

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



COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

July 1, 2013 to June 30, 2014

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 2014 Financial Report
June 30, 2014

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INTRODUCTION

December 15, 2014

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 61st Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2014, 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, 2014, 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 21st 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 the government.

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 and purchase orders in excess of appropriations or limitations and/or available cash. 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 (three of the five 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, and a statewide commercial policy on personal and real property \$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.

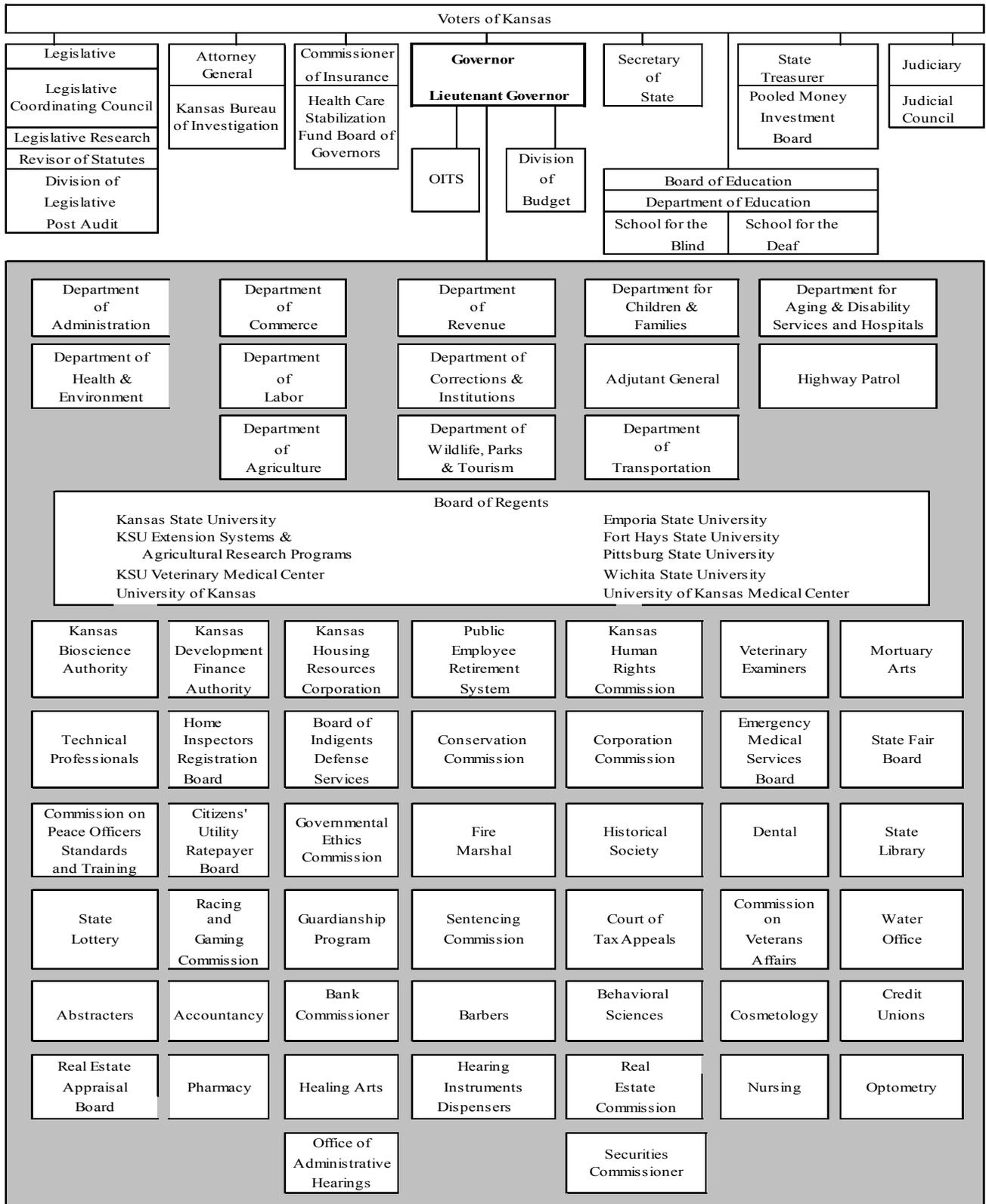
Sincerely,

A handwritten signature in cursive script that reads "DeAnn Hill".

DeAnn Hill, CPA

Chief Financial Officer for the State of Kansas

State of Kansas
Organizational Chart
 June 30, 2014



State of Kansas
Organizational Chart
June 30, 2014

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*
Brad Neuenswander

*Commissioner of
Insurance*
Sandy Praeger

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*
Rep. Ray Merrick

*Legislative Research
Director*
Raney Gilliland

Judicial Branch

*Supreme Court of Kansas
Chief Justice*
Lawton Nuss

Justices
Lee A. Johnson
Carol A. Beier
Eric S. Rosen
Marla J. Luckert
Nancy L. Moritz
Dan Biles

*Court of Appeals
Chief Judge*
Thomas E. Malone

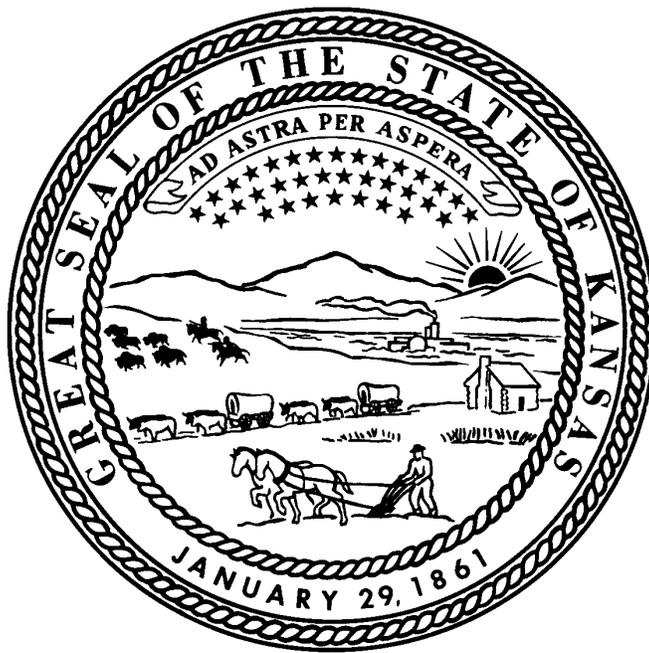
*Judicial Council
Executive Director*
Nancy J. Strouse

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 (the State), as of and for the year ended June 30, 2014, 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 52 percent, 36 percent, respectively, of the assets/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/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/deferred outflows and resources and revenues of the discretely presented component units, the Kansas Housing Resources Corporation (KHRC) which represents less than 1 percent and 2 percent, respectively, of assets/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/deferred outflows of resources and revenues of the discretely presented component units, Kansas Universal Services (reported within the State Regulatory Boards and Commissions Fund) which represent less than 1 percent and less than 1 percent, respectively, of the assets/deferred outflows of resources and revenues of the aggregate remaining fund

information, and the Kansas Lottery which represents less than 1 percent and 6 percent, respectively, of the assets/deferred outflows of resources and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports 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, KHRC, KTA and KBA in the aggregate discretely presented component units, and the Kansas Universal Services and Kansas Lottery in the aggregate remaining fund information, is based solely on the reports of the other auditors.

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

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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2014, 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 unassigned deficit in the General Fund of \$5.4 million as of June 30, 2014, which has resulted from an operating deficit of \$395.9 million that occurred for the year ended June 30, 2014. 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 IV.H. Our opinions are not modified with respect to this matter.

As discussed in Note 1.G during the year ended June 30, 2014, the State adopted new accounting guidance, Statement No. 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

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 and the other post employment benefits schedule of funding progress, 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 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 non-major fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 15, 2014, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
December 15, 2014

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, 2014. 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, 2014 by \$11.9 billion (presented as “net position”). Of this amount a negative \$45.0 million was reported as unrestricted net position in the governmental activities, which represents the amount available to be used to meet ongoing obligations to citizens and creditors.
- Total net position increased by \$98.2 million (0.80 percent) in fiscal year 2014, including restatements. Net position of governmental activities decreased by \$14.0 million (0.10 percent), and net position of the business-type activities increased \$112.3 million (14.8 percent).

Fund highlights:

- For fiscal year 2014, the governmental funds reported a combined ending fund balance of \$1.1 billion, a decrease of \$295.8 million in comparison with the prior year. Of the total amount, \$748.3 million represents the fund balance of the Non-Major Governmental funds. The General Fund reported an unassigned fund balance for fiscal year 2014 of a negative \$5.4 million, as compared to the prior year unassigned balance of \$390.9 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 \$81.8 million (1.5 percent) during the current year. This increase was primarily due to a \$144.0 million increase in revenue bonds, a decrease of \$50.2 million increase in unemployment benefits loan, a decrease of \$61.4 million in other long-term liabilities and a \$50.5 million increase in claims and judgments.

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

State of Kansas
Management's Discussion and Analysis
June 30, 2014

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, the Transportation Fund, and the Transportation-Capital Projects 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 and other post-employment benefit funding progress.

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 \$11.84 billion at the end of 2014, compared to \$11.75 billion at the end of the previous year, an increase of 0.70 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.

State of Kansas
Management's Discussion and Analysis
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State of Kansas Net Position – Primary Government
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 3,012,278 | \$ 3,360,598 | \$ 1,548,394 | \$ 1,495,029 | \$ 4,560,672 | \$ 4,855,627 |
| Capital assets | 12,942,573 | 12,757,508 | 299 | 43,844 | 12,942,872 | 12,801,352 |
| Total assets | <u>15,954,851</u> | <u>16,118,106</u> | <u>1,548,693</u> | <u>1,538,873</u> | <u>17,503,544</u> | <u>17,656,979</u> |
| Accumulated decrease in fair value hedging | 23,024 | 26,117 | 0 | 0 | 23,024 | 26,117 |
| Deferred amounts on refunding | 20,673 | 24,718 | 19,725 | 22,974 | 40,398 | 47,692 |
| Total deferred outflows | <u>43,697</u> | <u>50,835</u> | <u>19,725</u> | <u>22,974</u> | <u>63,422</u> | <u>73,809</u> |
| Non-current liabilities | 3,292,667 | 3,391,549 | 663,604 | 761,775 | 3,956,271 | 4,153,324 |
| Other liabilities | 1,721,139 | 1,778,625 | 36,414 | 43,946 | 1,757,553 | 1,822,571 |
| Total liabilities | <u>5,013,806</u> | <u>5,170,174</u> | <u>700,018</u> | <u>805,721</u> | <u>5,713,824</u> | <u>5,975,895</u> |
| Net investment in capital assets | 9,791,994 | 9,323,734 | 299 | 43,844 | 9,792,293 | 9,367,578 |
| Restricted | 1,238,216 | 1,162,509 | 867,632 | 708,849 | 2,105,848 | 1,871,358 |
| Unrestricted | (45,468) | 512,524 | 469 | 3,433 | (44,999) | 515,957 |
| Total net position | <u>\$ 10,984,742</u> | <u>\$ 10,998,767</u> | <u>\$ 868,400</u> | <u>\$ 756,126</u> | <u>\$ 11,853,142</u> | <u>\$ 11,754,893</u> |

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 all three 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.

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

| | Component Units | |
|----------------------------------|---------------------|---------------------|
| | 2014 | 2013 |
| Current assets | \$ 4,760,704 | \$ 3,963,739 |
| Capital assets | 3,044,584 | 2,280,781 |
| Total assets | <u>7,805,288</u> | <u>6,244,520</u> |
| Deferred amounts on refunding | 14,198 | 6,149 |
| Total deferred outflows | <u>14,198</u> | <u>6,149</u> |
| Non-current liabilities | 1,548,361 | 1,073,854 |
| Other liabilities | 461,690 | 437,587 |
| Total liabilities | <u>2,010,051</u> | <u>1,511,441</u> |
| Net investment in capital assets | 2,040,824 | 1,636,015 |
| Restricted | 3,036,269 | 2,565,368 |
| Unrestricted | 732,342 | 537,845 |
| Total net position | <u>\$ 5,809,435</u> | <u>\$ 4,739,228</u> |

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Changes in Net Position – Primary Government

Net position increased by \$98.2 million. Approximately 51.8 percent of the total revenue came from taxes, while 29.5 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 14.5 percent of the total revenues. Expenses cover a range of services. The largest expenses of total expenses were for education (38.6 percent), human resources (19.4 percent), and health and environment (16.9 percent).

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 922,136 | \$ 871,562 | \$ 1,049,436 | \$ 1,076,432 | \$ 1,971,572 | \$ 1,947,994 |
| Operating grants and contributions | 3,674,943 | 3,553,295 | 7,697 | 2,392 | 3,682,640 | 3,555,687 |
| Capital grants and contributions | 275,963 | 222,886 | 46,584 | 36,717 | 322,547 | 259,603 |
| General revenues: | | | | | | |
| Taxes | | | | | | |
| Property taxes | 623,983 | 641,553 | 0 | 0 | 623,983 | 641,553 |
| Income and inheritance taxes | 2,610,490 | 3,382,048 | 0 | 0 | 2,610,490 | 3,382,048 |
| Sales and excise taxes | 3,599,390 | 3,510,478 | 0 | 0 | 3,599,390 | 3,510,478 |
| Gross receipts taxes | 198,479 | 177,215 | 0 | 0 | 198,479 | 177,215 |
| Investment earnings | 42,199 | 58,671 | 12,681 | 6,298 | 54,880 | 64,969 |
| Other revenue | 402,911 | 489,719 | 96,708 | 188,955 | 499,619 | 678,674 |
| Total revenues | <u>12,350,494</u> | <u>12,907,427</u> | <u>1,213,106</u> | <u>1,310,794</u> | <u>13,563,600</u> | <u>14,218,221</u> |
| Expenses: | | | | | | |
| General government | 778,620 | 822,456 | 0 | 0 | 778,620 | 822,456 |
| Human resources | 2,614,673 | 2,702,954 | 0 | 0 | 2,614,673 | 2,702,954 |
| Education | 5,209,211 | 5,130,332 | 0 | 0 | 5,209,211 | 5,130,332 |
| Public safety | 589,939 | 610,878 | 0 | 0 | 589,939 | 610,878 |
| Agriculture and natural resources | 122,995 | 124,244 | 0 | 0 | 122,995 | 124,244 |
| Highways and other transportation | 863,577 | 928,140 | 0 | 0 | 863,577 | 928,140 |
| Health and environment | 2,285,022 | 2,129,953 | 0 | 0 | 2,285,022 | 2,129,953 |
| Economic development | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 138,718 | 139,500 | 0 | 0 | 138,718 | 139,500 |
| Water pollution and safety | 0 | 0 | 26,955 | 36,301 | 26,955 | 36,301 |
| Health care stabilization | 0 | 0 | 29,729 | 37,160 | 29,729 | 37,160 |
| Unemployment insurance | 0 | 0 | 369,720 | 527,345 | 369,720 | 527,345 |
| Workers' compensation | 0 | 0 | 6,734 | 3,723 | 6,734 | 3,723 |
| Lottery | 0 | 0 | 444,796 | 465,555 | 444,796 | 465,555 |
| Intergovernmental transfer program | 0 | 0 | 1,271 | 0 | 1,271 | 0 |
| Transportation revolving fund | 0 | 0 | 2,883 | 3,908 | 2,883 | 3,908 |
| Total expenses | <u>12,602,755</u> | <u>12,588,457</u> | <u>882,088</u> | <u>1,073,992</u> | <u>13,484,843</u> | <u>13,662,449</u> |
| Increase (decrease) in net assets before transfers | (252,261) | 318,970 | 331,018 | 236,802 | 78,757 | 555,772 |
| Transfers, net | <u>171,891</u> | <u>165,514</u> | <u>(171,891)</u> | <u>(165,514)</u> | <u>0</u> | <u>0</u> |
| Change in net position | (80,370) | 484,484 | 159,127 | 71,288 | 78,757 | 555,772 |
| Net position, beginning of year | 10,998,767 | 10,486,408 | 756,126 | 700,611 | 11,754,893 | 11,187,019 |
| Revisions to beginning net position | <u>66,345</u> | <u>27,875</u> | <u>(46,853)</u> | <u>(15,773)</u> | <u>19,492</u> | <u>12,102</u> |
| Net position, beginning of year (restated) | <u>11,065,112</u> | <u>10,514,283</u> | <u>709,273</u> | <u>684,838</u> | <u>11,774,385</u> | <u>11,199,121</u> |
| Net position, end of year | <u>\$ 10,984,742</u> | <u>\$ 10,998,767</u> | <u>\$ 868,400</u> | <u>\$ 756,126</u> | <u>\$ 11,853,142</u> | <u>\$ 11,754,893</u> |

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Changes in Net Position – Component Units

Component unit net position increased by \$604 million or 11.6 percent. Charges for various goods and services provided 44.3 percent of the total revenues. Approximately 33.3 percent of the total revenue came from other revenue, while 12.9 percent resulted from grants and contributions (including federal aid). Expenses cover a range of services and are shown below by component unit below.

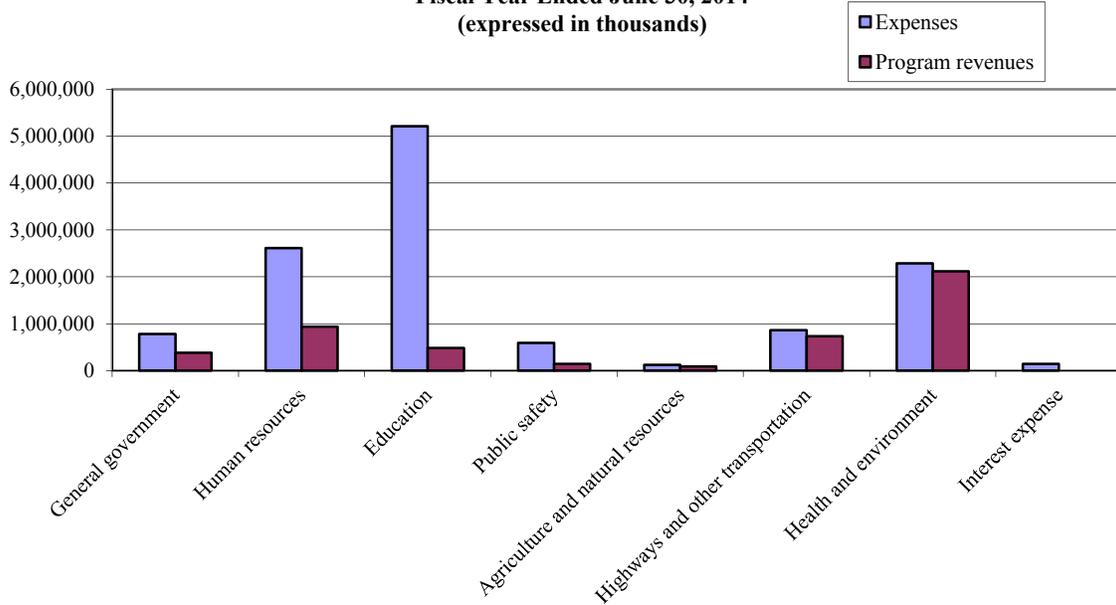
State of Kansas Changes in Net Position – Component Unit
(expressed in thousands)

| | Component Units | |
|--|---------------------|---------------------|
| | 2014 | 2013 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 1,722,829 | \$ 1,393,039 |
| Operating grants and contributions | 498,564 | 397,936 |
| Capital grants and contributions | 2,317 | 5,726 |
| General revenues: | | |
| Taxes | | |
| Property tax | 7,084 | 7,108 |
| Sales & Excise tax | 171 | 1 |
| Gross receipts taxes | 1,294 | 1,176 |
| Investment earnings | 362,467 | 209,151 |
| Other revenue | <u>1,296,850</u> | <u>1,365,667</u> |
| Total revenues | <u>3,891,576</u> | <u>3,379,804</u> |
| Expenses: | | |
| Kansas Turnpike Authority | 81,026 | 0 |
| Kansas Development Finance Authority | 1,685 | 1,935 |
| Kansas Bioscience Authority | 18,648 | 26,428 |
| State University System | 3,089,531 | 2,938,646 |
| Kansas Housing Resources Corp. | <u>79,875</u> | <u>76,250</u> |
| Total expenses | 3,270,765 | 3,043,259 |
| | | |
| Change in net position | <u>620,811</u> | <u>336,545</u> |
| | | |
| Net position, beginning of year | 5,205,225 | 4,394,325 |
| Revisions to beginning net position | <u>(16,601)</u> | <u>8,358</u> |
| | | |
| Net position, beginning of year (restated) | <u>5,188,624</u> | <u>4,402,683</u> |
| Net position, end of year | <u>\$ 5,809,435</u> | <u>\$ 4,739,228</u> |

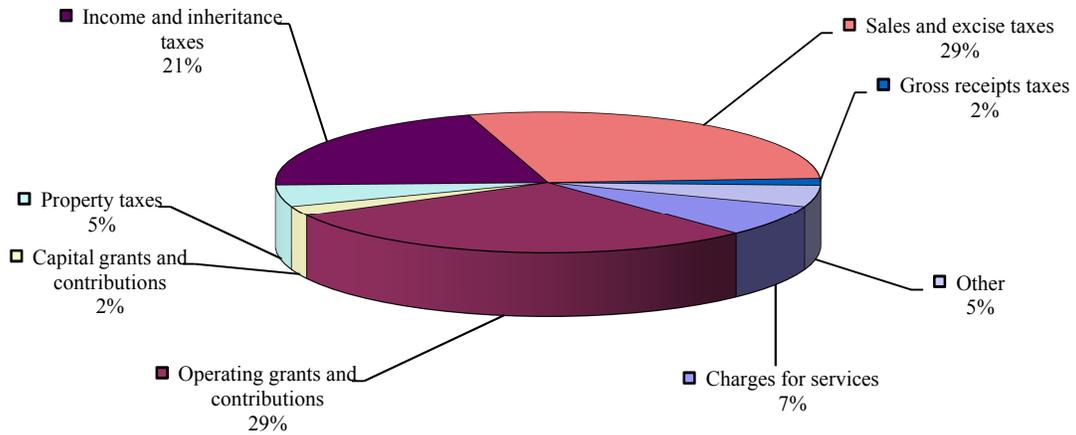
Governmental Activities

Governmental activities decreased net position by \$14.0 million in fiscal year 2014 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, 2014
 (expressed in thousands)



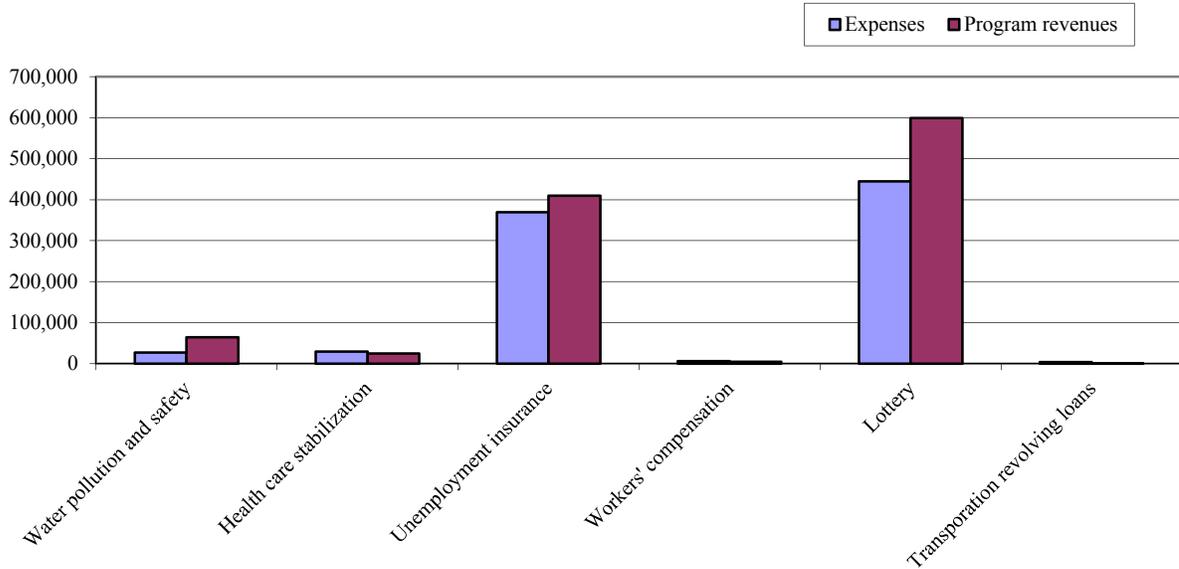
Revenues by Source - Governmental Activities
Fiscal Year Ended June 30, 2014



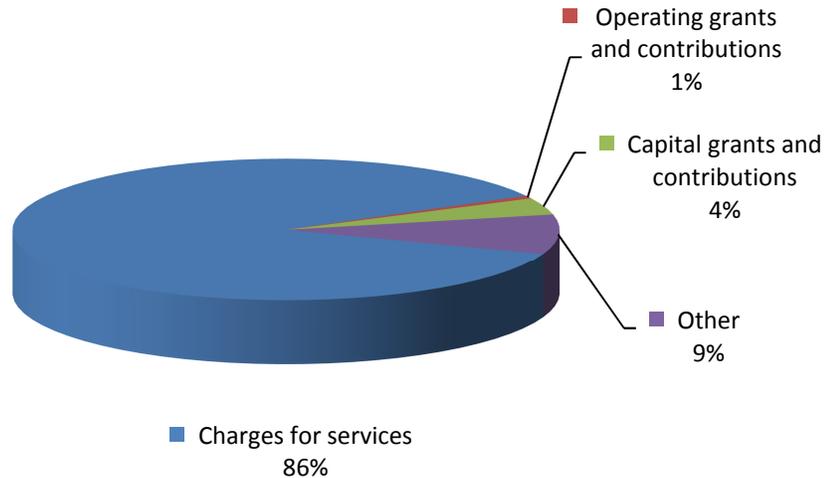
Business-Type Activities

The State's business-type activities increased the net position of the State by \$112.3 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, 2014
 (expressed in thousands)



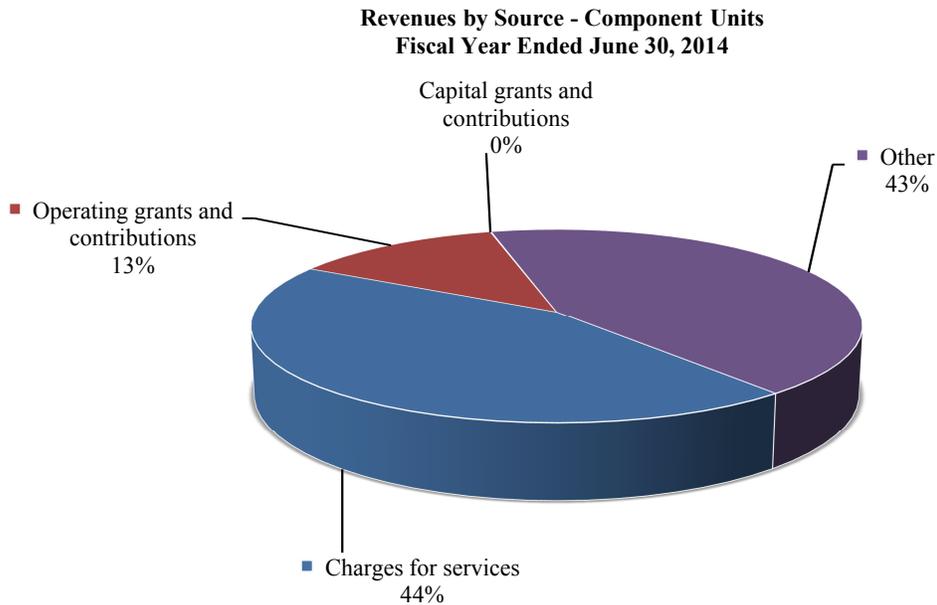
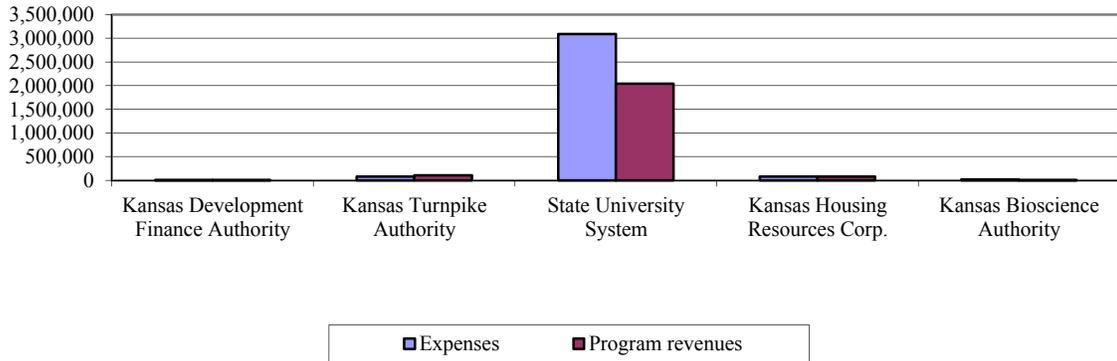
Revenues by Source - Business-Type Activities
Fiscal Year Ended June 30, 2014



Component Units

The State's component units increased the net position of the State by \$604 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, 2014
 (expressed in thousands)



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 2014, the governmental funds reported a combined ending fund balance of \$1.1 billion, a decrease of \$295.8 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 \$5.4 million, while the total fund balance was \$2.5 million. During fiscal year 2014, the State experienced revenue decrease in income and inheritance taxes while the sales and excise taxes increased. 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 \$187.9 million lower in fiscal year 2014 than it was in fiscal year 2013.

