectively, from the most recent year, and do not consider actual data from previous years. For the past 3 years, there appears to be little consistency in refund and collection activity (year-to-year variances in excess of 45%), which could indicate that using the most recent year alone is not the most accurate estimate for the current year.

**Recommendation:** We recommend the State review, improve and document its procedures to estimate the individual income tax revenue liability and receivable. In addition, we recommend the State perform a retrospective review of annual results, compared to the prior year estimate, as a means to consider the need to amend the estimation process each year. Changes in state tax law should be considered each year for potential impacts to the liability and receivable.

**Current Year Status:** Through work performed during fiscal year 2015, prior year significant deficiency appears to have been implemented.

### **2014 – 006 - State University System Audit Preparation**

#### **Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Condition:** In performing the Fiscal Year 2014 audit of the State's CAFR, CLA proposed, and the State agreed with, material entries to the amounts initially presented in the Component Units' financial information, specifically related to the State University System.

**Recommendation:** We recommend the DOA re-evaluate the process by which financial information from the State University System is obtained and recorded for inclusion in the CAFR. The State University System should be required to submit to DOA complete financial statements, including their component units, with all eliminations made, on the States timeline to meet its statutory requirements. The State University System has a GAAO reporting group that comprises various members of the accounting staffs of the universities. This group should undergo additional training to ensure proper financial reporting by the State University System members.

**Current Year Status:** Partially Implemented. Through work performed during fiscal year 2015, we did identify improvements from the prior year, however as stated in the current year comment 2015-005, additional steps should be taken to completely implement an appropriate financial statement closing process that prevents material errors. This should include all universities implementing controls to ensure financial information is complete and accurate prior to providing the information to DOA for CAFR inclusion.



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