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 \$112.3 million as a result of operations in the proprietary funds. This increase resulted from a \$40.5 million increase in the Water Funds and a \$111.3 million increase in the Unemployment Insurance. There was an increase of \$7.3 million in the Health Care Stabilization Fund and a \$46.8 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 \$1.1 billion. Approximately half this increase resulted from adding Kansas Turnpike Authority as a component unit in the current fiscal year. The other half of the increase resulted from the State University System with an increase of \$579.2 million. The other three component units accounted for a \$0.6 million increase in net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences existed between the original budget and the final budget. Revenue estimates were increased by approximately \$101 million and expenditure estimates were increased by approximately \$14.4 million. The original estimates provided for revenues less than expenditures of \$111.5 million. The final budget provided for \$25.0 million of revenues less than expenditures. Subsequently, fiscal year 2014 was closed with revenues less than expenditures of \$360.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

State investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$12.9 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 1.1 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 \$80.6 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 (KDFFA) 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 bond debt obligations increased by \$81.8 million during the current fiscal year. The key factor in this increase was \$144.0 million increase of revenue bonds payable.

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 2014. The Kansas Department of Labor reports Kansas gained 16,700 non-farm jobs over the last year, a 1.2 percent increase. Kansas has gained 15,200 private sector jobs since June 2013, a 1.4 percent increase. Eight of the 11 major industries in Kansas reported over-the-year job gains, the greatest in:

- Professional and business services increased by 6,700 jobs, a 4.1 percent gain.
- Trade, transportation and utilities added 3,400 jobs, a 1.3 percent gain. The growth was primarily in wholesale trade.
- Construction gained 3,800 jobs, a 6.4 percent increase, with gains throughout the sector.

Two major industries report statewide over-the-year job losses. They are:

- Leisure and hospitality decreased by 1,300 jobs, or 1.0 percent. The decline was mainly in arts, entertainment and recreation.
- Manufacturing lost 2,400 jobs, a 1.5 percent decrease. The losses were in durable goods.

One major industry, financial activities, showed no change over the year.

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The unemployment rate was 5.1 percent in June 2014, compared to 5.8 percent in June 2013. There were 87,190 continued unemployment claims in June, 2014, down from 106,824 in June, 2013. Additional demographic and economic information may be found in the Statistical Section of this report.

FISCAL YEAR 2015 STATE GENERAL FUND ALLOTMENT

On December 9, 2014, the Division of the Budget announced a fiscal year 2015 State General Fund allotment. This was done after considering current consensus revenue estimates, consensus caseload adjustments and the FY 2015 approved budget; the resources of the State General Fund are likely to be insufficient to cover the appropriations made against the State General Fund by approximately \$280 million. The use of an allotment plan is provided for in K.S.A. 75-3722. Additional information can be found in Note IV-H of the notes to the financial statements of this report.

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
Office of the Chief Financial Officer
700 SW Harrison, Suite 300
Topeka, KS 66603

Financial Statements

State of Kansas
Financial Statements
June 30, 2014

Government Wide - Statement of Net Position
June 30, 2014
(expressed in thousands)

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Totals | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,746,063 | \$ 183,707 | \$ 1,929,770 | \$ 764,962 |
| Investments | 68,874 | 179,301 | 248,175 | 3,003,220 |
| Receivables (net) | 1,026,639 | 659,797 | 1,686,436 | 482,463 |
| Due from primary government: | | | | |
| Investment in direct financing leases, due within one year | 0 | 0 | 0 | 595 |
| Investment in direct financing leases, due in more than one year | 0 | 0 | 0 | 3,460 |
| Internal balances | 10,547 | (10,547) | 0 | 0 |
| Inventories | 36,399 | 1,940 | 38,339 | 24,524 |
| Other current assets | 1,096 | 0 | 1,096 | 25,004 |
| Restricted cash and cash equivalents | 105,272 | 271,637 | 376,909 | 298,336 |
| Restricted investments | 15,863 | 262,559 | 278,422 | 80,607 |
| Capital assets not being depreciated | 11,827,345 | 0 | 11,827,345 | 823,992 |
| Capital assets, net of accumulated depreciation | 1,115,228 | 299 | 1,115,527 | 2,220,592 |
| Other noncurrent assets | 1,525 | 0 | 1,525 | 77,533 |
| Total assets | <u>15,954,851</u> | <u>1,548,693</u> | <u>17,503,544</u> | <u>7,805,288</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Accumulated decrease in fair value of hedging derivatives | 23,024 | 0 | 23,024 | 0 |
| Deferred amounts on refunding | 20,673 | 19,725 | 40,398 | 14,198 |
| Total deferred outflows of resources | <u>43,697</u> | <u>19,725</u> | <u>63,422</u> | <u>14,198</u> |
| LIABILITIES | | | | |
| Accounts payable and other current liabilities | 1,290,441 | 24,689 | 1,315,130 | 344,017 |
| Due to component unit: | | | | |
| Lease revenue bonds payable, due within one year | 595 | 0 | 595 | 0 |
| Lease revenue bonds payable, due in more than one year | 3,460 | 0 | 3,460 | 0 |
| Unearned revenue | 12,270 | 11,725 | 23,995 | 117,673 |
| Derivative instrument - interest rate swap | 31,158 | 0 | 31,158 | 0 |
| Bonds payable on demand | 383,215 | 0 | 383,215 | 0 |
| Noncurrent liabilities: | | | | |
| Due within one year | 304,480 | 69,023 | 373,503 | 134,078 |
| Due in more than one year | 2,988,187 | 594,581 | 3,582,768 | 1,414,283 |
| Total liabilities | <u>5,013,806</u> | <u>700,018</u> | <u>5,713,824</u> | <u>2,010,051</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 9,791,994 | 299 | 9,792,293 | 2,040,824 |
| Restricted for: | | | | |
| Capital projects | 43,137 | 0 | 43,137 | 57,090 |
| Debt service | 0 | 38,207 | 38,207 | 54,526 |
| Other purposes | 733,211 | 829,425 | 1,562,636 | 2,924,653 |
| Highways and other transportation | 461,868 | 0 | 461,868 | 0 |
| Unrestricted | <u>(45,468)</u> | <u>469</u> | <u>(44,999)</u> | <u>732,342</u> |
| Total net position | <u>\$ 10,984,742</u> | <u>\$ 868,400</u> | <u>\$ 11,853,142</u> | <u>\$ 5,809,435</u> |

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

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Financial Statements
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Government Wide - Statement of Activities
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|----------------------|---------------------|-------------------|
| | | Charges for Services | Operating Grants | Capital Grants |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 778,620 | \$ 303,800 | \$ 75,699 | \$ 0 |
| Human resources | 2,614,673 | 141,419 | 791,928 | 0 |
| Education | 5,209,211 | 6,629 | 473,693 | 53 |
| Public safety | 589,939 | 58,651 | 84,158 | 12 |
| Agriculture and natural resources | 122,995 | 68,738 | 21,597 | 167 |
| Highways and other transportation | 863,577 | 211,644 | 243,236 | 275,729 |
| Health and environment | 2,285,022 | 131,255 | 1,984,632 | 2 |
| Interest expense | 138,718 | 0 | 0 | 0 |
| Total governmental activities | <u>12,602,755</u> | <u>922,136</u> | <u>3,674,943</u> | <u>275,963</u> |
| Business-type activities: | | | | |
| Water pollution and safety | 26,955 | 18,173 | 0 | 46,584 |
| Health care stabilization | 29,729 | 25,348 | 0 | 0 |
| Unemployment insurance | 369,720 | 401,671 | 7,697 | 0 |
| Workers' compensation | 6,734 | 5,016 | 0 | 0 |
| Lottery | 444,796 | 598,731 | 0 | 0 |
| Intergovernmental transfer program | 1,271 | 0 | 0 | 0 |
| Transportation revolving loans | 2,883 | 497 | 0 | 0 |
| Total business-type activities | <u>882,088</u> | <u>1,049,436</u> | <u>7,697</u> | <u>46,584</u> |
| Total primary government | <u>\$ 13,484,843</u> | <u>\$ 1,971,572</u> | <u>\$ 3,682,640</u> | <u>\$ 322,547</u> |
| Component units: | | | | |
| Kansas Turnpike Authority | \$ 81,026 | \$ 100,974 | \$ 1,371 | \$ 0 |
| Kansas Development Finance Authority | 1,685 | 1,962 | 0 | 0 |
| Kansas Bioscience Authority | 18,648 | 180 | 97 | 0 |
| State University System | 3,089,531 | 1,616,093 | 421,189 | 2,317 |
| Kansas Housing Resources Corporation | 79,875 | 3,620 | 75,907 | 0 |
| Total component units | <u>\$ 3,270,765</u> | <u>\$ 1,722,829</u> | <u>\$ 498,564</u> | <u>\$ 2,317</u> |

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

State of Kansas
Financial Statements
June 30, 2014

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | | |
|----------------------------|---------------------------------|----------------|--------------------|
| Governmental Activities | Business- Type Activities | Total | Component Units |
| \$ (399,121) | \$ 0 | \$ (399,121) | \$ 0 |
| (1,681,326) | 0 | (1,681,326) | 0 |
| (4,728,836) | 0 | (4,728,836) | 0 |
| (447,118) | 0 | (447,118) | 0 |
| (32,493) | 0 | (32,493) | 0 |
| (132,968) | 0 | (132,968) | 0 |
| (169,133) | 0 | (169,133) | 0 |
| (138,718) | 0 | (138,718) | 0 |
| (7,729,713) | 0 | (7,729,713) | 0 |
| 0 | 37,802 | 37,802 | 0 |
| 0 | (4,381) | (4,381) | 0 |
| 0 | 39,648 | 39,648 | 0 |
| 0 | (1,718) | (1,718) | 0 |
| 0 | 153,935 | 153,935 | 0 |
| 0 | (1,271) | (1,271) | 0 |
| 0 | (2,386) | (2,386) | 0 |
| 0 | 221,629 | 221,629 | 0 |
| \$ (7,729,713) | \$ 221,629 | \$ (7,508,084) | \$ 0 |
| \$ 0 | \$ 0 | \$ 0 | \$ 21,319 |
| 0 | 0 | 0 | 277 |
| 0 | 0 | 0 | (18,371) |
| 0 | 0 | 0 | (1,049,932) |
| 0 | 0 | 0 | (348) |
| \$ 0 | \$ 0 | \$ 0 | \$ (1,047,055) |

General revenues:

| | | | | |
|-------------------------------------|---------------|------------|---------------|--------------|
| Taxes: | | | | |
| Property tax | \$ 623,983 | \$ 0 | \$ 623,983 | \$ 7,084 |
| Income and inheritance tax | 2,610,490 | 0 | 2,610,490 | 0 |
| Sales and excise tax | 3,599,390 | 0 | 3,599,390 | 171 |
| Gross receipts tax | 198,479 | 0 | 198,479 | 1,294 |
| Investment earnings | 42,199 | 12,681 | 54,880 | 362,467 |
| Other revenue | 402,911 | 96,708 | 499,619 | 1,296,850 |
| Transfers | 171,891 | (171,891) | 0 | 0 |
| Total general revenues | 7,649,343 | (62,502) | 7,586,841 | 1,667,866 |
| Change in net position | (80,370) | 159,127 | 78,757 | 620,811 |
| Net position - beginning | 10,998,767 | 756,126 | 11,754,893 | 5,205,225 |
| Revisions to beginning net position | 66,345 | (46,853) | 19,492 | (16,601) |
| Net position - beginning (restated) | 11,065,112 | 709,273 | 11,774,385 | 5,188,624 |
| Net position - ending | \$ 10,984,742 | \$ 868,400 | \$ 11,853,142 | \$ 5,809,435 |

State of Kansas
Financial Statements
June 30, 2014

Balance Sheet - Governmental Funds
June 30, 2014
(expressed in thousands)

| | General | Social Services | Health and Environment | Transportation | Transportation-Capital Projects | Nonmajor Governmental | Total Governmental |
|--|---------------------|-------------------|------------------------|-------------------|---------------------------------|-----------------------|---------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 486,631 | \$ 71,316 | \$ 212,832 | \$ 359,325 | \$ 0 | \$ 573,843 | \$ 1,703,947 |
| Investments | 0 | 0 | 0 | 3,033 | 0 | 65,841 | 68,874 |
| Receivables, net | 575,068 | 81,847 | 163,471 | 145,159 | 0 | 52,718 | 1,018,263 |
| Due from other funds | 10,347 | 0 | 0 | 200 | 0 | 23,551 | 34,098 |
| Prepaid insurance | 0 | 0 | 0 | 1,096 | 0 | 0 | 1,096 |
| Inventories | 7,851 | 23 | 0 | 23,983 | 0 | 3,613 | 35,470 |
| Advances to other funds | 0 | 0 | 517 | 0 | 0 | 100,989 | 101,506 |
| Restricted cash and cash equivalents | 0 | 0 | 0 | 13,800 | 0 | 91,472 | 105,272 |
| Restricted investments | 0 | 0 | 0 | 0 | 0 | 15,863 | 15,863 |
| Total assets | <u>\$ 1,079,897</u> | <u>\$ 153,186</u> | <u>\$ 376,820</u> | <u>\$ 546,596</u> | <u>\$ 0</u> | <u>\$ 927,890</u> | <u>\$ 3,084,389</u> |
| LIABILITIES | | | | | | | |
| Accounts payable and other current liabilities | \$ 739,906 | \$ 94,329 | \$ 189,079 | \$ 59,720 | \$ 0 | \$ 176,797 | \$ 1,259,831 |
| Due to other funds | 22,547 | 0 | 259 | 0 | 0 | 260 | 23,066 |
| Advances from other funds | 99,658 | 0 | 0 | 0 | 0 | 1,210 | 100,868 |
| Unearned revenue | 0 | 0 | 0 | 12,270 | 0 | 0 | 12,270 |
| Bonds payable on demand | 0 | 0 | 0 | 0 | 383,215 | 0 | 383,215 |
| Total liabilities | <u>862,111</u> | <u>94,329</u> | <u>189,338</u> | <u>71,990</u> | <u>383,215</u> | <u>178,267</u> | <u>1,779,250</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - sales and excise tax | 215,311 | 40 | 214 | 16,673 | 0 | 1,328 | 233,566 |
| Total deferred inflows of resources | <u>215,311</u> | <u>40</u> | <u>214</u> | <u>16,673</u> | <u>0</u> | <u>1,328</u> | <u>233,566</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable: | | | | | | | |
| Long-term receivables | 0 | 0 | 0 | 0 | 0 | 4,153 | 4,153 |
| Inventory | 7,851 | 23 | 0 | 23,983 | 0 | 3,613 | 35,470 |
| Prepaid Insurance | 0 | 0 | 0 | 1,096 | 0 | 0 | 1,096 |
| Restricted for: | | | | | | | |
| Capital projects | 0 | 0 | 0 | 0 | 0 | 43,137 | 43,137 |
| Debt service | 0 | 0 | 0 | 0 | 0 | 59,912 | 59,912 |
| General government | 0 | 0 | 0 | 0 | 0 | 309,541 | 309,541 |
| Human resources | 0 | 58,794 | 0 | 0 | 0 | 51,847 | 110,641 |
| Education | 0 | 0 | 0 | 0 | 0 | 16,255 | 16,255 |
| Public safety | 0 | 0 | 0 | 0 | 0 | 68,200 | 68,200 |
| Agriculture and natural resources | 0 | 0 | 0 | 0 | 0 | 41,306 | 41,306 |
| Highways and other transportation | 0 | 0 | 0 | 432,854 | 0 | 29,014 | 461,868 |
| Health and environment | 0 | 0 | 187,268 | 0 | 0 | 0 | 187,268 |
| Assigned to: | | | | | | | |
| Debt service | 0 | 0 | 0 | 0 | 0 | 121,317 | 121,317 |
| Unassigned | (5,376) | 0 | 0 | 0 | (383,215) | 0 | (388,591) |
| Total fund balance | <u>2,475</u> | <u>58,817</u> | <u>187,268</u> | <u>457,933</u> | <u>(383,215)</u> | <u>748,295</u> | <u>1,071,573</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 1,079,897</u> | <u>\$ 153,186</u> | <u>\$ 376,820</u> | <u>\$ 546,596</u> | <u>\$ 0</u> | <u>\$ 927,890</u> | <u>\$ 3,084,389</u> |

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

(Continued)

State of Kansas
Financial Statements
June 30, 2014

Balance Sheet - Governmental Funds - Continued
June 30, 2014
(expressed in thousands)

| | Total Governmental |
|---|-----------------------|
| Reconciliation to the Statement of Net Position: | |
| Total fund balance from previous page | \$ 1,071,573 |
| Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds: | |
| Capital assets not being depreciated | 11,827,345 |
| Capital assets being depreciated | 1,115,228 |
| Internal service funds included in above | (98,502) |
| 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 | 23,024 |
| Other noncurrent assets | 1,525 |
| Deferred refunding | 20,673 |
| 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 | (15,350) |
| Capital leases payable | (91,027) |
| Revenue bonds payable | (2,552,995) |
| Star bonds | (105,033) |
| Pollution remediation | (65,678) |
| Unamortized premium discount | (128,475) |
| Other post employment benefits | (58,631) |
| Compensated absences | (120,831) |
| Claims and judgments | (154,457) |
| Due to component unit (lease revenue bonds payable) | (4,055) |
| Arbitrage and derivative liabilities | (31,348) |
| Deferred revenue adjustment for revenue unavailable at the fund level | 233,566 |
| Other current accrued liabilities | 5,769 |
| Accrued interest | (33,431) |
| Internal service funds included in above | 136,976 |
| Internal service funds: the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | 8,876 |
| Net position of governmental activities | \$ 10,984,742 |

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

State of Kansas
Financial Statements
June 30, 2014

**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | General | Social Services | Health and Environment | Transporta- tion | Transporta- tion-Capital Projects | Nonmajor Governmental | Total Governmental |
|---|------------------|--------------------|---------------------------|---------------------|---|--------------------------|-----------------------|
| Revenues: | | | | | | | |
| Property tax | \$ 593,858 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 51,022 | \$ 644,880 |
| Income and inheritance tax | 2,643,401 | 0 | 0 | 0 | 0 | 35,320 | 2,678,721 |
| Sales and excise tax | 2,767,684 | 3,058 | 1,441 | 794,998 | 0 | 55,659 | 3,622,840 |
| Gross receipts tax | 173,855 | 0 | 3,248 | 0 | 0 | 21,369 | 198,472 |
| Charges for services | 32,695 | 127,348 | 129,548 | 211,644 | 0 | 420,927 | 922,162 |
| Operating grants | 1 | 767,806 | 1,984,632 | 235,894 | 0 | 687,093 | 3,675,426 |
| Capital grants | 0 | 0 | 2 | 279,527 | 0 | 220 | 279,749 |
| Investment earnings | 37,969 | 28 | 113 | 329 | 0 | 9,258 | 47,697 |
| Other revenues | 3,274 | 16,825 | 209,507 | 5,544 | 0 | 147,291 | 382,441 |
| Total revenues | <u>6,252,737</u> | <u>915,065</u> | <u>2,328,491</u> | <u>1,527,936</u> | <u>0</u> | <u>1,428,159</u> | <u>12,452,388</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 249,089 | 0 | 0 | 0 | 0 | 494,548 | 743,637 |
| Human resources | 870,328 | 1,649,998 | 0 | 0 | 0 | 111,953 | 2,632,279 |
| Education | 4,354,123 | 0 | 0 | 0 | 0 | 853,445 | 5,207,568 |
| Public safety | 378,048 | 0 | 0 | 0 | 0 | 257,803 | 635,851 |
| Agriculture and natural resources | 10,959 | 0 | 0 | 0 | 0 | 117,335 | 128,294 |
| Highways and other transportation | 0 | 0 | 0 | 1,004,105 | 0 | 22,021 | 1,026,126 |
| Health and environment | 730,450 | 0 | 1,546,564 | 0 | 0 | 9,003 | 2,286,017 |
| Debt service: | | | | | | | |
| Principal | 3,704 | 0 | 0 | 0 | 0 | 218,505 | 222,209 |
| Interest | 0 | 0 | 0 | 0 | 0 | 139,887 | 139,887 |
| Total expenditures | <u>6,596,701</u> | <u>1,649,998</u> | <u>1,546,564</u> | <u>1,004,105</u> | <u>0</u> | <u>2,224,500</u> | <u>13,021,868</u> |
| Excess of revenues over (under) expenditures | <u>(343,964)</u> | <u>(734,933)</u> | <u>781,927</u> | <u>523,831</u> | <u>0</u> | <u>(796,341)</u> | <u>(569,480)</u> |
| Other financing sources (uses): | | | | | | | |
| Issuance of bonds | 0 | 0 | 0 | 0 | 0 | 59,963 | 59,963 |
| Issuance of capital leases | 0 | 0 | 0 | 0 | 0 | 11,777 | 11,777 |
| Premium on issuance of debt | 0 | 0 | 0 | 0 | 0 | 5,644 | 5,644 |
| Issuance of refunding bonds | 0 | 0 | 0 | 0 | 0 | 58,550 | 58,550 |
| Premium on issuance of refunding debt | 0 | 0 | 0 | 0 | 0 | 7,909 | 7,909 |
| Payment to refunded bonds escrow agent | 0 | 0 | 0 | 0 | 0 | (53,095) | (53,095) |
| Transfers, net | (51,897) | 732,709 | (733,436) | (382,784) | (61,403) | 673,865 | 177,054 |
| Total other financing sources (uses) | <u>(51,897)</u> | <u>732,709</u> | <u>(733,436)</u> | <u>(382,784)</u> | <u>(61,403)</u> | <u>764,613</u> | <u>267,802</u> |
| Net change in fund balances | <u>(395,861)</u> | <u>(2,224)</u> | <u>48,491</u> | <u>141,047</u> | <u>(61,403)</u> | <u>(31,728)</u> | <u>(301,678)</u> |
| Fund balances, beginning | 398,336 | 61,041 | 138,777 | 317,266 | (321,812) | 773,736 | 1,367,344 |
| Revisions to beginning fund balances | 0 | 0 | 0 | 0 | 0 | 6,287 | 6,287 |
| Fund balances, beginning (restated) | <u>398,336</u> | <u>61,041</u> | <u>138,777</u> | <u>317,266</u> | <u>(321,812)</u> | <u>780,023</u> | <u>1,373,631</u> |
| Change in reserves for inventory | 0 | 0 | 0 | (380) | 0 | 0 | (380) |
| Fund balances, end | <u>\$ 2,475</u> | <u>\$ 58,817</u> | <u>\$ 187,268</u> | <u>\$ 457,933</u> | <u>\$ (383,215)</u> | <u>\$ 748,295</u> | <u>\$ 1,071,573</u> |

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

(Continued)

State of Kansas
Financial Statements
June 30, 2014

**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds - Continued**
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| | Total Governmental |
|---|-----------------------|
| Reconciliation to the Statement of Activities: | |
| Total net change in fund balance from previous page | \$ (301,678) |
| 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. | |
| Depreciation expense | (73,190) |
| Capitalized assets acquired | 313,605 |
| 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. | |
| | (50,404) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | |
| Deferred revenue | (116,273) |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long- term liabilities in the statement of net position: | |
| Revenue bonds | (112,440) |
| Bond premiums and discounts | (13,553) |
| Deferred refundings | (4,045) |
| Other borrowings | (17,850) |
| 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. | |
| Revenue bonds | 125,858 |
| Other borrowings | 96,351 |
| Payment to escrow agent on refunded bonds | 51,372 |
| 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. | |
| | 18,734 |
| 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: | |
| Compensated absences | (2,100) |
| Pollution remediation | (2,103) |
| Accrued interest | (19,725) |
| Claims and judgments | (42,751) |
| Other post employment benefits | (3,552) |
| Change in inventory for materials and supplies | (380) |
| Derivatives (liability), due to component and accrued accounts payable | 88,753 |
| Derivatives (assets and deferred outflows) | (15,685) |
| 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. | |
| | 3,475 |
| Changes in Net Position of Governmental Activities | \$ (77,581) |

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

State of Kansas
Financial Statements
June 30, 2014

Statement of Net Position - Proprietary Funds
June 30, 2014
(expressed in thousands)

| | Business-Type Activities | | | | | Governmental Activities - Internal Service Funds |
|--|--------------------------|---------------------------|------------------------------|-------------------|---------------------|---|
| | Water Funds | Unemployment Insurance | Health Care Stabilization | Nonmajor Funds | Total | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 131,450 | \$ 11,940 | \$ 5,199 | \$ 35,118 | \$ 183,707 | \$ 42,116 |
| Restricted cash and cash equivalents | 0 | 225,092 | 0 | 30,747 | 255,839 | 0 |
| Investments | 72,863 | 0 | 28,715 | 0 | 101,578 | 0 |
| Receivables, net | 49,992 | 10,792 | 2,733 | 21,200 | 84,717 | 8,376 |
| Inventories | 0 | 0 | 0 | 1,940 | 1,940 | 929 |
| Total current assets | <u>254,305</u> | <u>247,824</u> | <u>36,647</u> | <u>89,005</u> | <u>627,781</u> | <u>51,421</u> |
| Noncurrent assets: | | | | | | |
| Restricted cash and cash equivalents | 15,798 | 0 | 0 | 0 | 15,798 | 0 |
| Investments | 62,446 | 0 | 0 | 15,277 | 77,723 | 0 |
| Investments, restricted | 29,651 | 0 | 232,908 | 0 | 262,559 | 0 |
| Receivables, net | 534,045 | 0 | 0 | 41,035 | 575,080 | 0 |
| Capital assets not being depreciated | 0 | 0 | 0 | 0 | 0 | 460 |
| Capital assets (net of accumulated depreciation) | 0 | 0 | 12 | 287 | 299 | 98,042 |
| Total noncurrent assets | <u>641,940</u> | <u>0</u> | <u>232,920</u> | <u>56,599</u> | <u>931,459</u> | <u>98,502</u> |
| Total assets | <u>896,245</u> | <u>247,824</u> | <u>269,567</u> | <u>145,604</u> | <u>1,559,240</u> | <u>149,923</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred amounts on refunding | 19,725 | 0 | 0 | 0 | 19,725 | 0 |
| Total deferred outflows of resources | <u>19,725</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>19,725</u> | <u>0</u> |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and other current liabilities | \$ 858 | \$ 8,599 | \$ 514 | 14,718 | \$ 24,689 | \$ 2,948 |
| Unearned revenue | 0 | 0 | 10,595 | 0 | 10,595 | 0 |
| Due to other funds | 5,100 | 0 | 0 | 5,447 | 10,547 | 485 |
| Compensated absences | 0 | 0 | 63 | 10 | 73 | 1,381 |
| Portion of long-term liabilities | 43,267 | 0 | 14,672 | 11,011 | 68,950 | 51,129 |
| Total current liabilities | <u>49,225</u> | <u>8,599</u> | <u>25,844</u> | <u>31,186</u> | <u>114,854</u> | <u>55,943</u> |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 0 | 0 | 14 | 2 | 16 | 302 |
| Claims and judgments | 0 | 0 | 152,198 | 26,680 | 178,878 | 42,129 |
| Bonds, notes and loans payable | 356,030 | 0 | 0 | 47,090 | 403,120 | 42,035 |
| Unearned lease revenue | 0 | 0 | 0 | 1,130 | 1,130 | 0 |
| Arbitrage rebate payable | 0 | 0 | 0 | 190 | 190 | 0 |
| Other noncurrent liabilities | 11,965 | 0 | 49 | 363 | 12,377 | 0 |
| Advances from other funds | 0 | 0 | 0 | 0 | 0 | 638 |
| Total noncurrent liabilities | <u>367,995</u> | <u>0</u> | <u>152,261</u> | <u>75,455</u> | <u>595,711</u> | <u>85,104</u> |
| Total liabilities | <u>417,220</u> | <u>8,599</u> | <u>178,105</u> | <u>106,641</u> | <u>710,565</u> | <u>141,047</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 0 | 0 | 12 | 287 | 299 | 98,502 |
| Restricted for: | | | | | | |
| Debt service | 0 | 0 | 0 | 38,207 | 38,207 | 0 |
| Other purposes | 498,750 | 239,225 | 91,450 | 0 | 829,425 | 0 |
| Unrestricted | 0 | 0 | 0 | 469 | 469 | (89,626) |
| Total net position | <u>498,750</u> | <u>239,225</u> | <u>91,462</u> | <u>38,963</u> | <u>868,400</u> | <u>8,876</u> |
| Total liabilities and net position | <u>\$ 915,970</u> | <u>\$ 247,824</u> | <u>\$ 269,567</u> | <u>\$ 145,604</u> | <u>\$ 1,578,965</u> | <u>\$ 149,923</u> |

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

State of Kansas
Financial Statements
June 30, 2014

**Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Funds
For the Fiscal Year Ended June 30, 2014**
(expressed in thousands)

| | Business-Type Activities | | | | | Governmental Activities - Internal Service Funds |
|---|--------------------------|---------------------------|------------------------------|-------------------|-------------------|--|
| | Water Funds | Unemployment Insurance | Health Care Stabilization | Nonmajor Funds | Total | |
| Operating revenues: | | | | | | |
| Charges for services | \$ 2,064 | \$ 401,671 | \$ 25,348 | \$ 604,244 | \$1,033,327 | \$ 82,862 |
| Interest on loans | 16,109 | 0 | 0 | 0 | 16,109 | 0 |
| Other revenue | 3,418 | 86,352 | 700 | 6,238 | 96,708 | 25,348 |
| Total operating revenues | <u>21,591</u> | <u>488,023</u> | <u>26,048</u> | <u>610,482</u> | <u>1,146,144</u> | <u>108,210</u> |
| Operating expenses: | | | | | | |
| Salaries and wages | 0 | 0 | 1,343 | 6,594 | 7,937 | 27,055 |
| Supplies and services | 1,891 | 0 | 5,003 | 281,916 | 288,810 | 44,351 |
| Lottery prize awards | 0 | 0 | 0 | 138,742 | 138,742 | 0 |
| Depreciation | 0 | 0 | 4 | 148 | 152 | 7,387 |
| Insurance claims and expenses | 0 | 369,685 | 0 | 1,900 | 371,585 | 17,736 |
| Program administration - Water Funds | 1,870 | 0 | 0 | 0 | 1,870 | 0 |
| Other expenses | 3,461 | 35 | 23,379 | 23,756 | 50,631 | 325 |
| Total operating expenses | <u>7,222</u> | <u>369,720</u> | <u>29,729</u> | <u>453,056</u> | <u>859,727</u> | <u>96,854</u> |
| Operating income (loss) | <u>14,369</u> | <u>118,303</u> | <u>(3,681)</u> | <u>157,426</u> | <u>286,417</u> | <u>11,356</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Operating grants | 0 | 7,697 | 0 | 0 | 7,697 | 0 |
| Capital grants | 46,584 | 0 | 0 | 0 | 46,584 | 0 |
| Investment earnings | 2,676 | 2,037 | 7,112 | 856 | 12,681 | 30 |
| Interest expense | (19,733) | 0 | 0 | (2,628) | (22,361) | (2,446) |
| Other expenses | 0 | 0 | 0 | 0 | 0 | (302) |
| Total nonoperating revenues (expenses) | <u>29,527</u> | <u>9,734</u> | <u>7,112</u> | <u>(1,772)</u> | <u>44,601</u> | <u>(2,718)</u> |
| Income before transfers | <u>43,896</u> | <u>128,037</u> | <u>3,431</u> | <u>155,654</u> | <u>331,018</u> | <u>8,638</u> |
| Transfers in | 0 | 392,805 | 4,019 | 0 | 396,824 | 4,680 |
| Transfers out | 0 | (409,540) | (200) | (158,975) | (568,715) | (9,843) |
| Change in net position | <u>43,896</u> | <u>111,302</u> | <u>7,250</u> | <u>(3,321)</u> | <u>159,127</u> | <u>3,475</u> |
| Net position - beginning | 458,239 | 127,923 | 84,212 | 85,752 | 756,126 | 5,401 |
| Revisions to beginning net position | (3,385) | 0 | 0 | (43,468) | (46,853) | 0 |
| Net position - beginning (restated) | <u>454,854</u> | <u>127,923</u> | <u>84,212</u> | <u>42,284</u> | <u>709,273</u> | <u>5,401</u> |
| Net position - ending | <u>\$ 498,750</u> | <u>\$ 239,225</u> | <u>\$ 91,462</u> | <u>\$ 38,963</u> | <u>\$ 868,400</u> | <u>\$ 8,876</u> |

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

State of Kansas
Financial Statements
June 30, 2014

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| | Water Funds | Unemployment Insurance | Health Care Stabilization | Nonmajor funds | Total | Governmental Activities - Internal Service Funds |
|--|-------------------|---------------------------|------------------------------|-------------------|-------------------|---|
| Cash flows from operating activities: | | | | | | |
| Cash receipts from customers | \$ 16,239 | \$ 490,261 | \$ 25,334 | \$ 621,757 | \$ 1,153,591 | \$ 103,895 |
| Cash payments to suppliers for goods and services | (2,886) | 3,359 | (5,617) | (2,377) | (7,521) | (47,135) |
| Cash payments to employees for services | 0 | 0 | (1,323) | (6,587) | (7,910) | (26,738) |
| Cash payments for lottery prizes | 0 | 0 | 0 | (440,235) | (440,235) | 0 |
| Claims paid | 0 | (369,685) | (25,029) | (1,798) | (396,512) | (15,626) |
| Other operating revenues | 66,176 | 0 | 0 | 0 | 66,176 | 0 |
| Other operating expenses | (59,655) | 0 | 0 | (7,650) | (67,305) | 0 |
| Net cash provided (used) by operating activities | <u>19,874</u> | <u>123,935</u> | <u>(6,635)</u> | <u>163,110</u> | <u>300,284</u> | <u>14,396</u> |
| Cash flows from noncapital financing activities: | | | | | | |
| Operating grants receipts | 0 | 7,697 | 0 | 0 | 7,697 | 0 |
| Other non-operating expenses | 0 | 0 | 0 | 0 | 0 | (302) |
| Advances from other funds | 0 | 0 | 0 | 0 | 0 | (207) |
| Net transfers to other funds | 0 | (16,735) | 3,819 | (158,975) | (171,891) | (5,163) |
| Other cash inflows from noncapital financing activities | 51,683 | 0 | 0 | 0 | 51,683 | 0 |
| Other cash outflows from noncapital financing activities | (60,943) | 0 | 0 | (10,774) | (71,717) | 0 |
| Net cash provided (used) by noncapital financing activities | <u>(9,260)</u> | <u>(9,038)</u> | <u>3,819</u> | <u>(169,749)</u> | <u>(184,228)</u> | <u>(5,672)</u> |
| Cash flows from capital and related financing activities: | | | | | | |
| Proceeds from issuance of long-term debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayment of long-term debt | 0 | (50,209) | 0 | 0 | (50,209) | (7,928) |
| Interest payments | 0 | 0 | 0 | 0 | 0 | (2,446) |
| Proceeds from sale of fixed assets | 0 | 0 | 0 | 0 | 0 | 0 |
| (Gain) loss on disposal of fixed assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Payments for purchase of fixed assets | 0 | 0 | 0 | (76) | (76) | (2,441) |
| Other cash inflows from capital and related financing activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Other cash outflows from capital and related financing activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash provided (used) by capital and related financing activities | <u>0</u> | <u>(50,209)</u> | <u>0</u> | <u>(76)</u> | <u>(50,285)</u> | <u>(12,815)</u> |
| Cash flows from investing activities: | | | | | | |
| Proceeds from sale and maturities of investment securities | 95,020 | 0 | 30,099 | 0 | 125,119 | 0 |
| Purchase of investments | (119,737) | 0 | (32,881) | 0 | (152,618) | 0 |
| Interest and dividends | 2,635 | 2,037 | 9,053 | 851 | 14,576 | 30 |
| Net cash provided (used) by investing activities | <u>(22,082)</u> | <u>2,037</u> | <u>6,271</u> | <u>851</u> | <u>(12,923)</u> | <u>30</u> |
| Net increase (decrease) in cash and cash equivalents | (11,468) | 66,725 | 3,455 | (5,864) | 52,848 | (4,061) |
| Cash and cash equivalents, beginning of year | 158,716 | 170,307 | 1,744 | 71,729 | 402,496 | 46,177 |
| Cash and cash equivalents, end of year | <u>\$ 147,248</u> | <u>\$ 237,032</u> | <u>\$ 5,199</u> | <u>\$ 65,865</u> | <u>\$ 455,344</u> | <u>\$ 42,116</u> |
| Reconciliation of operating income (loss) to net cash provided by operations: | | | | | | |
| Operating income (loss) | \$ 14,369 | \$ 118,303 | \$ (3,681) | \$ 157,426 | \$ 286,417 | \$ 11,356 |
| Adjustment to reconcile operating income to net cash provided (used) by operating activities: | | | | | | |
| Depreciation and amortization | 0 | 0 | 4 | 148 | 152 | 7,387 |
| Changes in assets and liabilities: | | | | | | |
| Receivables | 6,010 | 2,238 | 0 | 7,108 | 15,356 | (4,315) |
| Inventories | 0 | 0 | 0 | 0 | 0 | (929) |
| Accounts payable | (5,605) | 3,394 | (614) | (379) | (3,204) | (666) |
| Payroll liabilities | 0 | 0 | 20 | 7 | 27 | 317 |
| Due to other funds | 5,100 | 0 | 0 | (143) | 4,957 | (864) |
| Claims and judgments | 0 | 0 | (1,650) | 102 | (1,548) | 2,110 |
| Unearned revenue | 0 | 0 | (714) | (159) | (873) | 0 |
| Lottery prize liability | 0 | 0 | 0 | (1,000) | (1,000) | 0 |
| Total adjustments | <u>5,505</u> | <u>5,632</u> | <u>(2,954)</u> | <u>5,684</u> | <u>13,867</u> | <u>3,040</u> |
| Net cash provided (used) by operating activities | <u>\$ 19,874</u> | <u>\$ 123,935</u> | <u>\$ (6,635)</u> | <u>\$ 163,110</u> | <u>\$ 300,284</u> | <u>\$ 14,396</u> |

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

State of Kansas
Financial Statements
June 30, 2014

Statement of Net Position
Fiduciary Funds
June 30, 2014
(expressed in thousands)

| | <u>Pension Trust</u> | <u>Investment Trust</u> | <u>Agency</u> |
|--|----------------------|-------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,665 | \$ 1,221,759 | \$ 504,751 |
| Investments: | | | |
| Domestic equities | 5,542,138 | 0 | 0 |
| International equities | 4,236,268 | 0 | 0 |
| Cash and cash equivalents | 343,291 | 0 | 0 |
| Fixed income | 4,506,405 | 0 | 0 |
| Alternative investments | 478,289 | 0 | 0 |
| Real estate | 1,425,968 | 0 | 0 |
| Invested securities lending collateral | 1,794,435 | 0 | 0 |
| Certificates of deposit | 0 | 0 | 135,234 |
| Receivables, net | 2,400,707 | 0 | 947,615 |
| Capital assets | 2,286 | 0 | 207 |
| | <u>20,731,452</u> | <u>1,221,759</u> | <u>1,587,807</u> |
| LIABILITIES | | | |
| Accounts payable and other liabilities | <u>4,155,793</u> | <u>0</u> | <u>1,587,807</u> |
| | <u>4,155,793</u> | <u>0</u> | <u>\$ 1,587,807</u> |
| NET POSITION | | | |
| Net position held in trust | <u>\$ 16,575,659</u> | <u>\$ 1,221,759</u> | |

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

State of Kansas
Financial Statements
June 30, 2014

Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| | Pension Trust | Investment Trust |
|--|----------------------|---------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer contributions | \$ 759,573 | \$ 0 |
| Employee contributions | 338,499 | 0 |
| Total contributions | 1,098,072 | 0 |
| Investment earnings: | | |
| Net appreciation (depreciation) in fair value in investments | 2,267,287 | 145 |
| Interest | 104,394 | 0 |
| Dividends | 165,226 | 0 |
| Real estate income | 62,990 | 0 |
| Securities lending income | 5,610 | 0 |
| Total investment earnings | 2,605,507 | 145 |
| Less investment expense | 51,653 | 0 |
| Net investment earnings | 2,553,854 | 145 |
| MIP deposits | 0 | 3,755,338 |
| Other income | 244 | 0 |
| Total investment earnings | 2,554,098 | 3,755,483 |
| Total additions | 3,652,170 | 3,755,483 |
| DEDUCTIONS | | |
| Benefits and refunds: | | |
| Monthly benefits and refunds | 1,366,175 | 0 |
| Refunds of contributions | 56,971 | 0 |
| Death benefits | 9,702 | 0 |
| Insurance Premiums and Disability Benef | 48,866 | 0 |
| Distributions | 0 | 3,494,450 |
| Total benefits and refunds | 1,481,714 | 3,494,450 |
| Administrative expenses | 10,086 | 0 |
| Total deductions | 1,491,800 | 3,494,450 |
| Change in net position | 2,160,370 | 261,033 |
| Net position - beginning | 14,415,289 | 960,726 |
| Net position - ending | \$ 16,575,659 | \$ 1,221,759 |

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

State of Kansas
Financial Statements
June 30, 2014

Combining Statement of Net Position - Component Units
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| | Kansas Turnpike Authority | Kansas Development Finance Authority | Kansas Housing Resources Corporation | Kansas Bioscience Authority | State University System | Total |
|--|---------------------------------|---|---|-----------------------------------|----------------------------|---------------------|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 26,393 | \$ 217 | \$ 962 | \$ 10,741 | \$ 726,649 | \$ 764,962 |
| Restricted cash and cash equivalents | 2,800 | 0 | 2,603 | 0 | 257,826 | 263,229 |
| Investments | 12,518 | 12,593 | 9,397 | 22,630 | 2,820,592 | 2,877,730 |
| Restricted investments | 33,899 | 411 | 0 | 0 | 1,522 | 35,832 |
| Receivables, net | 2,390 | 234 | 1,536 | 3,305 | 300,302 | 307,767 |
| Due from primary government | 0 | 595 | 0 | 0 | 0 | 595 |
| Inventories | 0 | 0 | 0 | 0 | 24,524 | 24,524 |
| Other assets | 1,763 | 81 | 33 | 81 | 23,046 | 25,004 |
| Total current assets | <u>79,763</u> | <u>14,131</u> | <u>14,531</u> | <u>36,757</u> | <u>4,154,461</u> | <u>4,299,643</u> |
| Noncurrent assets: | | | | | | |
| Restricted cash and cash equivalents | 0 | 0 | 13 | 0 | 35,094 | 35,107 |
| Investments | 79,760 | 0 | 0 | 31,385 | 14,345 | 125,490 |
| Restricted investments | 0 | 0 | 0 | 0 | 44,775 | 44,775 |
| Receivables, net | 0 | 0 | 1,770 | 3,275 | 169,651 | 174,696 |
| Due from primary government | 0 | 3,460 | 0 | 0 | 0 | 3,460 |
| Capital assets not being depreciated | 544,208 | 0 | 0 | 420 | 279,364 | 823,992 |
| Capital assets (net of accumulated depreciation) | 28,798 | 56 | 148 | 13,025 | 2,178,565 | 2,220,592 |
| Other noncurrent assets | 0 | 0 | 0 | 8,300 | 69,233 | 77,533 |
| Total noncurrent assets | <u>652,766</u> | <u>3,516</u> | <u>1,931</u> | <u>56,405</u> | <u>2,791,027</u> | <u>3,505,645</u> |
| Total assets | <u>732,529</u> | <u>17,647</u> | <u>16,462</u> | <u>93,162</u> | <u>6,945,488</u> | <u>7,805,288</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred amounts on refunding | 5,904 | 0 | 0 | 0 | 8,294 | 14,198 |
| Total deferred outflows of resources | <u>5,904</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>8,294</u> | <u>14,198</u> |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and other liabilities | 10,128 | 323 | 684 | 1,083 | 331,799 | 344,017 |
| Unearned revenue | 2,637 | 411 | 12 | 0 | 114,613 | 117,673 |
| Compensated absences | 1,725 | 0 | 213 | 0 | 61,823 | 63,761 |
| Portion of long-term liabilities | 12,205 | 595 | 0 | 613 | 56,904 | 70,317 |
| Total current liabilities | <u>26,695</u> | <u>1,329</u> | <u>909</u> | <u>1,696</u> | <u>565,139</u> | <u>595,768</u> |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 2,015 | 0 | 0 | 0 | 13,142 | 15,157 |
| Bonds, notes and loans payable | 218,558 | 3,460 | 0 | 11,198 | 1,080,180 | 1,313,396 |
| Arbitrage rebate liability | 0 | 0 | 0 | 0 | 51 | 51 |
| Other noncurrent liabilities | 781 | 2,785 | 170 | 0 | 81,943 | 85,679 |
| Total noncurrent liabilities | <u>221,354</u> | <u>6,245</u> | <u>170</u> | <u>11,198</u> | <u>1,175,316</u> | <u>1,414,283</u> |
| Total liabilities | <u>248,049</u> | <u>7,574</u> | <u>1,079</u> | <u>12,894</u> | <u>1,740,455</u> | <u>2,010,051</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 348,142 | 56 | 148 | 4,274 | 1,688,204 | 2,040,824 |
| Restricted for: | | | | | | |
| Capital projects | 0 | 0 | 0 | 0 | 57,090 | 57,090 |
| Debt service | 32,475 | 0 | 0 | 0 | 22,051 | 54,526 |
| Other purposes | 0 | 0 | 2,644 | 5,660 | 2,916,349 | 2,924,653 |
| Unrestricted | 109,767 | 10,017 | 12,591 | 70,334 | 529,633 | 732,342 |
| Total net position | <u>490,384</u> | <u>10,073</u> | <u>15,383</u> | <u>80,268</u> | <u>5,213,327</u> | <u>5,809,435</u> |
| Total liabilities and net position | <u>\$ 738,433</u> | <u>\$ 17,647</u> | <u>\$ 16,462</u> | <u>\$ 93,162</u> | <u>\$ 6,953,782</u> | <u>\$ 7,819,486</u> |

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

State of Kansas
Financial Statements
June 30, 2014

Combining Statement of Activities-Component Units
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| | Kansas Turnpike Authority | Kansas Development Finance Authority | Kansas Housing Resources Corporation | Kansas Bioscience Authority | State University System | Total |
|---|---------------------------------|---|---|-----------------------------------|-------------------------------|---------------------|
| Expenses: | | | | | | |
| Salaries and wages | \$ 24,090 | \$ 1,061 | \$ 3,205 | \$ 2,342 | \$ 1,806,718 | \$ 1,837,416 |
| Supplies and services | 39,304 | 545 | 1,212 | 790 | 700,105 | 741,956 |
| Depreciation and amortization | 2,803 | 25 | 71 | 515 | 143,485 | 146,899 |
| Interest expense | 13,259 | 54 | 0 | 0 | 35,918 | 49,231 |
| Other expenses | 1,570 | 0 | 75,387 | 15,001 | 403,305 | 495,263 |
| Total expenses | <u>81,026</u> | <u>1,685</u> | <u>79,875</u> | <u>18,648</u> | <u>3,089,531</u> | <u>3,270,765</u> |
| Program Revenues: | | | | | | |
| Charges for services | 100,974 | 1,962 | 3,620 | 180 | 1,616,093 | 1,722,829 |
| Operating grants | 1,371 | 0 | 75,907 | 97 | 421,189 | 498,564 |
| Capital grants | 0 | 0 | 0 | 0 | 2,317 | 2,317 |
| Total program revenues | <u>102,345</u> | <u>1,962</u> | <u>79,527</u> | <u>277</u> | <u>2,039,599</u> | <u>2,223,710</u> |
| Net (Expense) Revenue | <u>21,319</u> | <u>277</u> | <u>(348)</u> | <u>(18,371)</u> | <u>(1,049,932)</u> | <u>(1,047,055)</u> |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property tax | 0 | 0 | 0 | 0 | 7,084 | 7,084 |
| Sales and excise tax | 0 | 0 | 0 | 0 | 171 | 171 |
| Gross receipts tax | 0 | 0 | 0 | 0 | 1,294 | 1,294 |
| Investment earnings | 1,936 | 232 | 342 | 594 | 359,363 | 362,467 |
| Other revenue | 1,131 | 6 | 1,517 | 16,355 | 1,277,841 | 1,296,850 |
| Total general revenues | <u>3,067</u> | <u>238</u> | <u>1,859</u> | <u>16,949</u> | <u>1,645,753</u> | <u>1,667,866</u> |
| Change in net position | <u>24,386</u> | <u>515</u> | <u>1,511</u> | <u>(1,422)</u> | <u>595,821</u> | <u>620,811</u> |
| Total net position - beginning | 465,998 | 9,558 | 13,872 | 81,690 | 4,634,107 | 5,205,225 |
| Revisions to beginning net position | 0 | 0 | 0 | 0 | (16,601) | (16,601) |
| Total net position - beginning (restated) | <u>465,998</u> | <u>9,558</u> | <u>13,872</u> | <u>81,690</u> | <u>4,617,506</u> | <u>5,188,624</u> |
| Total net position - ending | <u>\$ 490,384</u> | <u>\$ 10,073</u> | <u>\$ 15,383</u> | <u>\$ 80,268</u> | <u>\$ 5,213,327</u> | <u>\$ 5,809,435</u> |

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

I. Summary of Significant Accounting Policies

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 fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2014, 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, 2014

I. Summary of Significant Accounting Policies

| <u>Component Unit</u> | <u>Description: Criteria for Inclusion</u> | <u>Reporting Method</u> | <u>For Separate Financial Statements</u> |
|---|--|---|---|
| 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 555 South Kansas Avenue, Suite 202 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 |
| 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

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 legislative session. The legislative amendment changed the reporting requirement for the State of Kansas. KTA is now reported as a discretely presented component unit for FY 2014. 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 operations of the Authority, effective July 1, 2013. The director of operations 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 (KDFA) 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. KDFA is a public body politic and corporate, constituting an independent instrumentality of the State. KDFA 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 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.

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.

I. Summary of Significant Accounting Policies

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.

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

I. Summary of Significant Accounting Policies

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:

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.

I. Summary of Significant Accounting Policies

Social Services Fund – This special revenue fund accounts for the activities of the Department of Aging 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 – This 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.

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.

Transportation-Capital Projects Fund – This fund accounts for the financial resources to be used for construction of major capital facilities for the Department of Transportation. This is the fund that accounts for KDOT bond proceeds.

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.

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.

I. Summary of Significant Accounting Policies

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
- 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

I. Summary of Significant Accounting Policies

- 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). 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 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

I. Summary of Significant Accounting Policies

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:

| | Capitalization Policy | Depreciation Method | Estimated Useful Life |
|--------------------------------------|--------------------------|------------------------|--------------------------|
| 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, 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.

I. Summary of Significant Accounting Policies

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.

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 two 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.

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 (revenue) until that time. The State has one item that qualifies for reporting in this category: unavailable revenue. 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.

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.

I. Summary of Significant Accounting Policies

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 2014:

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Effective July 1, 2013, the State implemented GASB 65. In addition to reclassifications described in footnote I. E. above, GASB 65 requires bond issuance costs to be expensed when incurred rather than being reported as deferred charges and amortized over the term of the related debt. This adjustment resulted in a \$10.6 million, \$3.4 million and \$10.2 million decrease to Governmental Activities, Water Funds and University funds net position as of July 1, 2013, respectively. Additionally, \$1.7 million of debt issuance costs incurred for the year ended June 30, 2014 were recorded as expense rather than being deferred.

GASB Statement No. 66, "Technical Corrections - 2012", an amendment of GASB Statements No. 10 and No. 62, resolves conflicting guidance that resulted from the issuance of Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." GASB Statement 66 removes the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. It also modifies the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. Adoption of this statement had no impact on the State's financial position.

GASB Statement No. 67, "Financial Report for Pension Plans", was issued in June 2012. This statement establishes accounting and financial reporting by state and local government for pensions. This statement replaces the requirements of GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and GASB Statement No. 50, "Pensions Disclosures", as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of

I. Summary of Significant Accounting Policies

return in the notes to the financial statements and in 10-year required supplementary information schedules. The provisions of this statement were implemented during the year ended June 30, 2014.

At June 30, 2014, 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, 2014:

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. The provisions of this statement are effective for the State for fiscal years beginning after June 15, 2014, and could materially impact the reported liabilities and net position when implemented.

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. The provisions of this statement are effective for financial statements for the State's fiscal year ending June 30, 2015 with earlier application encouraged.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was issued in April 2013. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this statement are effective for financial statements for the State's fiscal year ending June 30, 2014 with earlier application encouraged.

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. The provisions of this statement should be applied simultaneously with the provisions of Statement 68.

II. Stewardship, Compliance, Accountability

A. Deficit Fund Equity

The Transportation – Capital Projects Fund had a deficit fund balance in fiscal year 2014 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 Workers' Compensation Fund had a deficit net position in fiscal year 2014 because claims and expenses paid out of the fund exceeded charges for services received.

The Aircraft Fund had a deficit net position in fiscal year 2014 because accounts payable recorded at the end of the year have not been charged to the State's other funds.

The State Workers Compensation Fund had a deficit net position in fiscal year 2014 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.

State of Kansas
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes On All Funds

A. Deposits and Investments

A summary of deposits and investments at June 30, 2014, 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 | \$ 21,190 | 3.36 | \$ 1,766 | 5.72 | \$ 48,345 | 2.55 |
| U.S. Agencies securities | 1,033,329 | 0.56 | 385,842 | 0.19 | 95,296 | 2.06 |
| Government Sponsored Entity | 33 | 2.76 | - | | 43 | <year |
| Repurchase Agreements | 607,628 | 0.24 | 247,960 | 0.00 | 101 | 6.80 |
| Investment Contract | 38,644 | 13.33 | - | | 1,724 | 18.35 |
| Mutual Fund-Fixed Income | - | | - | | 13,804 | < year |
| Mutual Fund-Equities | - | | - | | 5,929 | <year |
| Equity Securities | 121,531 | | 18,320,347 | | 20,380 | |
| Commercial Paper | 1,423,264 | 0.19 | - | | - | |
| Corporate Bonds | 278,262 | 5.49 | 567,634 | 2.69 | 9,682 | 0.60 |
| Non-marketable securities issued by the U.S. Treasury | - | | 1,245 | < year | - | |
| Alternative Investment | - | | - | | 20,855 | 1.90 |
| Municipal Securities | 96,268 | 1.51 | - | | 528 | <90days |
| Foreign Issues | 15,985 | 5.69 | - | | - | |
| Derivative Instrument | - | | - | | - | |
| Securities Lending Collateral | - | | 1,795 | 0.20 | - | |
| University assets reported under FASB* | - | | - | | 2,844,129 | |
| Other Investments | - | | - | | 11,296 | |
| Fiduciary and Component Unit's share of Treasurer's pool | (1,236,482) | | 514,687 | | 721,795 | |
| Cash and cash equivalents | 433,624 | | 148,927 | | 353,218 | |
| | <u>\$ 2,833,276</u> | | <u>\$ 20,190,203</u> | | <u>\$ 4,147,125</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, 2014, the Kansas University Endowment Association held \$1,579,436 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 under the equity method of accounting.

At June 30, 2014, the Kansas State University Foundation held \$624,511 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, 2014, the Wichita State University Foundation held \$227,633 of securities at fair value held mainly in common and preferred stocks, foreign stocks, corporate bonds, mortgage-backed securities, U.S. government securities, commodities and foreign bonds.

State of Kansas
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes On All Funds

A reconciliation of deposits and investments to the financial statements at June 30, 2014, is as follows (expressed in thousands):

Disclosures Regarding Deposits and Investments:

| | |
|-------------------------------------|-----------------------------|
| Total investments and time deposits | \$ 22,791,188 |
| Carrying amount of demand deposits | <u>4,379,416</u> |
| Total | <u><u>\$ 27,170,604</u></u> |

Statement of Net Assets

Governmental and Business-Type Activities

| | |
|--------------------------------------|--------------|
| Cash and cash equivalents | \$ 1,929,770 |
| Investments at fair market value | 248,175 |
| Restricted cash and cash equivalents | 376,909 |
| Restricted investments | 278,422 |

Component Units

| | |
|--------------------------------------|-----------|
| Cash and cash equivalents | 764,962 |
| Investments at fair market value | 3,003,220 |
| Restricted cash and cash equivalents | 298,336 |
| Restricted investments | 80,607 |

Statement of Fiduciary Net Assets

| | |
|----------------------------------|-----------------------------|
| Cash and cash equivalents | 1,728,175 |
| Investments at fair market value | <u>18,462,028</u> |
| Total | <u><u>\$ 27,170,604</u></u> |

Deposits. At June 30, 2014, the carrying amount of the Governmental and Business-type Activities was \$2.3 billion, of which the bank balance was \$2.4 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.

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III. Detailed Notes On All Funds

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.

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, 2014 are presented below with applicable credit ratings (expressed in thousands):

| Governmental and Business-Type Activities Investments at June 30, 2014 | | | | | | | | | | | |
|--|--------------------------------------|-----------------|---------------------|---------------------|------------------|------------------|------------------|-----------------|--------------|-------------------|-----------|
| Fair Value | Quality Ratings (Standard and Poors) | | | | | | | | | | |
| | AAA | AA | A | BBB | BB | B | CCC | D | Unrated | | |
| Commercial Paper | \$ 1,423,264 | \$ - | \$ - | \$ 1,397,292 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 25,972 |
| Corporate Bonds | 278,262 | 9,630 | 126,733 | 7,605 | 37,503 | 23,550 | 16,224 | 5,553 | 97 | 51,367 | |
| Foreign Issues | 15,985 | - | 14,437 | - | 1,548 | - | - | - | - | - | |
| Government sponsored entity | 33 | - | 33 | - | - | - | - | - | - | - | |
| Investment contracts | 38,644 | - | 6,267 | - | - | - | - | - | - | 32,377 | |
| Municipal securities | 96,268 | - | - | - | - | - | - | - | - | 96,268 | |
| Repurchase agreements | 607,628 | - | 589,240 | - | - | - | - | - | - | 18,388 | |
| U.S. agencies securities | 1,033,329 | - | 1,033,329 | - | - | - | - | - | - | - | |
| | <u>\$ 3,493,413</u> | <u>\$ 9,630</u> | <u>\$ 1,770,039</u> | <u>\$ 1,404,897</u> | <u>\$ 39,051</u> | <u>\$ 23,550</u> | <u>\$ 16,224</u> | <u>\$ 5,553</u> | <u>\$ 97</u> | <u>\$ 224,372</u> | |

| Component Units Investments at June 30, 2014 | | | | | | | |
|--|--------------------------------------|-----------------|-------------------|------------------|-----------------|--------------|---------------------|
| Fair Value | Quality Ratings (Standard and Poors) | | | | | | |
| | AAA | AA | A | B | C | Unrated | |
| Alternative investment | \$ 20,855 | \$ 7,381 | \$ - | \$ - | \$ - | \$ - | \$ 13,474 |
| Corporate bonds and commercial paper | 9,682 | - | - | 8,476 | - | - | 1,206 |
| Equity securities | 20,380 | - | - | 1,533 | 2,251 | 81 | 16,515 |
| Government sponsored entity | 43 | - | 43 | - | - | - | - |
| Investment contracts | 1,724 | - | 1,609 | 115 | - | - | - |
| Municipal securities | 528 | 528 | - | - | - | - | - |
| Mutual fund - equities | 5,929 | - | - | - | - | - | 5,929 |
| Mutual Fund - fixed income | 13,804 | - | 12,118 | - | - | - | 1,686 |
| Other investment | 11,296 | - | - | - | - | - | 11,296 |
| Repurchase agreements | 101 | 101 | - | - | - | - | - |
| U.S. agencies securities | 95,296 | 159 | 95,137 | - | - | - | - |
| U.S. treasury | 48,345 | - | 48,345 | - | - | - | - |
| University assets reported under FASB* | 2,844,129 | - | - | - | - | - | 2,844,129 |
| | <u>\$ 3,072,112</u> | <u>\$ 8,169</u> | <u>\$ 157,252</u> | <u>\$ 10,124</u> | <u>\$ 2,251</u> | <u>\$ 81</u> | <u>\$ 2,894,235</u> |

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III. Detailed Notes On All Funds

Fiduciary Fund Investments at June 30, 2014

| | Fair Value | Quality Ratings (Standard and Poors) | | | | | | | | | | | | | |
|---|----------------------|--------------------------------------|-------------------|-------------------|---------------|---------------|---------------|--------------|-------------|-------------|-------------|-------------|-------------|----------------------|------------|
| | | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | Unrated | | | |
| U.S. government | \$ 1,766 | \$ - | \$ 1,764 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 2 |
| U.S. agency | 385,842 | - | 385,741 | - | - | - | - | - | - | - | - | - | - | - | 101 |
| Repurchase agreements | 247,960 | - | 247,960 | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity securities | 18,320,227 | - | - | - | - | - | - | - | - | - | - | - | - | - | 18,320,227 |
| Corporate bonds and commercial paper | 567,634 | 151 | 356 | 565,610 | 781 | 336 | 253 | 69 | 6 | 1 | 6 | - | - | - | 65 |
| Non-marketable securities issued by the U.S. Treasury | 1,245 | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,245 |
| Securities lending collateral | 1,795 | 110 | 526 | 476 | - | - | - | - | - | - | - | - | - | - | 683 |
| | <u>\$ 19,678,263</u> | <u>\$ 261</u> | <u>\$ 636,347</u> | <u>\$ 566,086</u> | <u>\$ 781</u> | <u>\$ 336</u> | <u>\$ 253</u> | <u>\$ 69</u> | <u>\$ 6</u> | <u>\$ 1</u> | <u>\$ 6</u> | <u>\$ 1</u> | <u>\$ 6</u> | <u>\$ 18,474,117</u> | |

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 50 percent of the investment portfolio. As of June 30, 2014, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Home Loan Bank comprised 34.1%, 11.0% and 13.2%, respectively of KHRC’s investment portfolio. As of June 30, 2014, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and Federal Farm Credit Bank comprised 31.6%, 14.7%, 8.5% and 6.2%, respective of KTA’s investment portfolio. As of June 30, 2014, the remaining the 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, 2014, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes and Federal Home Loan Bank Discount Notes comprised approximately 11%, 5% and 15%, 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. 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-

III. Detailed Notes On All Funds

qualifying the custodial or depository institutions, brokers/dealers, intermediaries and advisors with which KHRC will do business. Investments held at June 30, 2014, including the underlying securities on the repurchase agreement, are held by the investment's counterparty. At June 30, 2014, the Kansas Bioscience Authority (KBA) had no deposits exposed to custodial credit risk. Also, as of June 30, 2014, 100 percent of KBA investments were held by the investments' counterparties. At June 30, 2014, none of KTA's bank balances were exposed to custodial credit risk.

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, 2014, were distributed among currencies in the following list.

Governmental and Business-Type Activities

Foreign Currency at June 30, 2014

| Fair Value | Currency | Percent |
|------------|--------------------|---------|
| \$ 879 | Australian Dollar | 0.28 % |
| 1,934 | Brazilian Real | 0.63 % |
| 588 | Chilean Peso | 0.19 % |
| 1,801 | Euro Currency Unit | 0.58 % |
| 1,065 | Indian Rupee | 0.34 % |
| 4,265 | Mexican New Peso | 1.38 |
| 530 | Other currencies | - % |
| 1,844 | Philippines Peso | 0.60 % |

All foreign currencies are in the medium grade bond portfolio

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III. Detailed Notes On All Funds

Fiduciary Fund
Foreign Currency at June 30, 2014

| USD Equivalent | | | |
|----------------------|---------------------|-----------------------------|---------|
| Equity | Fixed | Currency | Percent |
| \$ 180,191 | \$ 9,652 | Australian Dollar | 1.04% |
| 41,161 | 10,668 | Brazil Real | 0.28% |
| 777,263 | 135,653 | British Pound | 4.99% |
| 213,473 | 25,440 | Canadian Dollar | 1.31% |
| 3,572 | 807 | Chilean Peso | 0.02% |
| 19,585 | 0 | Chinese Yuan Renminbi | 0.11% |
| 2,268 | 0 | Colombian Peso | 0.01% |
| 53,332 | 947 | Danish Krone | 0.30% |
| 1,007,618 | 174,754 | Euro Currency Unit | 6.46% |
| 188,747 | 0 | Hong Kong Dollar | 1.03% |
| 940 | 0 | Hungarian Forint | 0.01% |
| 23,121 | 1,473 | Indian Rupee | 0.13% |
| 9,523 | 1,857 | Indonesian Rupian | 0.06% |
| 9,123 | 1,622 | Israeli Shekel | 0.06% |
| 635,344 | 8,591 | Japanese Yen | 3.52% |
| 14,292 | 2,937 | Malaysian Ringgit | 0.09% |
| 23,242 | 12,962 | Mexican New Peso | 0.20% |
| 12,393 | 2,790 | New Zealand Dollar | 0.08% |
| 44,556 | 0 | Norwegian Krone | 0.24% |
| 3,195 | 0 | Other | 0.02% |
| 5,679 | 2,389 | Philippines Peso | 0.04% |
| 10,224 | 26 | Polish Zloty | 0.06% |
| 8,947 | 0 | Russian Rubel (New) | 0.05% |
| 54,773 | 0 | Singapore Dollar | 0.30% |
| 45,286 | 6,108 | S. African Comm Rand | 0.28% |
| 121,471 | 0 | South Korean Won | 0.66% |
| 115,413 | 6,192 | Swedish Krona | 0.67% |
| 267,095 | 0 | Swiss Franc | 1.46% |
| 59,216 | 0 | Taiwan New Dollar | 0.32% |
| 9,034 | 0 | Thailand Baht | 0.05% |
| 13,451 | 329 | Turkish Nre Lira | 0.08% |
| 956 | 0 | United Arab Emirates Dirham | 0.01% |
| 9,811,215 | 4,101,208 | United States Dollar * | 76.06% |
| <u>\$ 13,785,699</u> | <u>\$ 4,506,405</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 27.0 percent of assets (excluding securities lending collateral) 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 foreign currency for selected international equity portfolios. At June 30, 2014, KPERS total foreign currency exposure was 10.7 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.

III. Detailed Notes On All Funds

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, 2014, KPERS had total net margins payable the next day of \$0.2 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 \$66.8 million were associated with futures for the year ending June 30, 2014.

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 exposure to positive market moves and limit exposures to interest rate and currency volatility.

Investment Derivative Summary at June 30, 2014

(expressed in thousands)

| Derivative | Asset Class* | Notional Value | Fair Value |
|------------------------------|------------------------|----------------|------------|
| Domestic Equity Futures | Domestic Equities | \$ 225,516 | \$ 1,831 |
| International Equity Futures | International Equities | 175,107 | (604) |
| Fixed Futures | Fixed | 985,231 | (11) |
| Pay Fixed Interest Swaps | Fixed | 20,300 | 2,307 |
| Receive Fixed Interest Swaps | Fixed | 414,800 | 1,214 |
| Credit Default Swaps | Fixed | 84,502 | 1,661 |
| TBA Agency Bonds** | Fixed | 103,531 | 103,531 |
| Foreign Currency Forwards | Fixed | 2,070,993 | (6,241) |

* 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.

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.

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III. Detailed Notes On All Funds

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, 2013 | Increases | Decreases | June 30, 2014 |
|------------------------------|------------------|---------------------|---------------------|-------------------|
| Options written | \$ (416) | \$ 416 | \$ - | \$ - |
| Options purchased | 386 | 670 | 1,056 | - |
| Pay fixed interest swaps | 2,657 | - | 350 | 2,307 |
| Receive fixed interest swaps | 750 | 1,335 | 871 | 1,214 |
| Credit default swaps | 256 | 3,061 | 1,656 | 1,661 |
| TBA agency bonds* | 83,654 | 3,149,925 | 3,130,048 | 103,531 |
| Foreign currency forwards | 1,255 | 3,143,197 | 3,150,692 | (6,240) |
| Total | <u>\$ 88,542</u> | <u>\$ 6,298,604</u> | <u>\$ 6,284,673</u> | <u>\$ 102,473</u> |

*TBA Agency Bond notinal 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 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.

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III. Detailed Notes On All Funds

Foreign Currency Forwards
(expressed in thousands)

| Currency | Notional Cost (USD) | Pending Foreign Exchange Receivables | Pending Foreign Exchange Payables | Fair Value June 30, 2014 |
|-------------------------------------|------------------------|---|---|--------------------------------|
| <u>Investment Currency Forwards</u> | | | | |
| Australian Dollar | \$ 100,196 | \$ 101,021 | \$ 100,560 | \$ 461 |
| Brazil Real | 20,265 | 20,313 | 20,460 | (147) |
| British Pound | 215,911 | 216,060 | 217,332 | (1,272) |
| Canadian Dollar | 107,758 | 108,927 | 108,642 | 285 |
| Danish Krone | 16,038 | 16,054 | 16,007 | 47 |
| Euro Currency Unit | 591,669 | 592,502 | 592,541 | (39) |
| Hong Kong Dollar | 131,954 | 131,960 | 131,972 | (12) |
| Polish Zloty | 1,941 | 1,947 | 1,941 | 6 |
| Japanese Yen | 219,761 | 219,944 | 220,366 | (422) |
| Malaysian Ringgit | 2,178 | 2,180 | 2,201 | (21) |
| Mexican New Peso | 19,282 | 19,291 | 19,391 | (100) |
| New Zealand Dollar | 6,055 | 6,076 | 6,119 | (43) |
| Norwegian Krone | 39,335 | 39,342 | 39,051 | 291 |
| Israeli Shekel | 1,545 | 1,545 | 1,557 | (12) |
| Philippines Peso | 1,608 | 1,638 | 1,608 | 30 |
| Russian Rubel | 4,328 | 4,464 | 4,497 | (33) |
| S African Rand | 6,217 | 6,217 | 6,210 | 7 |
| Singapore Dollar | 18,225 | 18,295 | 18,309 | (14) |
| Swedish Krona | 16,316 | 16,207 | 16,224 | (17) |
| Swiss Franc | 15,243 | 15,226 | 15,327 | (101) |
| Turkish Lira | 1,929 | 1,938 | 1,926 | 12 |
| Investment Forwards | <u>\$ 1,537,754</u> | <u>\$ 1,541,147</u> | <u>\$ 1,542,241</u> | <u>\$ (1,094)</u> |
| <u>Hedging Currency Forwards</u> | | | | |
| Australian Dollar | \$ 8,836 | \$ 8,836 | 9,010 | \$ (174) |
| Canadian Dollar | 112,083 | 112,398 | 113,897 | (1,499) |
| Euro Currency Unit | 281,141 | 281,141 | 283,212 | (2,071) |
| Japanese Yen | 78,948 | 78,947 | 79,700 | (753) |
| Swiss Franc | 52,434 | 52,434 | 53,086 | (652) |
| Hedging Forwards | <u>\$ 533,442</u> | <u>\$ 533,756</u> | <u>\$ 538,905</u> | <u>\$ (5,149)</u> |
| Total | <u>\$ 2,071,196</u> | <u>\$ 2,074,903</u> | <u>\$ 2,081,146</u> | <u>\$ (6,243)</u> |

Hedging Derivatives

Foreign Currency Forwards

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."

III. Detailed Notes On All Funds

KPERS has ongoing foreign currency exposure through its international equities portfolio. At June 30, 2014, the market values of international equities was \$4.2 billion. KPERS' exposure to foreign currencies is converted into a proxy basket 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 or March. 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.

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III. Detailed Notes On All Funds

Currency Forwards Counterparty Exposure
(expressed in thousands)

| <u>Counterparty Name</u> | <u>By Counterparty at June 30, 2014</u> | | <u>Standard & Poors Long Term Rating</u> |
|--|---|--------------------|--|
| | <u>Notional \$USD</u> | <u>Fair Values</u> | |
| <i>Investment forwards counterparty exposure</i> | | | |
| Australia & New Zealand Banking Group | \$ 139 | \$ (930) | A |
| Bank of America | 47,309 | (347) | A |
| Bank of New York Mellon | 11,826 | (2) | A |
| Barclays | 313,917 | (372) | A |
| BNP Paribas | 30,086 | (85) | A |
| Citigroup Inc | 110,492 | (294) | A |
| Commonwealth Bank of Australia | 38,346 | 286 | A |
| Credit Suisse Group | 159,339 | (126) | A |
| Deutsche Bank | 141,253 | 54 | A |
| Goldman Sachs Bank | 63,599 | (113) | A |
| Goldman Sachs International | 31,000 | (224) | A |
| HSBC Securities | 8,857 | 1 | NR |
| JPMorgan Chase Bank | 38,177 | (142) | A |
| Merrill Lynch & Co | 7,746 | (117) | NR |
| Morgan Stanley Capital Services | 74,881 | 286 | NR |
| National Australia Bank | 7,422 | 1 | A |
| Non-Brokered Contracts | 23,087 | (39) | NR |
| Northern Trust Corp | 11,424 | 94 | A |
| Royal Bank of Canada | 80,870 | 248 | A |
| Societe Generale | 16,526 | (74) | A |
| State Street Corp | 48,317 | 562 | A |
| Toronto Dominion Bank | 3,323 | 12 | A |
| UBS | 257,292 | (705) | NR |
| Westpac Banking Corp | 12,526 | 2 | A |
| Investment exposure | <u>\$ 1,537,754</u> | <u>\$ (1,094)</u> | |
| <i>Hedging forwards counterparty exposure</i> | | | |
| Barclays | \$ 72,732 | \$ (752) | A |
| Citibank | 133,756 | (1,085) | A |
| Deutsche Bank | 124,871 | (1,061) | A |
| Goldman Sachs International | 22,088 | 148 | A |
| HSBC Securities | 83,273 | (1,895) | NR |
| JPMorgan Chase & Co | 86,014 | (447) | A |
| Royal Bank of Scotland | 10,708 | (57) | A |
| Hedging exposure | <u>\$ 533,442</u> | <u>\$ (5,149)</u> | |

State of Kansas
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes On All Funds

B. Receivables

Accounts receivable as of June 30, 2014, 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 | \$ 650,022 | \$ - | \$ 650,022 | \$ - |
| Intergovernmental receivable | 10,257 | 11,521 | 21,778 | 5,080 |
| Loan receivable | 13,727 | 618,743 | 632,470 | 108,128 |
| Accrued interest | 130 | 8,923 | 9,053 | 2,802 |
| Other receivables, net | 352,503 | 20,610 | 373,113 | 366,453 |
| Total | <u>\$ 1,026,639</u> | <u>\$ 659,797</u> | <u>\$ 1,686,436</u> | <u>\$ 482,463</u> |

Taxes receivable and other receivables are shown net of allowances for uncollectible amounts of \$570.0 million and \$139.1 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, 2014, is as follows (expressed in thousands):

| | |
|---|-----------------|
| Total minimum lease payments to be received | \$ 4,776 |
| Less: unearned income | <u>(721)</u> |
| Net investment in direct financing leases | <u>\$ 4,055</u> |

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.

III. Detailed Notes On All Funds

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.

State of Kansas
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes On All Funds

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 | \$ 671,479 | \$ - | \$ 208,430 | \$ 163,699 | \$ 716,210 |
| Infrastructure (including construction in progress) | 10,725,269 | - | 182,288 | 47,629 | 10,859,928 |
| Land | 243,348 | - | 8,184 | 325 | 251,207 |
| Total capital assets, not being depreciated | <u>11,640,096</u> | <u>-</u> | <u>398,902</u> | <u>211,653</u> | <u>11,827,345</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 1,389,774 | - | 50,910 | 9,232 | 1,431,452 |
| Equipment and furnishings | 505,748 | - | 19,927 | 5,090 | 520,585 |
| Intangible-software | 75,824 | - | 344 | - | 76,168 |
| Land improvements | 115,700 | - | 810 | 1,243 | 115,267 |
| Vehicles | 78,705 | - | 8,852 | 7,712 | 79,845 |
| Water rights | 32,431 | - | - | - | 32,431 |
| Total | <u>2,198,182</u> | <u>-</u> | <u>80,843</u> | <u>23,277</u> | <u>2,255,748</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 634,914 | - | 34,348 | 7,914 | 661,348 |
| Equipment and furnishings | 281,666 | - | 28,411 | 6,889 | 303,188 |
| Intangible-software | 33,055 | - | 6,843 | - | 39,898 |
| Land improvements | 55,674 | - | 2,922 | 196 | 58,400 |
| Vehicles | 57,378 | - | 7,217 | 5,828 | 58,767 |
| Water rights | 18,083 | - | 836 | - | 18,919 |
| Total | <u>1,080,770</u> | <u>-</u> | <u>80,577</u> | <u>20,827</u> | <u>1,140,520</u> |
| Total capital assets, being depreciated, net | <u>1,117,412</u> | <u>-</u> | <u>266</u> | <u>2,450</u> | <u>1,115,228</u> |
| Governmental activity capital assets, net | <u>\$ 12,757,508</u> | <u>\$ -</u> | <u>\$ 399,168</u> | <u>\$ 214,103</u> | <u>\$ 12,942,573</u> |
| <i>Business-type activities</i> | | | | | |
| Capital assets, being depreciated: | | | | | |
| Equipment and furnishings | \$ 71,405 | \$ (70,102) | \$ - | \$ - | \$ 1,303 |
| Vehicles | 770 | - | 75 | - | 845 |
| Total | <u>72,175</u> | <u>(70,102)</u> | <u>75</u> | <u>-</u> | <u>2,148</u> |
| Less accumulated depreciation for: | | | | | |
| Equipment and furnishings | 27,756 | (26,522) | 42 | - | 1,276 |
| Vehicles | 575 | (112) | 110 | - | 573 |
| Total | <u>28,331</u> | <u>(26,634)</u> | <u>152</u> | <u>-</u> | <u>1,849</u> |
| Business-type activity capital assets, net | <u>\$ 43,844</u> | <u>\$ (43,468)</u> | <u>\$ (77)</u> | <u>\$ -</u> | <u>\$ 299</u> |

State of Kansas
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes On All Funds

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

Governmental activities

| | |
|--|-------------------------|
| General government | \$ 18,752 |
| Human resources | 10,660 |
| Education | 2,367 |
| Public safety | 20,205 |
| Agriculture and natural resources | 6,602 |
| Highways and other transportation | 21,264 |
| Health and environment | <u>727</u> |
| Total depreciation expense – Government activities | <u><u>\$ 80,577</u></u> |

Business-Type activities

| | |
|---|----------------------|
| Health care stabilization | \$ 4 |
| Lottery | 147 |
| Communication system revolving | <u>1</u> |
| Total depreciation expense – Business-type activities | <u><u>\$ 152</u></u> |

State of Kansas
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes On All Funds

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 | \$ 110 | \$ - | \$ 12 | \$ - | \$ 122 |
| Equipment and furnishings | 262 | - | 10 | - | 272 |
| Less accumulated depreciation | 313 | - | 25 | - | 338 |
| Total capital assets, being depreciated, net | <u>\$ 59</u> | <u>\$ -</u> | <u>\$ (3)</u> | <u>\$ -</u> | <u>\$ 56</u> |
| <i>Kansas Housing Resources Corporation</i> | | | | | |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | \$ 61 | \$ - | \$ - | \$ - | \$ 61 |
| Equipment and furnishings | 826 | - | 69 | 16 | 879 |
| Assets in progress | 33 | - | 13 | 33 | 13 |
| Vehicles | 133 | - | - | 61 | 72 |
| Less accumulated depreciation | 881 | - | 71 | 75 | 877 |
| Total capital assets, being depreciated, net | <u>\$ 172</u> | <u>\$ -</u> | <u>\$ 11</u> | <u>\$ 35</u> | <u>\$ 148</u> |
| <i>Kansas Bioscience Authority</i> | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 420 | \$ - | \$ - | \$ - | \$ 420 |
| Total capital assets, not being depreciated | <u>420</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>420</u> |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 13,408 | - | 15 | - | 13,423 |
| Equipment and furnishings | 1,356 | - | 1 | - | 1,357 |
| Less accumulated depreciation | 1,240 | - | 515 | - | 1,755 |
| Total capital assets being depreciated, net | <u>13,524</u> | <u>-</u> | <u>(499)</u> | <u>-</u> | <u>13,025</u> |
| Total capital assets, net | <u>\$ 13,944</u> | <u>\$ -</u> | <u>\$ (499)</u> | <u>\$ -</u> | <u>\$ 13,445</u> |
| <i>Kansas Turnpike Association</i> | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 12,382 | \$ - | \$ - | \$ - | \$ 12,382 |
| Building CIP | - | - | 695 | - | 695 |
| Infrastructure, including CIP | 528,581 | - | 2,577 | 27 | 531,131 |
| Total capital assets, not being depreciated | <u>540,963</u> | <u>-</u> | <u>3,272</u> | <u>27</u> | <u>544,208</u> |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 32,524 | - | 98 | - | 32,622 |
| Equipment and furnishings | 16,481 | - | 2,726 | - | 19,207 |
| Less accumulated depreciation | 20,228 | - | 2,803 | - | 23,031 |
| Total capital assets being depreciated, net | <u>28,777</u> | <u>-</u> | <u>21</u> | <u>-</u> | <u>28,798</u> |
| Total capital assets, net | <u>\$ 569,740</u> | <u>\$ -</u> | <u>\$ 3,293</u> | <u>\$ 27</u> | <u>\$ 573,006</u> |

State of Kansas
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes On All Funds

| | (expressed in thousands) | | | | |
|--|--------------------------|----------------------------|-------------------|-------------------|---------------------|
| | Beginning Balance | Prior Period Adjustment | Increases | Decreases | Ending Balance |
| <i>University system</i> | | | | | |
| Capital assets, not being depreciated | | | | | |
| Construction in progress | \$ 177,245 | \$ - | \$ 245,851 | \$ 215,653 | \$ 207,443 |
| Land | 69,352 | - | 3,960 | 1,391 | 71,921 |
| Total capital assets, not being depreciated | <u>246,597</u> | <u>-</u> | <u>249,811</u> | <u>217,044</u> | <u>279,364</u> |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 3,010,626 | - | 288,085 | 52,161 | 3,246,550 |
| Land improvements | 51,282 | - | 3,573 | 76 | 54,779 |
| Equipment and furnishings | 600,210 | - | 55,877 | 19,069 | 637,018 |
| Intangible, software | 22,714 | - | 3,662 | 361 | 26,015 |
| Vehicles | 49,562 | - | 3,421 | 2,683 | 50,300 |
| Total capital assets, being depreciated | <u>3,734,394</u> | <u>-</u> | <u>354,618</u> | <u>74,350</u> | <u>4,014,662</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 1,228,043 | - | 90,550 | 2,409 | 1,316,184 |
| Land improvements | 21,940 | - | 1,721 | 52 | 23,609 |
| Equipment and furnishings | 414,214 | - | 46,437 | 16,219 | 444,432 |
| Intangible, software | 8,958 | - | 1,842 | 165 | 10,635 |
| Vehicles | 41,230 | - | 2,935 | 2,928 | 41,237 |
| Totals | <u>1,714,385</u> | <u>-</u> | <u>143,485</u> | <u>21,773</u> | <u>1,836,097</u> |
| Total capital assets, being depreciated, net | <u>2,020,009</u> | <u>-</u> | <u>211,133</u> | <u>52,577</u> | <u>2,178,565</u> |
| University system capital assets, net | <u>\$ 2,266,606</u> | <u>\$ -</u> | <u>\$ 460,944</u> | <u>\$ 269,621</u> | <u>\$ 2,457,929</u> |
| <i>All component units</i> | | | | | |
| Capital assets, not being depreciated | | | | | |
| Construction in progress | \$ 177,245 | \$ - | \$ 246,546 | \$ 215,653 | \$ 208,138 |
| Land | 82,154 | - | 3,960 | 1,391 | 84,723 |
| Infrastructure, including CIP | 528,581 | - | 2,577 | 27 | 531,131 |
| Total capital assets, not being depreciated | <u>787,980</u> | <u>-</u> | <u>253,083</u> | <u>217,071</u> | <u>823,992</u> |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 3,056,729 | - | 288,210 | 52,161 | 3,292,778 |
| Land improvements | 51,282 | - | 3,573 | 76 | 54,779 |
| Equipment and furnishings | 619,168 | - | 58,696 | 19,118 | 658,746 |
| Intangible, software | 22,714 | - | 3,662 | 361 | 26,015 |
| Vehicles | 49,695 | - | 3,421 | 2,744 | 50,372 |
| Total capital assets, being depreciated | <u>3,799,588</u> | <u>-</u> | <u>357,562</u> | <u>74,460</u> | <u>4,082,690</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 1,240,165 | - | 91,306 | 2,408 | 1,329,063 |
| Land improvements | 21,940 | - | 1,721 | 52 | 23,609 |
| Equipment and furnishings | 426,112 | - | 47,604 | 16,235 | 457,481 |
| Intangible, software | 8,958 | - | 1,842 | 165 | 10,635 |
| Vehicles | 41,339 | - | 2,959 | 2,988 | 41,310 |
| Totals | <u>1,738,514</u> | <u>-</u> | <u>145,432</u> | <u>21,848</u> | <u>1,862,098</u> |
| Total capital assets, being depreciated, net | <u>2,061,074</u> | <u>-</u> | <u>212,130</u> | <u>52,612</u> | <u>2,220,592</u> |
| All component units capital assets, net | <u>\$ 2,849,054</u> | <u>\$ -</u> | <u>\$ 465,213</u> | <u>\$ 269,683</u> | <u>\$ 3,044,584</u> |

State of Kansas
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes On All Funds

Construction Commitments

The State has active construction projects as of June 30, 2014. 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 |
|--|---------------|-------------------------|--|
| Primary Government: | | | |
| Adjutant General's Department | | | |
| Nickell Hall HVAC & Electrical Upgrade | 881 | 129 | Federal fund |
| MATES Improvements | 1,813 | 40 | Federal fund |
| Culinary School Renovation | 994 | 174 | Federal fund |
| Field Maintenance Shop in Wichita Construction | 11,992 | 7 | Federal fund |
| Department of Administration | | | |
| Statehouse restoration and renovation | 318,842 | 1,185 | Debt service - lease revenue bonds |
| Department of Corrections | | | |
| Renovation to open former correctional camp | 1,330 | 35 | State funds |
| Department of Transportation | | | |
| Various roadway projects | 678,212 | 884,600 | Federal, state and local funds |
| Kansas Highway Patrol | | | |
| Troop F Headquarters Facility | - | 3,250 | Federal, state and local funds |
| Kansas School for the Deaf | | | |
| Roth West Wing Renovation, Phase B | 3,344 | 696 | State institutions building funds |
| Roth West Wing Renovation, Phase C | - | 1,554 | State institutions building funds |
| Component Units: | | | |
| Emporia State University | | | |
| Singular/Trusler Residence Hall | 5,223 | 373 | Bonds |
| Fort Hays State University | | | |
| Center for Network Learning Building | 7,382 | 2,048 | State funds |
| Pittsburg State University | | | |
| Fine & Performing Arts Center | 24,013 | 9,791 | Bonds and private funding |
| Robert W. Plaster Center | 3,871 | 12,336 | Bonds and student fees |
| Overman Student Center Expansion and Renovations | 1,350 | 12,090 | Bonds and student fees |
| Renovation of Existing Housing | 14,950 | 4,886 | Bonds and state funds |
| Heckert Wells New HVAC and Lab Hood Systems | 1,618 | 2,836 | State funds and local funds |
| Weede Physical Education Building Renovation | 2,200 | 1,298 | Bonds and private funding |
| Kansas State University | | | |
| Horticulture Center | 123 | 3,000 | Federal and restricted fees |
| Jardine Apartment Housing | 2,891 | 35,687 | Bonds and restricted fees |
| Mosier Hall Renovations | 6,140 | 1,860 | State general fund |
| West Hall Renovation | 560 | - | Bonds and Housing system |
| West Memorial Stadium | 2,410 | 3,190 | Restricted fees |
| New Residence Hall and Dining Center | 1,317 | 68,683 | Housing system operation fund, bonds |
| Engineering Complex Addition | 4,209 | 40,791 | Salina housing system operation, fee funds |
| College of Business Building | 1,117 | 48,883 | Restricted fee fund |

State of Kansas
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes On All Funds

| Agency - Project | Spent to Date | Remaining Commitment | Funding Source |
|--|---------------------|-------------------------|---|
| Component Units: | | | |
| (continued) | | | |
| Kansas State University (continued) | | | |
| Vet Med Chiller | 10,462 | 45,538 | Bonds, other funds (to be determined) |
| Energy Conservation 2012 | 6,504 | 886 | Bonds |
| Energy Conservation 2010 | 1,351 | 641 | Bonds |
| Library Annex | 1,089 | 2,911 | State general fund, fee funds |
| Equipment Rental Facility | 1,057 | 124 | Restricted fee fund |
| College of Architecture Renovation | - | 75,000 | To be determined |
| University of Kansas | | | |
| Engineering Expansion - Phase 2 | 18,469 | 62,166 | State funds, bonds and private funding |
| Lindley Hall Addition Energy and Environment Center Phase I | - | 32,973 | Private funding |
| School of Business - New Building | 3,419 | 62,321 | Private funding |
| McCullom Hall Replacement | 3,265 | 44,535 | Bonds and university funds |
| Marvin Hall - Forum Addition | 1,429 | 651 | Private funding |
| Parking Improvements | 4,383 | 2,117 | Parking revenue |
| University of Kansas Medical Center | | | |
| Various Projects | 5,691 | N/A | Bonds and state funds |
| Wichita State University | | | |
| Technology Transfer Building | 80 | 1,900 | Restricted Fees Kan-Gro Engineering |
| Perimeter Road Relocation | 1,361 | 847 | Parking System |
| Grace Wilkie Hall HVAC | 1,008 | 1,390 | KS Infrastructure Maintenance Remodeling and Improvement |
| Rhatigan Student Center Expansion and Renovation | 28,228 | 75 | KDFA Student Fees Remodeling and Improvement |
| Total | <u>\$ 1,184,578</u> | <u>\$ 1,473,497</u> | |

Significant encumbrances at June 30, 2014 (amounts in thousands)

| Fund | Amount |
|--------------------------|---------------------|
| General | \$ 48,622 |
| Social Services | 50,512 |
| Health and Environment | 102,494 |
| Transportation | 1,037,694 |
| Other Governmental Funds | 183,759 |
| Total | <u>\$ 1,423,081</u> |

III. Detailed Notes On All Funds

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, 2014, is as follows (expressed in thousands):

| Receivable Fund | Payable Fund | Amount |
|------------------------------|------------------------------|---------------|
| General Fund | Water Funds | \$ 5,100 |
| | Non-major Enterprise Funds | 5,247 |
| Transportation Fund | Non-major Enterprise Funds | 200 |
| Non-major Governmental Funds | General Fund | 22,547 |
| | Health & Environment Fund | 259 |
| | Non-major Governmental Funds | 260 |
| | Internal Service Funds | 485 |
| | | \$ 34,098 |

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, 2014, were as follows (expressed in thousands):

| Receivable Fund | Payable Fund | Amount |
|------------------------------|------------------------------|---------------|
| Health & Environment Fund | Non-major Governmental Funds | \$ 517 |
| Non-major Governmental Funds | General Fund | 99,658 |
| | Internal Service Funds | 638 |
| | Non-major Governmental Funds | 693 |
| | | \$ 101,506 |

The amounts payable to Health & Environment and 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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June 30, 2014

III. Detailed Notes On All Funds

Transfers

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

| Fund | Net Transfers In | Net Transfers Out |
|---------------------------------|---------------------|---------------------|
| General | \$ 0 | \$ 51,897 |
| Social Services | 732,709 | 0 |
| Health & Environment | 0 | 733,436 |
| Transportation | 0 | 382,784 |
| Transportation-Capital Projects | 0 | 61,403 |
| Non-major Governmental | 673,865 | 0 |
| Unemployment Insurance | 0 | 16,735 |
| Health Care Stabilization | 3,819 | 0 |
| Non-major Enterprise Funds | 0 | 158,975 |
| Internal Service Funds | 0 | 5,163 |
| Total | <u>\$ 1,410,393</u> | <u>\$ 1,410,393</u> |

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, 2014, and changes for the fiscal year then ended (expressed in thousands) are as follows:

| | 6/30/2013 Beginning Balance | Additions | Deletions | 6/30/2014 Ending Balance |
|--|-----------------------------------|-------------------|-------------------|--------------------------------|
| <i>Governmental Activities</i> | | | | |
| Certificates of Indebtedness | \$ 0 | \$ 300,000 | \$ 300,000 | \$ 0 |
| Accrued receivables: | | | | |
| State Building Fund | 0 | 43,378 | 43,378 | 0 |
| Expanded Lottery Act Revenues Fund | 0 | 82,926 | 82,926 | 0 |
| Children's Initiatives Fund | 0 | 28,050 | 28,050 | 0 |
| Correctional Institution Building Fund | 0 | 3,994 | 3,994 | 0 |
| State Economic Development | 0 | 21,266 | 21,266 | 0 |
| Kansas Endowment for Youth Fund | 0 | 195 | 195 | 0 |
| Total short-term obligations | <u>\$ 0</u> | <u>\$ 479,809</u> | <u>\$ 479,809</u> | <u>\$ 0</u> |

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 \$300 million was issued on July 1, 2013, and redeemed on June 18, 2014.

III. Detailed Notes On All Funds

Per K.S.A. 76-6b11, on July 1 of each year ad valorem tax and receivables are posted to the State Treasurer's receivables for the State Buildings Fund. The receivable is reduced as the ad valorem taxes are received. In fiscal year 2014, \$28.9 million was posted to the Kansas Educational Building Fund and \$14.5 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in June 2014.

Per Senate Bill 171, Section 111(r) of the 2013 Session, on July 1, 2013, 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 \$83.9 million and was reduced to zero in June 2014.

Per Senate Bill 171, Section 111(h) of the 2013 Session, on July 1, 2013, 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 65 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2014 a receivable was posted for \$28.1 million and was reduced to zero in April 2014.

Per Senate Bill 171, Section 111(j) of the 2013 Session, on July 1, 2013, 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 2014, a receivable was posted for \$4.0 million and was reduced to zero in January 2014.

Per Senate Bill 171, Section 111(h) of the 2013 Session, on July 1, 2013, 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 2014, a receivable was posted for \$21.3 million and was reduced to zero in November 2013.

Per Senate Bill 171, Section 111(k) of the 2013 Session, on July 1, 2013, 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 80 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 2014, a receivable was posted for \$195,000 and was reduced to zero in April 2014.

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III. Detailed Notes On All Funds

I. Long-term Obligations

A summary of long-term obligations at June 30, 2014, for the fiscal year then ended is as follows (expressed in thousands):

| | Governmental Activities | Business-type Activities | Component Units | Total |
|------------------------------------|----------------------------|-----------------------------|---------------------|---------------------|
| Revenue bonds payable | \$ 3,064,685 | \$ 452,317 | \$ 809,260 | \$ 4,326,262 |
| Less bonds payable on demand | (383,215) | - | - | (383,215) |
| Sales tax limited obligation bonds | 25,025 | - | - | 25,025 |
| Sales tax accretion bonds | 80,008 | - | - | 80,008 |
| Notes payable | 15,350 | - | 333,000 | 348,350 |
| Capital leases payable | 91,027 | - | 9,380 | 100,407 |
| Arbitrage rebate payable | 190 | 190 | 51 | 431 |
| Claims | 95,993 | 198,631 | - | 294,624 |
| Judgments | 58,464 | - | - | 58,464 |
| Compensated absences | 120,831 | 89 | 78,918 | 199,838 |
| Other post employment benefits | 58,631 | 412 | 64,993 | 124,036 |
| Pollution remediation | 65,678 | - | - | 65,678 |
| Other | - | 11,965 | 252,759 | 264,724 |
| Total long-term obligations | <u>\$ 3,292,667</u> | <u>\$ 663,604</u> | <u>\$ 1,548,361</u> | <u>\$ 5,504,632</u> |

State of Kansas
Notes to the Financial Statements
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III. Detailed Notes On All Funds

Long-term obligations at June 30, 2014, and changes for the fiscal year then ended are as follows (expressed in thousands):

| | Issue Dates | Interest Rates | Maturity Through | Original Amount of Debt | 6/30/2013 Beginning Balance | Additions | Deletions | 6/30/2014 Ending Balance | Amounts Due In One Year |
|--|-------------|----------------|------------------|-------------------------|-----------------------------|------------|------------|--------------------------|-------------------------|
| Governmental Activities | | | | | | | | | |
| <u>Revenue bonds payable:</u> | | | | | | | | | |
| KDFA series 2003 H | 2004 | 1.41 - 5.21% | 2014 | \$ 40,250 | \$ 4,890 | \$ - | \$ 4,890 | \$ - | \$ - |
| KDFA series 2004 A-1, 2 & 3 | 2004 | 2.00 - 5.00% | 2015 | 44,920 | 29,225 | - | 27,060 | 2,165 | 2,165 |
| KDFA series 2004 C | 2004 | 3.43 - 5.50% | 2034 | 500,000 | 445,710 | - | 12,275 | 433,435 | 12,835 |
| KDFA series 2005 H-1, 2, 3, 4 & 5 | 2006 | 3.25 - 5.00% | 2032 | 88,175 | 63,155 | - | 4,755 | 58,400 | 5,420 |
| KDFA series 2006 A | 2006 | 4.00 - 5.00% | 2027 | 209,490 | 164,705 | - | 8,580 | 156,125 | 8,960 |
| KDFA series 2006 L-1, 2, 3 | 2007 | 4.00 - 4.25% | 2026 | 13,210 | 9,135 | - | 775 | 8,360 | 810 |
| KDFA series 2007 F | 2007 | 4.00 - 4.97% | 2017 | 34,505 | 15,805 | - | 3,675 | 12,130 | 3,850 |
| KDFA series 2007 K-1, 2A, 2B, & 3 | 2008 | 4.00 - 5.25% | 2028 | 59,455 | 49,210 | - | 2,320 | 46,890 | 2,425 |
| KDFA series 2008 L-1, 2, & 3 | 2009 | 2.00 - 5.25% | 2029 | 43,265 | 36,900 | - | 1,730 | 35,170 | 1,785 |
| KDFA series 2009 A | 2009 | 2.50 - 5.00% | 2035 | 3,825 | 3,825 | - | - | 3,825 | 120 |
| KDFA series 2009 B | 2009 | 5.00% | 2019 | 515 | 515 | - | - | 515 | 95 |
| KDFA series 2009 F | 2009 | 3.00 - 5.00% | 2019 | 49,425 | 38,390 | - | 5,765 | 32,625 | 5,940 |
| KDFA series 2009 M-1 & M-2 | 2010 | 3.00 - 6.31% | 2035 | 89,765 | 81,460 | - | 2,865 | 78,595 | 2,950 |
| KDFA series 2009 N | 2010 | 3.88 - 5.80% | 2025 | 10,050 | 10,050 | - | - | 10,050 | 710 |
| KDFA series 2010 C | 2010 | 5.00% | 2020 | 52,755 | 42,945 | - | 5,275 | 37,670 | 5,540 |
| KDFA series 2010 E-1 & E-2 | 2010 | 2.00 - 6.12% | 2035 | 84,160 | 82,590 | - | 3,095 | 79,495 | 5,210 |
| KDFA series 2010 F | 2010 | 1.58 - 6.25% | 2032 | 18,400 | 15,790 | - | 1,345 | 14,445 | 1,805 |
| KDFA series 2010 O-1 & O-2 | 2011 | 2.70 - 6.10% | 2030 | 43,455 | 39,945 | - | 1,855 | 38,090 | 1,885 |
| KDFA series 2011 B | 2012 | 2.00 - 4.13% | 2031 | 53,780 | 49,170 | - | 1,985 | 47,185 | 2,045 |
| KDFA series 2011 K | 2012 | 3.00 - 5.00% | 2023 | 109,135 | 102,490 | - | 2,375 | 100,115 | 2,470 |
| KDFA series 2013 A-1, 2, & 3 | 2014 | 4.00 - 5.00% | 2033 | 71,885 | - | 71,885 | 2,485 | 69,400 | 2,665 |
| KDFA Series 2013 B | 2014 | 3.00 - 5.00% | 2024 | 40,555 | - | 40,555 | 3,335 | 37,220 | 3,020 |
| KDOT series 1998 | 1998 | 3.65 - 5.50% | 2014 | 189,195 | 11,465 | - | 11,465 | - | - |
| KDOT series 2002 B & C* | 2003 | 3.39% | 2020 | 320,005 | 258,735 | - | 22,520 | 236,215 | 23,340 |
| KDOT series 2003 A | 2004 | 3.13 - 5.00% | 2014 | 164,275 | 46,250 | - | 46,250 | - | - |
| KDOT series 2004 A | 2004 | 4.50 - 5.50% | 2019 | 250,000 | 76,235 | - | - | 76,235 | - |
| KDOT series 2004 B | 2005 | 4.30 - 5.00% | 2025 | 200,000 | 200,000 | - | - | 200,000 | - |
| KDOT series 2004 C* | 2005 | Variable | 2025 | 147,000 | 147,000 | - | - | 147,000 | - |
| KDOT series 2009 A | 2010 | 2.25 - 5.00% | 2021 | 176,680 | 176,680 | - | - | 176,680 | - |
| KDOT series 2010 A | 2011 | 4.60% | 2036 | 325,000 | 325,000 | - | - | 325,000 | - |
| KDOT series 2012 A | 2013 | Variable | 2016 | 151,365 | 151,365 | - | 23,075 | 128,290 | 90,065 |
| KDOT series 2012 B | 2013 | 5.00% | 2023 | 144,885 | 144,885 | - | - | 144,885 | - |
| KDOT series 2012 C | 2013 | 4.00 - 5.00% | 2033 | 200,000 | 200,000 | - | - | 200,000 | - |
| | | | | | | | | 2,936,210 | 186,110 |
| Less bonds payable on demand* | | | | (705,985) | (405,735) | - | (22,520) | (383,215) | (23,340) |
| <u>Plus deferred amounts:</u> | | | | | | | | | |
| Net unamortized premium (discount) | | | | - | 133,656 | 13,553 | 18,734 | 128,475 | - |
| Total revenue bonds payable | | | | \$ 3,223,395 | 2,751,441 | 125,993 | 195,964 | 2,681,470 | 162,770 |
| <u>Sales tax limited obligation bonds:</u> | | | | | | | | | |
| 1999 KISC | 1999 | 4.20 - 5.25% | 2028 | 18,182 | 15,766 | - | 547 | 15,219 | 598 |
| 400 acres refunding | 2005 | 3.25 - 5.54% | 2021 | 4,077 | 2,951 | - | 431 | 2,520 | 319 |
| 2012 refunding bond | 2013 | 2.00 - 5.00% | 2016 | 9,589 | 9,589 | - | 2,303 | 7,286 | 2,351 |
| Salt museum | 2006 | 5.00% | 2014 | 4,063 | 75 | - | 75 | - | - |
| Total sales tax limited obligation bonds | | | | \$ 35,911 | 28,381 | - | 3,356 | 25,025 | 3,268 |
| <u>Notes payable:</u> | | | | | | | | | |
| Water supply storage in federal reservoirs | | | | 29,189 | 16,084 | - | 734 | 15,350 | 760 |
| KDFA bond anticipation note series 2012-1 & 2013-1 | | | | 3,225 | 47,016 | - | 47,016 | - | - |
| Total notes payable | | | | \$ 32,414 | 63,100 | - | 47,750 | 15,350 | 760 |
| Arbitrage rebate payable | | | | | 136 | 71 | 17 | 190 | - |
| Sales tax limited obligation accretion bonds | | | | | 111,281 | 12,897 | 44,170 | 80,008 | - |
| Capital leases payable | | | | | 97,515 | 11,777 | 18,265 | 91,027 | 12,266 |
| Claims | | | | | 83,555 | 426,770 | 414,332 | 95,993 | 43,742 |
| Judgments | | | | | 18,830 | 42,499 | 2,865 | 58,464 | 5,692 |
| Compensated absences | | | | | 118,656 | 10,806 | 8,631 | 120,831 | 58,271 |
| Other post employment benefits | | | | | 55,079 | 15,389 | 11,837 | 58,631 | - |
| Pollution remediation | | | | | 63,575 | 2,103 | - | 65,678 | 17,711 |
| Total governmental activities | | | | | \$ 3,391,549 | \$ 648,305 | \$ 747,187 | \$ 3,292,667 | \$ 304,480 |

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III. Detailed Notes On All Funds

| | Issue Dates | Interest Rates | Maturity Through | Original Amount of Debt | 6/30/2013 Beginning Balance | Additions | Deletions | 6/30/2014 Ending Balance | Amounts Due In One Year |
|--|-------------|----------------|------------------|-------------------------|-----------------------------|-----------------|-------------------|--------------------------|-------------------------|
| Business-type Activities | | | | | | | | | |
| Revenue bonds payable: | | | | | | | | | |
| KDFA series 2001 I & II | 2002 | 5.00 - 5.50% | 2018 | \$ 124,540 | \$ 50,575 | \$ - | \$ 10,075 | \$ 40,500 | \$ 9,500 |
| KDFA series 2004 II | 2004 | 4.92 - 5.25% | 2023 | 45,140 | 8,435 | - | 2,710 | 5,725 | 2,810 |
| KDFA series 2004 I & 2 | 2005 | 3.00 - 5.00% | 2019 | 176,010 | 3,850 | - | 850 | 3,000 | 895 |
| KDFA series 2005 CW I & II | 2006 | 3.00 - 5.00% | 2027 | 118,860 | 58,360 | - | 10,040 | 48,320 | 11,340 |
| KDFA series 2008 CW I & II | 2009 | 3.00 - 5.00% | 2014 | 66,545 | 2,820 | - | 2,820 | - | - |
| KDFA series 2009 DW 1 & 2 | 2010 | 1.50 - 5.60% | 2029 | 73,040 | 37,545 | - | 715 | 36,830 | 760 |
| KDFA series 2010 SRF 1,2 & 3 (CW & DW) | 2011 | 1.68 - 5.95% | 2030 | 213,950 | 203,880 | - | 10,915 | 192,965 | 9,640 |
| KDFA series 2011 SRF DW 1 & 2 | 2011 | 2.00-4.20% | 2031 | 53,380 | 53,295 | - | 270 | 53,025 | 370 |
| KDFA series 2005 TR | 2006 | 3.00 - 5.00% | 2026 | 32,690 | 19,955 | - | 2,265 | 17,690 | 2,295 |
| KDFA series 2006 TR | 2007 | 4.00 - 5.00% | 2027 | 24,755 | 14,485 | - | 1,855 | 12,630 | 1,960 |
| KDFA series 2008 G | 2009 | 4.60 - 5.05% | 2023 | 14,200 | 1,387 | - | 191 | 1,196 | 200 |
| KDFA series 2009 TR | 2009 | 2.50 - 4.78% | 2028 | 30,950 | 22,950 | - | 1,980 | 20,970 | 1,475 |
| KDFA series 2013 SRF | 2013 | 0.50% | 2014 | 2,666 | 2,666 | - | 2,666 | - | - |
| KDFA series 2013 SRF-2 | 2014 | 0.50% | 2015 | 5,100 | - | 5,100 | - | 5,100 | 5,100 |
| Plus deferred amounts: | | | | | | | | | |
| Net unamortized premium (discount) | | | | - | 17,542 | - | 3,176 | 14,366 | 4,149 |
| Total revenue bonds payable | | | | <u>\$ 981,826</u> | <u>497,745</u> | <u>5,100</u> | <u>50,528</u> | <u>452,317</u> | <u>50,494</u> |
| Arbitrage rebate payable | | | | | 196 | - | 6 | 190 | - |
| Claims and judgments | | | | | 200,180 | 103 | 1,652 | 198,631 | 18,456 |
| Compensated absences | | | | | 75 | 14 | - | 89 | 73 |
| Other | | | | | 12,992 | - | 1,027 | 11,965 | - |
| Other post employment benefits | | | | | 378 | 34 | - | 412 | - |
| Unemployment benefits loan | | | | | 50,209 | - | 50,209 | - | - |
| Total business-type activities | | | | | <u>\$ 761,775</u> | <u>\$ 5,251</u> | <u>\$ 103,422</u> | <u>\$ 663,604</u> | <u>\$ 69,023</u> |

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Notes to the Financial Statements
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III. Detailed Notes On All Funds

| Component Units | Issue Dates | Interest Rates | Maturity Through | Original Amount of Debt | 6/30/2013 Beginning Balance | Additions | Deletions | 6/30/2014 Ending Balance | Amounts Due In One Year |
|---|-------------|----------------|------------------|-------------------------|-----------------------------|------------|------------|--------------------------|-------------------------|
| Revenue bonds payable: | | | | | | | | | |
| KDFA series 2001 B | 2001 | 3.65 - 5.20% | 2021 | 2,805 | 1,445 | - | 150 | 1,295 | 160 |
| KDFA series 2001 D | 2001 | 4.25 - 5.25% | 2014 | 48,895 | 25,585 | - | 25,585 | - | - |
| KDFA series 2001 G1 | 2001 | 4.25 - 5.25% | 2014 | 7,230 | 150 | - | 150 | - | - |
| KDFA series 2001 W-1,3,4 & 5 | 2002 | 3.00 - 5.00% | 2022 | 44,470 | 985 | - | 90 | 895 | 95 |
| KDFA series 2002 A-1 & A-2 | 2002 | 3.50 - 4.38% | 2014 | 11,230 | 330 | - | 330 | - | - |
| KDFA series 2002 H | 2003 | 2.50 - 4.70% | 2022 | 3,765 | 2,020 | - | 190 | 1,830 | 195 |
| KDFA series 2002 N-1 & N-2 | 2003 | 3.00 - 5.25% | 2018 | 52,075 | 4,000 | - | 2,670 | 1,330 | 305 |
| KDFA series 2003 A-1 & A-2 | 2003 | 1.80 - 5.50% | 2023 | 2,610 | 1,605 | - | 1,355 | 250 | 135 |
| 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 | 515 | - | 75 | 440 | 75 |
| KDFA series 2003 J-1 | 2004 | 2.00 - 5.25% | 2014 | 34,100 | 4,780 | - | 4,780 | - | - |
| KDFA series 2004 D | 2005 | 3.00 - 4.75% | 2014 | 1,195 | 705 | - | 705 | - | - |
| KDFA series 2004 G-1 | 2005 | 2.50 - 5.13% | 2024 | 19,795 | 12,545 | - | 12,545 | - | - |
| KDFA series 2005 A | 2005 | 3.00 - 5.00% | 2035 | 44,535 | 38,080 | - | 35,955 | 2,125 | 1,090 |
| KDFA series 2005 D | 2005 | 3.79 - 5.18% | 2022 | 66,530 | 26,955 | - | 5,705 | 21,250 | 4,290 |
| KDFA series 2005 E-1 & E-2 | 2005 | 3.00 - 5.00% | 2030 | 19,360 | 15,620 | - | 14,285 | 1,335 | 655 |
| KDFA series 2005 F | 2006 | 3.25 - 4.40% | 2026 | 8,930 | 7,025 | - | 415 | 6,610 | 450 |
| KDFA series 2005 G | 2006 | 3.30 - 4.60% | 2026 | 7,205 | 5,905 | - | 355 | 5,550 | 370 |
| KDFA series 2006 B | 2006 | 3.50 - 4.13% | 2021 | 9,790 | 9,015 | - | - | 9,015 | 1,140 |
| KDFA series 2007 A | 2007 | 3.75 - 4.39% | 2037 | 27,750 | 24,595 | - | 15,945 | 8,650 | 645 |
| KDFA series 2007 E | 2007 | 3.75 - 4.30% | 2027 | 6,275 | 4,885 | - | 265 | 4,620 | 280 |
| KDFA series 2007 H | 2008 | 3.60 - 4.50% | 2037 | 17,855 | 16,045 | - | 400 | 15,645 | 420 |
| KDFA series 2007 M | 2008 | 3.50 - 4.60% | 2027 | 18,220 | 14,630 | - | 800 | 13,830 | 830 |
| KDFA series 2008 A | 2008 | 3.00 - 4.00% | 2016 | 20,000 | 7,500 | - | 2,500 | 5,000 | 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 | 18,080 | - | 810 | 17,270 | 835 |
| KDFA series 2009 C | 2009 | 3.00 - 5.00% | 2017 | 20,000 | 10,000 | - | 2,500 | 7,500 | 2,500 |
| KDFA series 2009 G | 2009 | 2.50 - 4.75% | 2024 | 825 | 640 | - | 50 | 590 | 50 |
| KDFA series 2009 H-1 & H-2 | 2009 | 2.50 - 7.30% | 2035 | 14,630 | 13,860 | - | 400 | 13,460 | 410 |
| KDFA series 2009 J-1 & J-2 | 2009 | 2.50 - 7.00% | 2030 | 4,545 | 4,055 | - | 175 | 3,880 | 180 |
| KDFA series 2009 K-1 & K-2 | 2010 | 2.63 - 5.63% | 2040 | 6,140 | 6,030 | - | 115 | 5,915 | 120 |
| KDFA series 2009 M-1 & M-2 | 2010 | 3.00 - 6.31% | 2030 | 27,150 | 24,880 | - | 1,200 | 23,680 | 1,245 |
| KDFA series 2010 A | 2010 | 2.00 - 4.05% | 2030 | 23,700 | 21,815 | - | 670 | 21,145 | 1,040 |
| KDFA series 2010 B | 2010 | 2.50 - 3.75% | 2027 | 21,650 | 19,175 | - | 1,175 | 18,000 | 1,110 |
| KDFA series 2010 D | 2010 | 3.12% | 2014 | 1,315 | 680 | - | 680 | - | - |
| KDFA series 2010 G-1 & G-2 | 2010 | 2.00 - 6.60% | 2040 | 21,565 | 21,565 | - | 500 | 21,065 | 505 |
| KDFA series 2010 H | 2010 | 2.00% | 2016 | 1,530 | 775 | - | 260 | 515 | 265 |
| KDFA series 2010 J | 2010 | 0.75 - 4.45% | 2030 | 14,765 | 13,030 | - | 585 | 12,445 | 600 |
| KDFA series 2010 K-1 & K-2 | 2010 | 2.00 - 6.20% | 2035 | 15,050 | 11,645 | - | 745 | 10,900 | 295 |
| KDFA series 2010 M-1 & M-2 | 2010 | 2.00 - 5.10% | 2026 | 20,990 | 18,615 | - | 1,225 | 17,390 | 1,250 |
| KDFA series 2010 P-1 & P-2 | 2011 | 2.00 - 5.00% | 2031 | 15,930 | 14,680 | - | 645 | 14,035 | 665 |
| KDFA series 2010 U-1 & U-2 | 2011 | 1.80 - 6.20% | 2029 | 25,180 | 22,160 | - | 1,825 | 20,335 | 1,835 |
| KDFA series 2011 C | 2011 | 2.00 - 4.50% | 2036 | 13,450 | 12,695 | - | 375 | 12,320 | 385 |
| KDFA series 2011 D-1, 2 & 3 | 2011 | 2.00 - 4.40% | 2024 | 9,465 | 7,970 | - | 790 | 7,180 | 805 |
| KDFA series 2011 G | 2012 | 0.50 - 4.13% | 2021 | 16,300 | 15,230 | - | 360 | 14,870 | 370 |
| KDFA series 2012 A | 2012 | 3.00 - 5.00% | 2044 | 27,610 | 25,715 | - | 1,995 | 23,720 | 2,100 |
| KDFA series 2012 D | 2012 | 2.00 - 4.50% | 2029 | 49,200 | 47,465 | - | 1,625 | 45,840 | 1,695 |
| KDFA series 2012 F | 2013 | 2.00 - 5.00% | 2033 | 17,205 | 17,205 | - | 615 | 16,590 | 630 |
| KDFA series 2012 H | 2012 | 2.00 - 5.00% | 2034 | 35,970 | 35,505 | - | 80 | 35,425 | 1,155 |
| KDFA series 2014 A-1 & 2 | 2014 | 3.00 - 4.25% | 2035 | 35,175 | - | 35,175 | - | 35,175 | 385 |
| KDFA series 2014 B | 2014 | 0.50% | 2019 | 2,423 | - | 2,423 | - | 2,423 | 480 |
| KDFA series 2014 C-1, 2, 3, 4 & 5 | 2014 | 3.00 - 5.00% | 2039 | 56,655 | - | 56,655 | - | 56,655 | 35 |
| KDFA series 2014 D-1, 2, 3 & 4 | 2014 | 3.00 - 5.00% | 2035 | 133,550 | - | 133,550 | - | 133,550 | 1,270 |
| KDFA series 2013 G-1 & 2 | 2014 | 4.00 - 5.00% | 2038 | 77,335 | - | 77,335 | - | 77,335 | 520 |
| Plus deferred amounts: | | | | | | | | | |
| Net unamortized premium (discount) | | | | - | 26,058 | 13,377 | 2,958 | 36,477 | - |
| Total revenue bonds payable | | | | \$ 1,210,048 | 638,353 | 318,515 | 147,608 | 809,260 | 36,370 |
| Notes payable: | | | | | | | | | |
| Component units of university system | | | | | 249,623 | 133,266 | 49,889 | 333,000 | 18,353 |
| KDFA bond anticipation note series 2013 1 & 2 | | | | | 12,798 | - | 12,798 | - | - |
| Total notes payable | | | | | 262,421 | 133,266 | 62,687 | 333,000 | 18,353 |
| Arbitrage rebate payable | | | | | 49 | 2 | - | 51 | - |
| Capital leases | | | | | 11,991 | - | 2,611 | 9,380 | 1,562 |
| Compensated absences | | | | | 72,630 | 8,296 | 2,008 | 78,918 | 63,761 |
| Other | | | | | 314,561 | 1,273 | 63,075 | 252,759 | 14,032 |
| Other post employment benefits | | | | | 57,274 | 10,371 | 2,652 | 64,993 | - |
| Total component units | | | | | \$ 1,357,279 | \$ 471,723 | \$ 280,641 | \$ 1,548,361 | \$ 134,078 |

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III. Detailed Notes On All Funds

The following table presents annual debt service requirements for those long-term debts outstanding, including bonds payable on demand, at June 30, 2014, which have scheduled debt service amounts (expressed in thousands):

| | Governmental Activities | | Business-type Activities | | Component Units | |
|--|-------------------------|---------------------|--------------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| Revenue bonds: | | | | | | |
| 2015 | \$ 186,110 | \$ 130,613 | \$ 46,345 | \$ 20,185 | \$ 36,370 | \$ 31,315 |
| 2016 | 177,845 | 125,726 | 43,184 | 18,156 | 40,552 | 30,995 |
| 2017 | 183,090 | 118,816 | 35,479 | 16,071 | 38,870 | 29,409 |
| 2018 | 187,510 | 111,554 | 36,284 | 14,373 | 37,937 | 27,804 |
| 2019 | 199,500 | 102,856 | 38,347 | 12,826 | 37,829 | 26,207 |
| 2020-2024 | 972,935 | 368,009 | 152,627 | 41,371 | 199,780 | 104,989 |
| 2025-2029 | 444,930 | 191,355 | 71,395 | 12,861 | 177,535 | 63,107 |
| 2030-2034 | 444,310 | 98,452 | 14,290 | 848 | 111,520 | 33,748 |
| 2035-2039 | 139,980 | 6,397 | - | - | 70,835 | 12,832 |
| 2040-2044 | - | - | - | - | 21,555 | 2,399 |
| Less bonds payable on demand | (383,215) | (73,101) | - | - | - | - |
| Unamortized premium | 128,475 | - | 14,366 | - | 24,948 | - |
| Totals | <u>2,681,470</u> | <u>1,180,677</u> | <u>452,317</u> | <u>136,691</u> | <u>797,731</u> | <u>362,805</u> |
| Sales tax limited obligation bonds: | | | | | | |
| 2015 | 3,268 | 1,284 | - | - | - | - |
| 2016 | 3,369 | 1,216 | - | - | - | - |
| 2017 | 3,540 | 1,108 | - | - | - | - |
| 2018 | 1,149 | 1,043 | - | - | - | - |
| 2019 | 1,206 | 1,030 | - | - | - | - |
| 2020-2024 | 6,039 | 4,963 | - | - | - | - |
| 2025-2029 | 6,454 | 6,328 | - | - | - | - |
| Totals | <u>25,025</u> | <u>16,972</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Notes payable: | | | | | | |
| 2015 | 760 | 607 | - | - | 18,353 | 11,726 |
| 2016 | 788 | 579 | - | - | 37,320 | 11,406 |
| 2017 | 817 | 550 | - | - | 15,760 | 11,018 |
| 2018 | 848 | 520 | - | - | 15,372 | 10,603 |
| 2019 | 879 | 488 | - | - | 12,369 | 10,068 |
| 2020-2024 | 4,914 | 1,923 | - | - | 102,751 | 43,590 |
| 2025-2029 | 4,417 | 991 | - | - | 48,493 | 30,808 |
| 2030-2034 | 1,927 | 180 | - | - | 44,859 | 17,736 |
| 2035-2039 | - | - | - | - | 14,373 | 9,745 |
| 2040-2044 | - | - | - | - | 23,350 | 4,605 |
| Totals | <u>15,350</u> | <u>5,838</u> | <u>-</u> | <u>-</u> | <u>333,000</u> | <u>161,305</u> |
| Capital leases payable | 91,027 | 30,236 | - | - | 9,380 | 1,562 |
| Long-term debt without scheduled Debt service: | | | | | | |
| Arbitrage rebate payable | 190 | - | 190 | - | 51 | - |
| Sales tax ltd oblig: accretion bonds | 80,008 | - | - | - | - | - |
| Unemployment benefits loan | - | - | - | - | - | - |
| Claims and judgments | 154,457 | - | 198,631 | - | - | - |
| Compensated absences | 120,831 | - | 89 | - | 78,918 | - |
| Other post employment benefits | 58,631 | - | 412 | - | 64,993 | - |
| Pollution remediation | 65,678 | - | - | - | - | - |
| Other | - | - | 11,965 | - | 264,288 | - |
| Total long-term obligations | <u>\$ 3,292,667</u> | <u>\$ 1,233,723</u> | <u>\$ 663,604</u> | <u>\$ 136,691</u> | <u>\$ 1,548,361</u> | <u>\$ 525,672</u> |

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III. Detailed Notes On All Funds

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, 2014. 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 |
|------------------------------|-------------------|---------------|---|-------------------|
| 2015 | \$ 113,405 | \$ 190 | \$ 11,869 | \$ 125,464 |
| 2016 | 75,225 | 169 | 8,866 | 84,260 |
| 2017 | 38,145 | 146 | 7,100 | 45,391 |
| 2018 | 39,520 | 122 | 5,911 | 45,553 |
| 2019 | 49,945 | 93 | 4,552 | 54,590 |
| 2020-2024 | 148,265 | 227 | 9,956 | 158,448 |
| 2025-2029 | 47,000 | 3 | 387 | 47,390 |
| Total | <u>\$ 511,505</u> | <u>\$ 950</u> | <u>\$ 48,641</u> | <u>\$ 561,096</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 5 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 (KDFA) 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 KDFA 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 KDFA revenue bonds and future principal and interest payments.

Kansas Department of Transportation (KDOT) has 12 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.

III. Detailed Notes On All Funds

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 0.02 percent to 0.42 percent on the weekly adjustable bonds. The Series 2002 B and C and 2004 C bonds 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. Contracts with these liquidity providers have expiration dates ranging from September 2014 to September 2017 and require annual commitment fees ranging from 0.325% to 0.500%. The liquidity provider agreement expiring in September 2013 was extended until September 2014 with the rate decreased from 0.525% to 0.34%. Since there is not a long-term financing option in place at June 30, 2014 for bonds that have been tendered, the demand obligation bonds have been recorded as liabilities of the Transportation - Capital Projects Fund resulting in a deficit fund balance in that fund. This liquidity provider contract was extended from March 2014 to September 2017 and requires an annual commitment fee of 0.325%.

Sales Tax Limited Obligation Bonds

In March 1998, the Unified Government of Wyandotte County/Kansas City, Kansas established the Prairie Delaware Redevelopment District (District). The District was created for development of a major tourism area, including the Kansas International Speedway. In connection with various projects in the District, the Unified Government has issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the Unified Government and the State have entered into a Redevelopment District Tax Distribution Agreement. The agreement provides that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally by the Unified Government and the State, based on each entity's respective share of sales taxes generated within the District. Prior to July 1, 2010, the State's proportional share was approximately 72 percent. Therefore, 72 percent of the outstanding obligation on each STAR bond issue was recorded with the State's long-term debt. This proportional share changed on July 1, 2010, with the increase of 1% in the State sales tax rate. The proportional share increased to 75 percent and the increase is reflected in the amounts recorded in the long term debt. In addition, the State's proportional share in the 2010 B bond issue is capped at \$144.5 million.

In March 2006, the City of Hutchinson created the Underground Salt Museum Redevelopment District. The District was created for the development of the Kansas Underground Salt Museum as a tourist destination. The City issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the City and the State have entered into a Redevelopment District Tax Distribution Agreement. The agreement provides that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally by the City and the State, based on each entity's respective share of sales taxes generated within the District. Prior to July 1, 2010, the State's proportional share was approximately 83 percent. Therefore, 83 percent of the outstanding obligation on each STAR bond issue was recorded with the State's long-term debt. This proportional share changed July 1, 2010, with the increase of 1% in the state sales tax rate. The proportional share increased to 86 percent and the increase is reflected in the amounts recorded in the long term debt. Further details regarding STAR bonds may be found in the chart at the beginning of Note III, Section 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, 2014, balance sheet. K DFA's special obligation bonds at June 30, 2014, total \$2.5 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, 2014, balance sheet. K DFA's private activity bonds at June 30, 2014, total \$2.0 billion.

III. Detailed Notes On All Funds

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, 2014, for portions of the storage designated as "future use" storage.

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, 2014 are as follows (expressed in thousands):

| <u>Fiscal Year</u> | |
|---|------------------|
| 2015 | \$ 8,773 |
| 2016 | 8,071 |
| 2017 | 7,807 |
| 2018 | 7,244 |
| 2019 | 6,665 |
| 2020-2024 | 26,749 |
| 2025-2029 | 11,455 |
| Total future minimum lease payments | <u>\$ 76,764</u> |
| | |
| Rent expenditures/expenses for operating leases for the year ended June 30, 2014 | <u>\$ 7,766</u> |

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III. Detailed Notes On All Funds

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, 2014 (expressed in thousands):

| Year Ending <u>June 30</u> | Governmental Activities | |
|-------------------------------|-------------------------|------------------|
| | Principal | Interest |
| 2014 | \$ 13,109 | \$ 4,145 |
| 2015 | 5,610 | 3,307 |
| 2016 | 5,567 | 3,078 |
| 2017 | 5,689 | 2,852 |
| 2018 | 5,753 | 2,617 |
| 2019-2023 | 26,067 | 9,547 |
| 2024-2028 | 24,271 | 4,345 |
| 2029-2033 | 4,961 | 345 |
| Total | \$ 91,027 | \$ 30,236 |

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2014, include the following (expressed in thousands):

| | Governmental Activities |
|--------------------------------|----------------------------|
| Land (non-depreciable) | \$ 9,635 |
| Buildings | 86,507 |
| Software | 18,381 |
| Equipment | 20,442 |
| Less: Accumulated depreciation | (55,673) |
| Total | \$ 79,292 |

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.

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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, 2014, and changes for the fiscal year then ended are as follows (expressed in thousands):

| Bond Issue | 6/30/2013 Beginning Balance | Current Year Defeased | Payments | 6/30/2014 Ending Balance |
|--------------------------------|-----------------------------------|--------------------------|-------------------|-----------------------------|
| Governmental Activities | | | | |
| KDOT Series 1998 | \$ 12,020 | \$ - | \$ - | \$ 12,020 |
| KDFA Series 2003 J | 3,060 | - | 3,060 | - |
| KDOT Series 2004 A | 3,370 | - | 3,000 | 370 |
| KDFA Series 2004 A-1 & 2 | 173,765 | 25,450 | 199,215 | - |
| Total governmental activities | <u>\$ 192,215</u> | <u>\$ 25,450</u> | <u>\$ 205,275</u> | <u>\$ 12,390</u> |

During fiscal year 2014, the governmental activity bond issue, \$25.5 million KDFA Series 2004 A-1 and A-2 was currently refunded by the issuance of the KDFA Series 2013A and 2013B for \$23.4 billion. The current refunding resulted in an economic gain of \$2.3 million and aggregate debt service reduction of \$2.8 million.

| Bond Issue | 6/30/2013 Beginning Balance | Current Year Defeased | Payments | 6/30/2014 Ending Balance |
|---------------------------------|-----------------------------------|-----------------------------|-------------------|--------------------------------|
| Business-type Activities | | | | |
| KDFA Series 2004 II | 13,220 | 0 | 13,220 | 0 |
| KDFA Series 2004 2 | 86,470 | 0 | 77,420 | 9,050 |
| KDFA Series 2008 CW II | 38,895 | 0 | 38,895 | 0 |
| KDFA Series 2008 DW 1 | 21,345 | 0 | 0 | 21,345 |
| Total business-type activities | <u>\$ 159,930</u> | <u>\$ 0</u> | <u>\$ 129,535</u> | <u>\$ 30,395</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, 2014, and changes for the fiscal year then ended are as follows (expressed in thousands):

| Bond Issue | 6/30/2013 Beginning Balance | Current Year Defeased | Payments | 6/30/2014 Ending Balance |
|--------------------------|-----------------------------------|-----------------------------|------------------|--------------------------------|
| KDFA Series 2003 J-1 | \$ 18,300 | \$ 0 | \$ 18,300 | \$ 0 |
| KDFA Series 2003 A-1 & 2 | 0 | 1,225 | 0 | 1,225 |
| KDFA Series 2004 D | 0 | 615 | 0 | 615 |
| KDFA Series 2004 G-1 | 0 | 12,545 | 12,545 | 0 |
| KDFA Series 2005 A | 0 | 34,905 | 0 | 34,905 |
| KDFA Series 2005 E-1 & 2 | 0 | 13,655 | 0 | 13,655 |
| KDFA Series 2007 A | 0 | 15,325 | 0 | 15,325 |
| Total component units | <u>\$ 18,300</u> | <u>\$ 78,270</u> | <u>\$ 30,845</u> | <u>\$ 65,725</u> |

Arbitrage Rebate Payable

Estimated arbitrage rebate payables have been calculated and liabilities recorded of \$190 thousand for Governmental Activities, \$190 thousand for Business-type Activities, and \$49 thousand for Component Units.

III. Detailed Notes On All Funds

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, 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, 2014</u> | | |
|------------------------------------|-------------------------------|---------------|------------------------------------|---------------|-----------------|
| | <u>Classification</u> | <u>Amount</u> | <u>Classification</u> | <u>Amount</u> | <u>Notional</u> |
| Governmental activities | | | | | |
| Cash flow hedges: | | | | | |
| Pay-fixed interest rate swaps | Deferred outflow of resources | \$ (3,093) | Debt | \$ (23,024) | \$ 435,490 |
| Investment derivative instruments: | | | | | |
| Pay-fixed interest rate swaps | Investment revenue | 1,084 | Investment | (8,134) | 75,000 |
| Basis swap | Investment revenue | 5,506 | Investment | 0 | 0 |

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.

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(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 the swap transactions; therefore 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, 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, 2014 (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 2002 B & C* | \$ 200,000 | \$ 147,632 | 10/23/2002 | 9/1/2019 | 3.164% | 67% of USD-LIBOR | \$ (11,746) | Goldman Sachs Bank USA | A2/A-/A |
| Series 2002 B & C* | 120,005 | 88,583 | 3/1/2012 | 9/1/2019 | 3.1640% Contractual; 0.8166% GASB 64 At-the-Market | 67% of USD-LIBOR | (230) | The Bank of New York Mellon | Aa2/AA-/AA- |
| Series 2012 A* | 150,275 | 127,275 | 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 | (123) | 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% | (11,048) | Goldman Sachs Bank USA | A2/A-/A |
| Series 2004 C** | 75,000 | 75,000 | 7/1/2007 | 9/1/2024 | 3.571% | 62.329% of 10 Year CMS | (8,011) | Goldman Sachs Bank USA | A2/A-/A |
| Total Termination Value | | | | | | | <u>\$ (31,158)</u> | | |

* - considered a fair value hedge
** - considered an investment derivative

III. Detailed Notes On All Funds

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, 2014, 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 2002B 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.

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, and therefore 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 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 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, and therefore 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

III. Detailed Notes On All Funds

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 + 29 basis points to 62.329 percent of the 10-year LIBOR CMS rate on \$75 million of the existing \$147 million swap.

On March 11, 2014, KDOT terminated a \$75 million CMS where KDOT paid a floating rate of 67 percent of LIBOR in exchange for receiving 61.56 percent of 10-year LIBOR CMS rate, with JP Morgan Chase Bank, N.A. as the counterparty. The counterparty paid KDOT a termination amount of \$5.3 million.

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.

Credit risk. KDOT has no credit risk exposure on the rest of the swap transactions because the swaps have 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.

III. Detailed Notes On All Funds

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.

In fiscal year 2014, the State added the Kansas Universal Service Fund (KUSF) as part of State Regulatory Boards and Commissions Fund and required a beginning fund balance adjustment of \$3.8 million. Prior to FY14 the State did not record KUSF in the CAFR. KUSF funds are held outside of the State Treasury. In FY14 KUSF was evaluated and determined that they should be included in the State's CAFR, so the State is now recording the amounts in the governmental funds (Boards and Commissions). The purpose of KUSF is to assure quality services be made available to all Kansans. All telecommunications companies must contribute to KUSF as a percentage of all intrastate retail revenues. KUSF support is distributed back to the local telephone companies and designated eligible telecommunication carriers to offset the costs of providing services.

The Correctional Facilities Fund recorded a beginning fund balance adjustment of \$56,000 to record accounts payable not previously recorded for Kansas Correctional Industries. For the FY 2013 CAFR the Kansas Correctional Industries omitted their accounts payable. This fund balance adjustment is to record the FY 2013 expenditures in the proper year.

The Administration Fund add inventories for surplus property not previously recorded which required a beginning fund balance adjustment of \$2.5 million. This adjustment is needed to because the State omitted \$2.5 million of inventory received from the Federal government in FY 2013. This adjustment makes the FY 2014 inventories reflect the correct amounts in both revenues and expenditures.

The State University System has a beginning net position adjustment of \$16.6 million. The implementation of GASB 65 resulted in a decrease to net position of \$10.2 million. The remaining \$6.4 million adjustment to beginning net position resulted from the University of Kansas Medical Research Institute, Inc. re-evaluating revenue recognition policies, primarily related to federal private grant funding, in an effort to better align financial reporting across the University of Kansas and its affiliates.

The State recorded an increase to net position of \$66.3 million for Governmental Activities. This amount represents a prior year correction to the State's unearned revenue and accounts payable liabilities that increased net position by \$76.9 million and removing cost of issuance under GASB 65 which decreased net position by \$10.6 million

The State removed cost of issuance under GASB 65 in the Water Funds which decreased net position by \$3.4 million.

The State removed the Expanded Lottery Facility Games that were previously capitalized which decreased net position by \$43.5 million due the Lottery's ownership of the Lottery Facility Games possibly not meeting the technical definition of an asset as outlined in the Governmental Accounting Standards Board Conceptual Statement #4 – Elements of the Financial Statement, for financial reporting purposes.

IV. Other Information

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 (three of the five 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 insured deductibles (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles, 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 three of five medical health plan options is provided by the Health Benefits Administration Clearing Fund for all active employees as well as for 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, 2014, 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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IV. Other Information

The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2014 (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 |
|--|---------------------------------------|---|-------------------------|--|----------------------------|----------------------|
| Current Fiscal Year | | | | | | |
| 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> |
| Prior Fiscal Year | | | | | | |
| State Self-Insurance Fund | \$ 61,060 | \$ 13,355 | \$ (18,407) | \$ 56,008 | \$ 40,816 | \$ 15,192 |
| Health and Dental Care Claims | 24,980 | 361,244 | (360,614) | 25,610 | 60 | 25,550 |
| Post Employment Health and Dental Claims | 2,461 | 32,891 | (33,415) | 1,937 | 6 | 1,931 |
| Total | <u>\$ 88,501</u> | <u>\$ 407,490</u> | <u>\$ (412,436)</u> | <u>\$ 83,555</u> | <u>\$ 40,882</u> | <u>\$ 42,673</u> |

Notes:

1. Claims liability ending balance is based on Actuary IBNR modeling estimates using claims lag data through June 30, 2014.
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 affect 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. 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 equalizations 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; however, the question on whether the overall level of funding is adequate remains unaddressed with a decision from the panel expected in late 2014. The State is vigorously defending the case on appeal and is uncertain of the chance of loss.

The Department of Revenue (DOR) has one case pending in regards to income taxes. Excluding the *Boles v. KDOR* case 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

IV. Other Information

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.

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 \$16.0 million. Payments will be made annually over the next four years.

The Department for Children and Families is undergoing a review of Title IV-E fund claims for the State's Foster Care program related to disallowed costs related to maintenance expenses. This review is still being completed, but it is probable the State will have to repay these disallowed costs. The State has recorded a liability for \$40.0 million.

The Department of Administration was notified by Health and Human Services that \$2.5 million of disallowed costs related to the financial activities of the Kansas Office of Information Technology Services which is a Statewide Cost Allocation Plan. The State has recorded a liability for this amount and it will be repaid during fiscal year 2015.

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 \$97 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.

A Federal audit performed on the Department for Children and Families (DCF) program and reviewed fees DCF has paid in accordance with state statutes to the Department of Administration for many years. The Federal auditors evaluated whether any portion of those fees have been improperly paid with federal funds and found Federal funds to be ineligible for federal reimbursement because they did not comply with federal program regulations, cost principles, or they cannot be adequately supported were \$1.4 million and will be paid in 2015.

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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 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 2014 pollution remediation liability is estimated at \$43.7 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 87 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

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Plan will be, however, the State has recorded a liability for \$0.68 million which is the amount known to be budgeted in fiscal year 2015 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 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, 2228 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 \$11.3 million for UST Program and \$1.4 million for AST Program which represents the amounts budgeted for fiscal year 2015.

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

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program. An estimate of future costs is unknown, however, the State has recorded a liability of \$1.8 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 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 – Schilling Air Force Base

A settlement has been reached to correct soil and groundwater contamination resulting primarily from the use of the chemical Trichloroethylene (TCE) at the former Schilling Air Force Base in Salina, KS. The cost is estimated at \$9.3 million and the federal government has agreed to pay 90 percent of the costs, with the remaining 10 percent to be paid by the City of Salina, KS. There is no liability to the University.

Kansas State University – Ashland Bottoms

Site assessments and investigations began in fiscal year 2013 to determine the extent and levels of contamination from diesel and gasoline underground storage tanks which have been removed 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 2014, non-Medicare retired plan members receiving benefits contributed \$15.7 million to the plan and the State contributed \$14.2 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 \$2.6 million in fiscal year 2014. The remaining \$11.6 million (of the total \$14.2 million) is paid implicitly through rate subsidization.”

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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):

| | Primary Government | Component Units | Pension Trust | Total |
|-----------------------------------|-----------------------|--------------------|------------------|------------|
| Amortization of UAAL | \$ 9,078 | 5,194 | 37 | \$ 14,309 |
| Normal cost (with interest) | 7,395 | 6,190 | 34 | 13,619 |
| Interest on amortized liability | - | - | - | - |
| Annual required contribution | 16,473 | 11,384 | 71 | 27,928 |
| Interest on net OPEB obligation | 2,137 | 2,184 | 11 | 4,332 |
| Adjustment to ARC | (3,155) | (3,220) | (16) | (6,391) |
| Annual OPEB cost | 15,455 | 10,348 | 66 | 25,869 |
| Net employer contributions | (11,869) | (2,629) | (32) | (14,530) |
| Net OPEB obligation July 1, 2013 | 55,457 | 57,274 | 275 | 113,006 |
| Net OPEB obligation June 30, 2014 | \$ 59,043 | \$ 64,993 | \$ 309 | \$ 124,345 |

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 |
|----------------------|---------------------|-------------------------------|--|------------------------|
| 6/30/2012 | \$ 27,903 | \$ 16,732 | 59.96% | \$ 100,669 |
| 6/30/2013 | \$ 28,141 | \$ 16,663 | 59.23% | \$ 112,147 |
| 6/30/2014 | \$ 25,869 | 14,530 | 56.17% | 124,345 |

Funded Status and Funding Progress. As of June 30, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$256.0 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 \$256.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.07 billion, and the ratio of the UAAL to the covered payroll was 12.3 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.

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In the June 30, 2014, 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 healthcare cost trend rates of 5.0 to 7.75 percent in the first twelve years and an ultimate rate of 5.0 percent after fourteen 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.

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 \$310.90 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 | 2,528 | 5,724 | 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, 2014. 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

Kansas Public Employees Retirement System - Plan Descriptions

The Kansas Public Employees Retirement System (KPERS) is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74 Article 49: Kansas Public Employees Retirement System (KPERS), Kansas Police and Firemen's Retirement System (KP&F) and Kansas Retirement System for Judges (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. Participation by the State is mandatory, whereas participation by local political subdivisions is optional, but irrevocable once elected. The State Elected Officials Special Members Retirement System is also administered by KPERS. This is closed to new members and only a small group is participating.

KPERS publishes its own financial report, which is available by contacting KPERS at 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603 or telephone 1-888-275-5737.

KPERS provides retirement, death and disability benefits to State employees, public school employees and employees of counties, municipalities, and certain other State political subdivisions. Although public schools are outside the State reporting entity, the State provides the required employers' contribution for public school employees' retirement benefits.

KPERS total covered salaries and wages paid were approximately \$6.4 billion. The State's total salaries and wages paid were approximately \$2.2 billion of which approximately \$980.1 million or approximately 46.7 percent relates to employees participating in the System. The remaining approximately 53.3 percent represents salaries and wages

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paid to employees, such as educational institution employees not participating in the System, and those employees who are classified as other than "permanent" and are not eligible for participation. Information on participating employees and retirement system membership at June 30, 2014, unless otherwise noted is as follows:

| <u>Participating Employers</u> | <u>Membership</u> |
|--------------------------------|-------------------|
| KPERS | 1,412 |
| KP&F | 95 |
| Judges | 1 |
| Total | <u>1,508</u> |

MEMBERSHIP BY RETIREMENT SYSTEMS *

| | <u>KPERS</u> | <u>KP&F</u> | <u>Judges</u> | <u>Total</u> |
|--|----------------|-----------------|---------------|----------------|
| Retirees and beneficiaries currently receiving benefits** | 82,742 | 4,680 | 248 | 87,670 |
| Terminated employees entitled to benefits but not yet receiving them | 16,964 | 140 | 6 | 17,110 |
| Inactive members, deferred disabled | 2,436 | 208 | 0 | 2,644 |
| Inactive members not entitled to benefits | 26,696 | 1,034 | 0 | 27,730 |
| Current employees | <u>147,957</u> | <u>7,224</u> | <u>265</u> | <u>155,446</u> |
| Total | <u>276,795</u> | <u>13,286</u> | <u>519</u> | <u>290,600</u> |

*Represents KPERS membership at December 31, 2013.

** Number of retirement payees as of December 31, 2013.

KPERS Plan Benefits

Members (except Police and Firement) 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 a member's combined age and years of credited service equal 85 "points" (Police and Firemen 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 36 years of service). Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member'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. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

KPERS Contributions

Member contributions (from 4.0 to 7.0 percent of gross compensation), employer contributions and net investment income fund KPERS reserves. Member contribution rates are established by state law, and are paid by the employee

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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. The contributions and assets of all three systems are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on a actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers, which includes the state and the school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 0.9% of total payroll for the fiscal year 2014, 1.0 percent in fiscal year 2015, 1.1 percent in fiscal year 2016 and 1.2 percent in fiscal year 2017 and beyond. The amortization period for the unfunded liability of all three systems is 40 years from July 1, 1993.

The State's contributions to each retirement system in fiscal years 2012 to 2014 are as follows:

| | Fiscal Year | Actuarially Required Funding Rate | Actual Contribution | Contributions as a Percentage of Required Contribution |
|-------|-------------|-----------------------------------|---------------------|--|
| KPERS | 2014 | 13.83% | \$ 442,881,906 | 67.75% |
| | 2013 | 13.46% | \$ 407,579,622 | 69.61% |
| | 2012 | 14.09% | \$ 375,569,726 | 62.24% |
| KP&F | 2014 | 17.14% | \$ 7,426,171 | 100.00% |
| | 2013 | 16.43% | \$ 6,579,616 | 100.00% |
| | 2012 | 14.44% | \$ 5,835,093 | 100.00% |
| Judge | 2014 | 23.62% | \$ 6,260,108 | 100.00% |
| | 2013 | 23.75% | \$ 6,723,119 | 100.00% |
| | 2012 | 21.28% | \$ 5,322,341 | 100.00% |

Basis of Accounting

KPERS financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Contributions are due to KPERS when employee services have been performed and paid. Contributions are recognized as revenues when due pursuant to statutory requirements. Benefit and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment made.

Schedule of Funding Status and Funding Progress per KPERS 2014 CAFR

The funding status of KPERS at December 31, 2013, the most recent actuarial valuation date (expressed in thousands):

| Actuarial Valuation Date | Value of Assets (a) | Accrued Liability (AAL) (b) | AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|---------------------|-----------------------------|------------------|--------------------|---------------------|---|
| 12/31/2013 | \$14,562,765 | \$ 24,328,670 | \$ 9,765,906 | 60% | \$ 6,509,809 | 150% |

IV. Other Information

Additional information as of the latest actuarial valuation follows:

| | <u>KPERS</u> | <u>KP&F</u> | <u>Judges</u> |
|--|--|----------------------|---------------------|
| Valuation Date | 12/31/2013 | 12/31/2013 | 12/31/2013 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level Percent Closed | Level Percent Closed | Level Dollar Closed |
| Remaining Amortization Period | 19 years | 19 years | 19 years |
| | Difference between actual return and expected return on market value recognized evenly over five-year period. Value must be within corridor of 80% - 120% of market value. | | |
| Asset Valuation Method | | | |
| Actuarial Assumptions: | | | |
| Investment Rate of Return (1) | 8% | 8% | 8% |
| Projected Salary Increases (1) | 4.0% - 12.0% | 4.0% - 12.5% | 4.5% |
| Cost of Living Adjustment | none | none | none |
| 1) Salary increases and investment rate of return include an inflation component of 3.0 percent. | | | |

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 2014, employees contributed approximately \$43.5 million. During fiscal year 2014, the 8.5 percent employer contribution totaled approximately \$68.2 million, representing covered wages of approximately \$804 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 4 percent for Tier I members through December 31, 2013 and 5 percent for Tier I members January 1, 2014. Tier II members employee rate is 6 percent. Employer rate is 11.12 percent (10.27 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 2014 expenditures from these appropriations amounted to \$560.0 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.

IV. Other Information

G. Subsequent Events

Bonds and Notes

Short-term Debt

Certificate of Indebtedness – On July 1, 2014, the Pooled Money Investment Board (PMIB) issued a \$675 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.

Accrued Receivables for Children’s Initiatives Fund – In July 2014, receivables were posted to the State Treasurer’s receivables for the Children’s Initiatives Fund in the amount of \$28.1 million per Senate Bill No. 171, Section 112(h), Session of 2013. See Section III-H, Short-term Obligations, for additional information.

Accrued Receivables for Economic Development Initiatives Fund – In July 2014, 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. 171, Section 112(h), Session of 2013.

Accrued Receivables for Correctional Institutions’ Building Fund – In July 2014, 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. 171, Section 112(j), Session of 2013.

Accrued Receivables for Kansas Endowment for Youth Fund – In July 2014, receivables were posted to the State Treasurer’s receivables for the Kansas Endowment for Youth Fund in the amount of \$195 thousand per Senate Bill No. 171, Section 112(k), Session of 2013.

Accrued Receivables for Expanded Lottery Act Revenues Fund – In July 2014, receivables were posted to the State Treasurer’s receivables for the Expanded Lottery Act Revenues Fund in the amount of \$86.3 million per Senate Bill No. 171, Section 112(r), Session of 2013.

Long-term Debt

Revenue Bonds – In December 2014, the Sedgwick County Public Building Commission issued Revenue Bonds Series 2014-3 on behalf of the Board of Trustees of Wichita State University in the amount of \$38,895,000, for the purpose of funding, in part, experiential engineering facility. The bonds were issued in a combination of premium and discount bonds with coupons ranging from 3.4% to 5.0% with final maturity on February 1, 2054.

Revenue Bonds – In December 2014, the Sedgwick County Public Building Commission issued Taxable Revenue Bonds Series 2014-4 on behalf of the Board of Trustees of Wichita State University in the amount of \$6,050,000, for the purpose of funding, in part, experiential engineering facility. The bonds were issued as serial bonds ranging from 1.95% to 3.90% with final maturity on February 1, 2054.

IV. Other Information

H. Economic Condition

The State has 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 the State is now set to spend \$253.9 million more in the 2014/2015 school year as compared to the 2013/2014 school year. This includes an increase of \$63.9 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 has been added to the FY 2015 approved Medicaid budget, which is primarily due to the health insurance premium tax from the Affordable Care Act. Because of these events, it was concluded that State General Fund resources would be insufficient to cover appropriations made against the State General Fund. An allotment plan was put into place as provided by K.S.A. 75-3722 to begin the process of bringing State spending in alignment with projected revenues. The plan contains an initial phase of reductions of approximately \$62.4 million followed by actions requiring legislative approval of \$217.6 million. Contained within the plan are KPERS employer rate reductions that will generate approximately \$40.0 million in savings in FY 2015. Going forward, this reduction will be combined with a study of structural reforms of the State pension system to ensure sustainability and payment of liabilities. The KPERS reforms will be part of other structural improvements to tax policy, K-12 finance and health care with the expectation that these reforms, when adopted, plus other reductions to State spending will create fiscal balance in FY 2016.

***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 21st 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.

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**Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget - Over (Under) |
|--|-------------------|-------------------|---|--|
| | Original | Final | | |
| Revenues and other financing sources: | | | | |
| Property tax | \$ 41,000 | \$ 43,000 | \$ 30,244 | \$ (12,756) |
| Income and inheritance tax | 2,925,685 | 2,971,000 | 2,650,237 | (320,763) |
| State sales tax | 2,087,500 | 2,110,000 | 2,102,239 | (7,761) |
| Consumer's and retailer's compensating use tax | 320,700 | 345,000 | 344,017 | (983) |
| Tobacco and liquor taxes | 190,000 | 192,700 | 193,272 | 572 |
| Severance taxes | 140,377 | 127,861 | 125,758 | (2,103) |
| Insurance premiums taxes | 160,000 | 168,000 | 172,758 | 4,758 |
| Other taxes | 8,000 | 8,300 | 6,782 | (1,518) |
| Investment earnings | 10,400 | 12,000 | 9,561 | (2,439) |
| Transfers | (61,234) | (41,280) | (70,606) | (29,326) |
| Charges for services, other revenues and financing sources | 63,098 | 49,900 | 56,303 | 6,403 |
| Total revenues and other financing sources | <u>5,885,526</u> | <u>5,986,481</u> | <u>5,620,565</u> | <u>(365,916)</u> |
| Expenditures and other financing uses: | | | | |
| Current: | | | | |
| General government | 252,877 | 257,481 | 252,673 | 4,808 |
| Human resources | 899,040 | 872,354 | 861,653 | 10,701 |
| Education | 3,756,470 | 3,755,021 | 3,747,490 | 7,531 |
| Public safety | 379,278 | 389,999 | 382,901 | 7,098 |
| Agriculture and natural resources | 11,618 | 11,179 | 11,166 | 13 |
| Health and environment | 697,748 | 725,429 | 725,000 | 429 |
| Total expenditures and other financing uses | <u>5,997,031</u> | <u>6,011,463</u> | <u>5,980,883</u> | <u>30,580</u> |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | <u>(111,505)</u> | <u>(24,982)</u> | <u>(360,318)</u> | <u>\$ (335,336)</u> |
| Fund balances, beginning of year | 671,145 | 671,145 | 600,244 | |
| Adjustment for released encumbrances | 0 | 0 | 0 | |
| Fund balances, end of year | <u>\$ 559,640</u> | <u>\$ 646,163</u> | <u>\$ 239,926</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 *General Fund* For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| | |
|---|---------------------|
| Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis | \$ (360,318) |
| Current year encumbrances are reported as expenditures for budgetary reporting purposes | 33,003 |
| Expenditures on prior year encumbrances are not reported for budgetary reporting purposes | (31,147) |
| Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis | (617,674) |
| Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis | <u>580,275</u> |
| Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance | <u>\$ (395,861)</u> |

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**Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual**
Social Services
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget - Over (Under) |
|---|------------------|---------------------|---|--|
| | Original | Final | | |
| Revenues and other financing sources: | | | | |
| Tobacco and liquor taxes | \$ - | \$ - | \$ 3,053 | \$ 3,053 |
| Operating grants | 401,205 | 401,205 | 763,474 | 362,269 |
| Investment earnings | 1 | 1 | 28 | 27 |
| Transfers | 781,746 | 734,132 | 731,399 | (2,733) |
| Charges for services, other revenues and financing sources | 117,427 | 137,811 | 126,706 | (11,105) |
| Total revenues and other financing sources | <u>1,300,379</u> | <u>1,273,149</u> | <u>1,624,660</u> | <u>351,511</u> |
| Expenditures and other financing uses: | | | | |
| Current: | | | | |
| Human resources | 1,275,131 | 1,623,432 | 1,623,432 | 0 |
| Total expenditures and other financing uses | <u>1,275,131</u> | <u>1,623,432</u> | <u>1,623,432</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ 25,248</u> | <u>\$ (350,283)</u> | <u>\$ 1,228</u> | <u>\$ 351,511</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 Social Services
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| | |
|---|--------------------------|
| Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis | \$ 1,228 |
| Current year encumbrances are reported as expenditures for budgetary reporting purposes | 34,099 |
| Expenditures on prior year encumbrances are not reported for budgetary reporting purposes | (19,347) |
| Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis | (41,318) |
| Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis | <u>23,114</u> |
| Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance | <u><u>\$ (2,224)</u></u> |

State of Kansas
Required Supplementary Information
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**Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual**
Transportation Fund
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | Budgetary Basis | (Under) |
| Revenues: | | | | |
| Motor fuel taxes | \$ 287,917 | \$ 285,239 | \$ 291,383 | \$ 6,144 |
| Vehicle registrations and permits | 211,093 | 219,356 | 212,142 | (7,214) |
| Intergovernmental | 425,194 | 399,585 | 461,472 | 61,887 |
| Sales and use taxes | 487,290 | 485,167 | 485,458 | 291 |
| Investment earnings | 606 | 308 | 319 | 11 |
| Other | 9,016 | 19,723 | 20,336 | 613 |
| Transfers from other state funds | 1,399 | 1,544 | 2,595 | 1,051 |
| Total revenues | <u>1,422,515</u> | <u>1,410,922</u> | <u>1,473,705</u> | <u>62,783</u> |
| Expenditures, with legal limits: | | | | |
| Current operating: | | | | |
| Maintenance | 138,484 | 140,047 | 138,225 | 1,822 |
| Construction | 66,861 | 67,019 | 61,137 | 5,882 |
| Local support | 7,262 | 7,374 | 6,905 | 469 |
| Management | 54,184 | 53,057 | 47,727 | 5,330 |
| Transfers to other state funds | 263,828 | 263,828 | 263,828 | 0 |
| Expenditures with legal limits | <u>530,619</u> | <u>531,325</u> | <u>517,822</u> | <u>13,503</u> |
| Expenditures, without legal limits: | | | | |
| Current operating: | | | | |
| Maintenance | 540 | 430 | 435 | (5) |
| Local support | 1,015,490 | 1,172,470 | 1,035,533 | 136,937 |
| Management | 32,285 | 32,529 | 44,527 | (11,998) |
| Capital improvements | 1,104 | 8,385 | 1,095 | 7,290 |
| Transfers to other state funds | 0 | 0 | 0 | 0 |
| Expenditures without legal limits | <u>1,049,419</u> | <u>1,213,814</u> | <u>1,081,590</u> | <u>132,224</u> |
| Total expenditures | <u>1,580,038</u> | <u>1,745,139</u> | <u>1,599,412</u> | <u>145,727</u> |
| Excess of revenues over expenditures | <u>(157,523)</u> | <u>(334,217)</u> | <u>(125,707)</u> | <u>208,510</u> |
| Other financing sources (uses): | | | | |
| Transfers-in | 150,000 | 83,844 | 83,976 | 132 |
| Transfers-out | <u>(229,299)</u> | <u>(209,812)</u> | <u>(202,473)</u> | <u>7,339</u> |
| Total other financing sources (uses) | <u>(79,299)</u> | <u>(125,968)</u> | <u>(118,497)</u> | <u>7,471</u> |
| Excess of revenues and other sources over expenditures and other uses | <u>\$ (236,822)</u> | <u>\$ (460,185)</u> | <u>\$ (244,204)</u> | <u>\$ 215,981</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, 2014
(expressed in thousands)

| | |
|---|-------------------|
| Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis | \$ (244,204) |
| Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis | 56,826 |
| Current year encumbrances are reported as expenditures for budgetary reporting purposes | 409,777 |
| Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis | <u>(81,352)</u> |
| Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance | <u>\$ 141,047</u> |

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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, 2014
(expressed in thousands)**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget - Over (Under) |
|---|------------------|--------------------|---|--|
| | Original | Final | | |
| Revenues and Other Financing Sources: | | | | |
| Insurance premiums taxes | \$ 0 | \$ 0 | \$ 2,373 | \$ 2,373 |
| Other taxes | 0 | 0 | 2,272 | 2,272 |
| Operating grants | 1,288,690 | 1,288,694 | 1,944,544 | 655,850 |
| Capital grants | 0 | 0 | 2 | 2 |
| Investment earnings | 2 | 0 | 114 | 114 |
| Transfers | 6,795 | 6,063 | (734,616) | (740,679) |
| Charges for services, other revenues & financing sources | 192,338 | 192,339 | 330,757 | 138,418 |
| Total revenues and other financing sources | <u>1,487,825</u> | <u>1,487,096</u> | <u>1,545,446</u> | <u>58,350</u> |
| Expenditures and Other Financing Uses: | | | | |
| Current: | | | | |
| Health and environment | <u>1,430,496</u> | <u>1,516,800</u> | <u>1,516,800</u> | <u>0</u> |
| Total expenditures and other financing uses | <u>1,430,496</u> | <u>1,516,800</u> | <u>1,516,800</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ 57,329</u> | <u>\$ (29,704)</u> | <u>\$ 28,646</u> | <u>\$ 58,350</u> |

State of Kansas
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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, 2014
(expressed in thousands)

| | | |
|---|----|----------------------|
| Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis | \$ | 28,646 |
| Current year encumbrances are reported as expenditures for budgetary reporting purposes | | 67,311 |
| Expenditures on prior year encumbrances are not reported for budgetary reporting purposes | | (47,544) |
| Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis | | (49,531) |
| Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis | | <u>49,609</u> |
| Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance | \$ | <u><u>48,491</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. In fiscal year 2012, KDOT decided to raise the minimum acceptable condition level to be more in line with its goals. 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* |
| 2012 | 85 | 98 | 80 | 83 |
| 2013 | 85 | 96 | 80 | 83 |
| 2014 | 85 | 98 | 80 | 89 |

*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 \$90 million in fiscal year 2014. 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 \$223 million in fiscal year 2014. 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).

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Required Supplementary Information
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| Fiscal Year | Interstate Highways | | Non-interstate Highways | |
|-------------|------------------------------------|-----------------|------------------------------------|-----------------|
| | Minimum Acceptable Condition Level | Actual Expenses | Minimum Acceptable Condition Level | Actual Expenses |
| 2010 | 110,000 | 54,807 | 260,000 | 335,108 |
| 2011 | 110,000 | 57,550 | 260,000 | 395,726 |
| 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 |

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.

Prior to 2012, KDOT Bridge Management’s Performance Metric was the Average Health Index of all the bridges on the State system. In 2012, the Bridge Performance Measure for KDOT was officially changed to reflect Bridge Management’s decision making processes for bridge replacements, rehabilitations and repairs. The current 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 table below compares the actual percentage of bridges in good condition to the minimum acceptable percent of bridges in good condition. The Average Health Index is also included in the table because it was the Performance metric prior to 2012.

The minimum acceptable percentage of bridges in good health has been redefined to an overall state-wide condition level of 85 as the minimum acceptable condition level. 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 | Actual Health Index |
|-------------|---------------------------------|------------------------|---------------------|
| 2012 | 85 | 88 | 95 |
| 2013 | 85 | 88 | 95 |
| 2014 | 85 | 87 | 95 |

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 \$78 million for fiscal year 2014. The following table compares the

State of Kansas
Required Supplementary Information
 June 30, 2014

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 |
|----------------|---------------------------------------|--------------------|
| 2010 | \$ 75,000 | \$ 29,219 |
| 2011 | 75,000 | 69,620 |
| 2012 | 73,000 | 87,890 |
| 2013 | 76,000 | 82,046 |
| 2014 | 78,000 | 92,372 |

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) |
|--------------------------------|--|--|----------------------------|----------------------------|-----------------------------|---|
| 6/30/2012 | 0 | 282,586 | 282,586 | 0% | 2,032,592 | 13.90% |
| 6/30/2013 | 0 | 278,153 | 278,153 | 0% | 2,062,709 | 13.48% |
| 6/30/2014 | 0 | 261,298 | 261,298 | 0% | 2,089,790 | 12.50% |

**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
Education
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:

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
Social Services
Bond and Interest
Highway Debt Service
STAR Bonds Debt Service

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2014
(expressed in thousands)

| | Special Revenue Funds | | | |
|---|--|----------------------------|---|---------------------|
| | State Regulatory Boards and Commissions | Correctional Facilities | Tobacco Settlement for Children's Initiative | Adjutant General |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 95,360 | \$ 9,273 | \$ 25,848 | \$ 3,513 |
| Investments | 0 | 0 | 0 | 0 |
| Receivables, net | 10,950 | 1,072 | 0 | 3,006 |
| Due from other funds | 0 | 0 | 0 | 0 |
| Inventories | 0 | 864 | 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 |
| Total assets | <u>\$ 106,310</u> | <u>\$ 11,209</u> | <u>\$ 25,848</u> | <u>\$ 6,519</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 10,262 | \$ 1,032 | \$ 3,290 | \$ 3,325 |
| Due to other funds | 0 | 0 | 0 | 0 |
| Advances from other funds | 0 | 192 | 0 | 0 |
| Total liabilities | <u>10,262</u> | <u>1,224</u> | <u>3,290</u> | <u>3,325</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - sales and excise tax | 0 | 0 | 0 | 0 |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Long-term receivable | 0 | 0 | 0 | 0 |
| Inventories | 0 | 864 | 0 | 0 |
| Restricted for: | | | | |
| Capital Projects | 0 | 0 | 0 | 0 |
| Debt Service | 0 | 0 | 0 | 0 |
| General government | 60,081 | 0 | 0 | 0 |
| Human Resources | 1,257 | 0 | 22,558 | 0 |
| Education | 3 | 0 | 0 | 0 |
| Public Safety | 29,651 | 9,121 | 0 | 3,194 |
| Agriculture and natural resources | 5,056 | 0 | 0 | 0 |
| Highways and other transportation | 0 | 0 | 0 | 0 |
| Assigned to: | | | | |
| Debt Service | 0 | 0 | 0 | 0 |
| Total fund balance | <u>96,048</u> | <u>9,985</u> | <u>22,558</u> | <u>3,194</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 106,310</u> | <u>\$ 11,209</u> | <u>\$ 25,848</u> | <u>\$ 6,519</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Balance Sheet - Nonmajor Governmental Funds - Continued
June 30, 2014
(expressed in thousands)

| | Special Revenue Funds | | | |
|---|-----------------------|---------------------|-----------------|------------------|
| | Agriculture | Attorney General | Administration | Highway Patrol |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 10,197 | \$ 22,698 | \$ 6,323 | \$ 25,786 |
| Investments | 0 | 0 | 0 | 0 |
| Receivables, net | 766 | 11 | 0 | 637 |
| Due from other funds | 0 | 0 | 0 | 4 |
| Inventories | 0 | 0 | 2,749 | 0 |
| Advances to other funds | 0 | 0 | 0 | 0 |
| Restricted cash and cash equivalents | 0 | 0 | 0 | 0 |
| Restricted investments | 0 | 0 | 0 | 0 |
| Total assets | <u>\$ 10,963</u> | <u>\$ 22,709</u> | <u>\$ 9,072</u> | <u>\$ 26,427</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 1,596 | \$ 1,448 | \$ 969 | \$ 6,789 |
| Due to other funds | 46 | 0 | 0 | 4 |
| Advances from other funds | 231 | 0 | 0 | 0 |
| Total liabilities | <u>1,873</u> | <u>1,448</u> | <u>969</u> | <u>6,793</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - sales and excise tax | 0 | 0 | 0 | 0 |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND BALANCES | | | | |
| 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 | 15,276 | 5,354 | 0 |
| Human Resources | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 0 | 0 |
| Public Safety | 0 | 5,985 | 0 | 19,634 |
| Agriculture and natural resources | 9,090 | 0 | 0 | 0 |
| Highways and other transportation | 0 | 0 | 0 | 0 |
| Assigned to: | | | | |
| Debt Service | 0 | 0 | 0 | 0 |
| Total fund balance | <u>9,090</u> | <u>21,261</u> | <u>8,103</u> | <u>19,634</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 10,963</u> | <u>\$ 22,709</u> | <u>\$ 9,072</u> | <u>\$ 26,427</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Balance Sheet - Nonmajor Governmental Funds - Continued
June 30, 2014
(expressed in thousands)

Special Revenue Funds

| | Historical Society | Labor | Commerce | Insurance |
|---|-----------------------|------------------|-------------------|------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 6,436 | \$ 28,912 | \$ 156,199 | \$ 10,946 |
| Investments | 0 | 0 | 2,817 | 0 |
| Receivables, net | 643 | 998 | 130 | 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 | 142 | 0 |
| Restricted investments | 0 | 0 | 15,863 | 0 |
| Total assets | <u>\$ 7,079</u> | <u>\$ 29,910</u> | <u>\$ 175,151</u> | <u>\$ 10,946</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 315 | \$ 1,878 | \$ 4,344 | \$ 175 |
| Due to other funds | 0 | 0 | 0 | 0 |
| Advances from other funds | 0 | 0 | 0 | 0 |
| Total liabilities | <u>315</u> | <u>1,878</u> | <u>4,344</u> | <u>175</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - sales and excise tax | 0 | 0 | 0 | 0 |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND BALANCES | | | | |
| 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 | 170,807 | 10,771 |
| Human Resources | 0 | 28,032 | 0 | 0 |
| Education | 6,764 | 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 |
| Assigned to: | | | | |
| Debt Service | 0 | 0 | 0 | 0 |
| Total fund balance | <u>6,764</u> | <u>28,032</u> | <u>170,807</u> | <u>10,771</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 7,079</u> | <u>\$ 29,910</u> | <u>\$ 175,151</u> | <u>\$ 10,946</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Balance Sheet - Nonmajor Governmental Funds - Continued
June 30, 2014
(expressed in thousands)

| | Special Revenue Funds | | | |
|---|-----------------------|---------------|------------------|------------------|
| | Judicial | State Library | Revenue | Education |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 12,001 | \$ 806 | \$ 28,234 | \$ 10,627 |
| Investments | 0 | 0 | 0 | 0 |
| Receivables, net | 188 | 0 | 89 | 2,629 |
| 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 |
| Total assets | <u>\$ 12,189</u> | <u>\$ 806</u> | <u>\$ 28,323</u> | <u>\$ 13,256</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 1,275 | \$ 134 | \$ 4,312 | \$ 3,978 |
| Due to other funds | 0 | 0 | 0 | 103 |
| Advances from other funds | 0 | 0 | 0 | 359 |
| Total liabilities | <u>1,275</u> | <u>134</u> | <u>4,312</u> | <u>4,440</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - sales and excise tax | 0 | 0 | 0 | 0 |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND BALANCES | | | | |
| 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 | 10,914 | 0 | 24,011 | 0 |
| Human Resources | 0 | 0 | 0 | 0 |
| Education | 0 | 672 | 0 | 8,816 |
| Public Safety | 0 | 0 | 0 | 0 |
| Agriculture and natural resources | 0 | 0 | 0 | 0 |
| Highways and other transportation | 0 | 0 | 0 | 0 |
| Assigned to: | | | | |
| Debt Service | 0 | 0 | 0 | 0 |
| Total fund balance | <u>10,914</u> | <u>672</u> | <u>24,011</u> | <u>8,816</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 12,189</u> | <u>\$ 806</u> | <u>\$ 28,323</u> | <u>\$ 13,256</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Balance Sheet - Nonmajor Governmental Funds - Continued
June 30, 2014
(expressed in thousands)

| | Special Revenue Funds | | | |
|---|-----------------------|-------------------|--------------------------------|-----------------|
| | Secretary of State | State Treasurer | Wildlife, Parks and Tourism | Executive |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 7,319 | \$ 4,211 | \$ 19,696 | \$ 1,344 |
| Investments | 0 | 0 | 0 | 0 |
| Receivables, net | 1 | 0 | 3,264 | 0 |
| Due from other funds | 0 | 21,969 | 0 | 0 |
| Inventories | 0 | 0 | 0 | 0 |
| Advances to other funds | 0 | 97,356 | 0 | 0 |
| Restricted cash and cash equivalents | 0 | 0 | 314 | 0 |
| Restricted investments | 0 | 0 | 0 | 0 |
| Total assets | <u>\$ 7,320</u> | <u>\$ 123,536</u> | <u>\$ 23,274</u> | <u>\$ 1,344</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 268 | \$ 119,677 | \$ 6,727 | \$ 46 |
| Due to other funds | 0 | 0 | 0 | 0 |
| Advances from other funds | 0 | 0 | 0 | 0 |
| Total liabilities | <u>268</u> | <u>119,677</u> | <u>6,727</u> | <u>46</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - sales and excise tax | 0 | 0 | 0 | 0 |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND BALANCES | | | | |
| 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 | 7,052 | 3,859 | 0 | 1,298 |
| Human Resources | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 0 | 0 |
| Public Safety | 0 | 0 | 0 | 0 |
| Agriculture and natural resources | 0 | 0 | 16,547 | 0 |
| Highways and other transportation | 0 | 0 | 0 | 0 |
| Assigned to: | | | | |
| Debt Service | 0 | 0 | 0 | 0 |
| Total fund balance | <u>7,052</u> | <u>3,859</u> | <u>16,547</u> | <u>1,298</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 7,320</u> | <u>\$ 123,536</u> | <u>\$ 23,274</u> | <u>\$ 1,344</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Balance Sheet - Nonmajor Governmental Funds - Continued
June 30, 2014
(expressed in thousands)

| | Special Revenue Funds | | | |
|---|-----------------------|------------------------------------|------------------|---------------------------|
| | Legislative | Transportation- Special Revenue | State Water Plan | Peace Officer Training |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 118 | \$ 29,255 | \$ 10,441 | \$ 646 |
| Investments | 0 | 0 | 0 | 0 |
| Receivables, net | 0 | 5,259 | 2,857 | 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 |
| Total assets | <u>\$ 118</u> | <u>\$ 34,514</u> | <u>\$ 13,298</u> | <u>\$ 646</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 0 | \$ 1,347 | \$ 1,357 | \$ 31 |
| Due to other funds | 0 | 0 | 0 | 0 |
| Advances from other funds | 0 | 0 | 0 | 0 |
| Total liabilities | <u>0</u> | <u>1,347</u> | <u>1,357</u> | <u>31</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - sales and excise tax | 0 | 0 | 1,328 | 0 |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>1,328</u> | <u>0</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Long-term receivable | 0 | 4,153 | 0 | 0 |
| Inventories | 0 | 0 | 0 | 0 |
| Restricted for: | | | | |
| Capital Projects | 0 | 0 | 0 | 0 |
| Debt Service | 0 | 0 | 0 | 0 |
| General government | 118 | 0 | 0 | 0 |
| Human Resources | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 0 | 0 |
| Public Safety | 0 | 0 | 0 | 615 |
| Agriculture and natural resources | 0 | 0 | 10,613 | 0 |
| Highways and other transportation | 0 | 29,014 | 0 | 0 |
| Assigned to: | | | | |
| Debt Service | 0 | 0 | 0 | 0 |
| Total fund balance | <u>118</u> | <u>33,167</u> | <u>10,613</u> | <u>615</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 118</u> | <u>\$ 34,514</u> | <u>\$ 13,298</u> | <u>\$ 646</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Balance Sheet - Nonmajor Governmental Funds - Continued
June 30, 2014
(expressed in thousands)

| | Capital Projects Funds | | | Debt Service Funds |
|---|-----------------------------------|---------------------------------|---------------|----------------------|
| | State Buildings (Appropriated) | Capitol Complex Buildings | State Library | Master Lease Program |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 44,357 | \$ 4 | \$ 331 | \$ 2,962 |
| Investments | 0 | 0 | 0 | 0 |
| Receivables, net | 0 | 0 | 0 | 20,062 |
| Due from other funds | 0 | 0 | 0 | 1,578 |
| Inventories | 0 | 0 | 0 | 0 |
| Advances to other funds | 0 | 0 | 0 | 3,633 |
| Restricted cash and cash equivalents | 0 | 301 | 0 | 0 |
| Restricted investments | 0 | 0 | 0 | 0 |
| Total assets | <u>\$ 44,357</u> | <u>\$ 305</u> | <u>\$ 331</u> | <u>\$ 28,235</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 1,196 | \$ 121 | \$ 4 | \$ 21 |
| Due to other funds | 107 | 0 | 0 | 0 |
| Advances from other funds | 428 | 0 | 0 | 0 |
| Total liabilities | <u>1,731</u> | <u>121</u> | <u>4</u> | <u>21</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - sales and excise tax | 0 | 0 | 0 | 0 |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Long-term receivable | 0 | 0 | 0 | 0 |
| Inventories | 0 | 0 | 0 | 0 |
| Restricted for: | | | | |
| Capital Projects | 42,626 | 184 | 327 | 0 |
| Debt Service | 0 | 0 | 0 | 28,214 |
| 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 |
| Assigned to: | | | | |
| Debt Service | 0 | 0 | 0 | 0 |
| Total fund balance | <u>42,626</u> | <u>184</u> | <u>327</u> | <u>28,214</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 44,357</u> | <u>\$ 305</u> | <u>\$ 331</u> | <u>\$ 28,235</u> |

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June 30, 2014

Combining Balance Sheet - Nonmajor Governmental Funds - Continued
June 30, 2014
(expressed in thousands)

| | Debt Service Funds | | | | |
|---|--------------------|--------------|--------------|-----------------------------------|-----------------------------|
| | Corrections | Pooled Funds | Armories | Public Broadcasting Digital | Vital Statistics Project |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Investments | 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 | 46 | 12 | 1 |
| Restricted investments | 0 | 0 | 0 | 0 | 0 |
| Total assets | <u>\$ 14</u> | <u>\$ 0</u> | <u>\$ 46</u> | <u>\$ 12</u> | <u>\$ 1</u> |
| LIABILITIES | | | | | |
| 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 |
| Total liabilities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - sales and excise tax | 0 | 0 | 0 | 0 | 0 |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND BALANCES | | | | | |
| 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 | 46 | 12 | 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 |
| Assigned to: | | | | | |
| Debt Service | 0 | 0 | 0 | 0 | 0 |
| Total fund balance | <u>14</u> | <u>0</u> | <u>46</u> | <u>12</u> | <u>1</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 14</u> | <u>\$ 0</u> | <u>\$ 46</u> | <u>\$ 12</u> | <u>\$ 1</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Balance Sheet - Nonmajor Governmental Funds - Concluded
June 30, 2014
(expressed in thousands)

| | Debt Service Funds | | | | |
|---|--------------------|----------------------|-------------------------|----------------------------|--------------------------------|
| | Labor | Bond and Interest | Highway Debt Service | STAR Bonds Debt Service | Total Nonmajor Governmental |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 573,843 |
| Investments | 0 | 0 | 63,024 | 0 | 65,841 |
| Receivables, net | 0 | 0 | 156 | 0 | 52,718 |
| Due from other funds | 0 | 0 | 0 | 0 | 23,551 |
| Inventories | 0 | 0 | 0 | 0 | 3,613 |
| Advances to other funds | 0 | 0 | 0 | 0 | 100,989 |
| Restricted cash and cash equivalents | 7 | 1,297 | 58,137 | 31,201 | 91,472 |
| Restricted investments | 0 | 0 | 0 | 0 | 15,863 |
| Total assets | <u>\$ 7</u> | <u>\$ 1,297</u> | <u>\$ 121,317</u> | <u>\$ 31,201</u> | <u>\$ 927,890</u> |
| LIABILITIES | | | | | |
| Accounts payable and other liabilities | \$ 0 | \$ 880 | \$ 0 | \$ 0 | \$ 176,797 |
| Due to other funds | 0 | 0 | 0 | 0 | 260 |
| Advances from other funds | 0 | 0 | 0 | 0 | 1,210 |
| Total liabilities | <u>0</u> | <u>880</u> | <u>0</u> | <u>0</u> | <u>178,267</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - sales and excise tax | 0 | 0 | 0 | 0 | 1,328 |
| Total deferred inflows of resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,328</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Long-term receivable | 0 | 0 | 0 | 0 | 4,153 |
| Inventories | 0 | 0 | 0 | 0 | 3,613 |
| Restricted for: | | | | | |
| Capital Projects | 0 | 0 | 0 | 0 | 43,137 |
| Debt Service | 7 | 417 | 0 | 31,201 | 59,912 |
| General government | 0 | 0 | 0 | 0 | 309,541 |
| Human Resources | 0 | 0 | 0 | 0 | 51,847 |
| Education | 0 | 0 | 0 | 0 | 16,255 |
| Public Safety | 0 | 0 | 0 | 0 | 68,200 |
| Agriculture and natural resources | 0 | 0 | 0 | 0 | 41,306 |
| Highways and other transportation | 0 | 0 | 0 | 0 | 29,014 |
| Assigned to: | | | | | |
| Debt Service | 0 | 0 | 121,317 | 0 | 121,317 |
| Total fund balance | <u>7</u> | <u>417</u> | <u>121,317</u> | <u>31,201</u> | <u>748,295</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 7</u> | <u>\$ 1,297</u> | <u>\$ 121,317</u> | <u>\$ 31,201</u> | <u>\$ 927,890</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014**
(expressed in thousands)

| | Special Revenue Funds | | | |
|---|--|----------------------------|---|---------------------|
| | State Regulatory Boards and Commission | Correctional Facilities | Tobacco Settlement for Children's Initiative | Adjutant General |
| Revenues: | | | | |
| 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 | 6,793 | 0 | 0 | 0 |
| Charges for services | 170,054 | 18,372 | 62,368 | 19 |
| Operating grants | 3,275 | 2,386 | 0 | 63,482 |
| Capital grants | 77 | 0 | 0 | 0 |
| Investment earnings | 9 | 0 | 26 | 0 |
| Other revenues | 3,056 | 2,871 | 9 | 45 |
| Total revenues | <u>183,264</u> | <u>23,629</u> | <u>62,403</u> | <u>63,546</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 112,995 | 0 | 0 | 0 |
| Human resources | 13,716 | 0 | 37,585 | 0 |
| Education | 0 | 0 | 12,038 | 0 |
| Public safety | 25,511 | 38,871 | 750 | 68,820 |
| Agriculture and natural resources | 7,770 | 0 | 0 | 0 |
| Highways and other transportation | 0 | 0 | 0 | 0 |
| Health and environment | 0 | 0 | 7,034 | 0 |
| Debt service: | | | | |
| Principal | 733 | 120 | 0 | 0 |
| Interest | 661 | 0 | 0 | 0 |
| Total expenditures | <u>161,386</u> | <u>38,991</u> | <u>57,407</u> | <u>68,820</u> |
| Excess of revenues over (under) expenditures | <u>21,878</u> | <u>(15,362)</u> | <u>4,996</u> | <u>(5,274)</u> |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 0 | 0 | 0 | 0 |
| Issuance of capital leases | 0 | 10,015 | 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 | (12,952) | 7,177 | (1,486) | 1,025 |
| Total other financing sources (uses) | <u>(12,952)</u> | <u>17,192</u> | <u>(1,486)</u> | <u>1,025</u> |
| Net change in fund balances | <u>8,926</u> | <u>1,830</u> | <u>3,510</u> | <u>(4,249)</u> |
| Fund balances, beginning of year | 83,327 | 8,211 | 19,048 | 7,443 |
| Revisions to beginning fund balances | 3,795 | (56) | 0 | 0 |
| Fund balances, beginning of year (restated) | <u>87,122</u> | <u>8,155</u> | <u>19,048</u> | <u>7,443</u> |
| Fund balances, end of year | <u>\$ 96,048</u> | <u>\$ 9,985</u> | <u>\$ 22,558</u> | <u>\$ 3,194</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds - Continued
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

Special Revenue Funds

| | Agriculture | Attorney General | Administration | Highway Patrol |
|---|-----------------|---------------------|-----------------|------------------|
| Revenues: | | | | |
| Property tax | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Income and inheritance tax | 0 | 0 | 0 | 0 |
| Sales and excise tax | 0 | 0 | 0 | 2,445 |
| Gross receipts tax | 0 | 0 | 0 | 0 |
| Charges for services | 17,575 | 17,203 | 4,402 | 10,047 |
| Operating grants | 6,650 | 7,530 | 4,135 | 14,312 |
| Capital grants | 90 | 0 | 0 | 0 |
| Investment earnings | 0 | 1 | 7 | 6 |
| Other revenues | 2,265 | 1,645 | 14,255 | 267 |
| Total revenues | <u>26,580</u> | <u>26,379</u> | <u>22,799</u> | <u>27,077</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 0 | 13,298 | 24,746 | 0 |
| Human resources | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 0 | 0 |
| Public safety | 0 | 13,442 | 0 | 80,248 |
| Agriculture and natural resources | 28,482 | 0 | 0 | 0 |
| Highways and other transportation | 0 | 0 | 0 | 0 |
| Health and environment | 0 | 0 | 0 | 0 |
| Debt service: | | | | |
| Principal | 0 | 0 | 12,275 | 0 |
| Interest | 0 | 0 | 23,864 | 0 |
| Total expenditures | <u>28,482</u> | <u>26,740</u> | <u>60,885</u> | <u>80,248</u> |
| Excess of revenues over (under) expenditures | <u>(1,902)</u> | <u>(361)</u> | <u>(38,086)</u> | <u>(53,171)</u> |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 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 | 96 | (7,208) | 34,925 | 56,731 |
| Total other financing sources (uses) | <u>96</u> | <u>(7,208)</u> | <u>34,925</u> | <u>56,731</u> |
| Net change in fund balances | <u>(1,806)</u> | <u>(7,569)</u> | <u>(3,161)</u> | <u>3,560</u> |
| Fund balances, beginning of year | 10,896 | 28,830 | 8,716 | 16,074 |
| Revisions to beginning fund balances | 0 | 0 | 2,548 | 0 |
| Fund balances, beginning of year (restated) | <u>10,896</u> | <u>28,830</u> | <u>11,264</u> | <u>16,074</u> |
| Fund balances, end of year | <u>\$ 9,090</u> | <u>\$ 21,261</u> | <u>\$ 8,103</u> | <u>\$ 19,634</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds - Continued
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Special Revenue Funds | | | |
|---|-----------------------|------------------|-------------------|------------------|
| | Historical Society | Labor | Commerce | Insurance |
| Revenues: | | | | |
| Property tax | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Income and inheritance tax | 0 | 0 | 35,320 | 0 |
| Sales and excise tax | 1,003 | 0 | 0 | 0 |
| Gross receipts tax | 0 | 0 | 35 | 14,428 |
| Charges for services | 1,193 | 1,218 | 78 | 13,200 |
| Operating grants | 770 | 23,337 | 52,540 | 658 |
| Capital grants | 0 | 0 | 0 | 0 |
| Investment earnings | 3 | 0 | 654 | 0 |
| Other revenues | 2 | 23,966 | 3,760 | 40 |
| Total revenues | <u>2,971</u> | <u>48,521</u> | <u>92,387</u> | <u>28,326</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 0 | 0 | 142,508 | 21,783 |
| Human resources | 0 | 34,121 | 0 | 0 |
| Education | 2,715 | 0 | 4,661 | 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 | 17,090 | 0 |
| Interest | 0 | 0 | 8,771 | 0 |
| Total expenditures | <u>2,715</u> | <u>34,121</u> | <u>173,030</u> | <u>21,783</u> |
| Excess of revenues over (under) expenditures | <u>256</u> | <u>14,400</u> | <u>(80,643)</u> | <u>6,543</u> |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 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 | 38 | (705) | 43,895 | (5,000) |
| Total other financing sources (uses) | <u>38</u> | <u>(705)</u> | <u>43,895</u> | <u>(5,000)</u> |
| Net change in fund balances | <u>294</u> | <u>13,695</u> | <u>(36,748)</u> | <u>1,543</u> |
| Fund balances, beginning of year | 6,470 | 14,337 | 207,555 | 9,228 |
| Revisions to beginning fund balances | 0 | 0 | 0 | 0 |
| Fund balances, beginning of year (restated) | <u>6,470</u> | <u>14,337</u> | <u>207,555</u> | <u>9,228</u> |
| Fund balances, end of year | <u>\$ 6,764</u> | <u>\$ 28,032</u> | <u>\$ 170,807</u> | <u>\$ 10,771</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds - Continued
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Special Revenue Funds | | | |
|---|-----------------------|---------------|-----------|-----------|
| | Judicial | State Library | Revenue | Education |
| Revenues: | | | | |
| Property tax | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Income and inheritance tax | 0 | 0 | 0 | 0 |
| Sales and excise tax | 0 | 0 | 6,496 | 0 |
| Gross receipts tax | 0 | 0 | 113 | 0 |
| Charges for services | 32,373 | 0 | 19,329 | 4,710 |
| Operating grants | 476 | 2,419 | 2,522 | 470,503 |
| Capital grants | 0 | 0 | 0 | 0 |
| Investment earnings | 3 | 0 | 0 | 0 |
| Other revenues | 937 | 185 | 3 | 53,656 |
| Total revenues | 33,789 | 2,604 | 28,463 | 528,869 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 36,137 | 0 | 76,299 | 0 |
| Human resources | 0 | 0 | 0 | 0 |
| Education | 0 | 2,249 | 0 | 799,180 |
| 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 |
| Total expenditures | 36,137 | 2,249 | 76,299 | 799,180 |
| Excess of revenues over (under) expenditures | (2,348) | 355 | (47,836) | (270,311) |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 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 | 213 | 0 | 43,924 | 268,080 |
| Total other financing sources (uses) | 213 | 0 | 43,924 | 268,080 |
| Net change in fund balances | (2,135) | 355 | (3,912) | (2,231) |
| Fund balances, beginning of year | 13,049 | 317 | 27,923 | 11,047 |
| Revisions to beginning fund balances | 0 | 0 | 0 | 0 |
| Fund balances, beginning of year (restated) | 13,049 | 317 | 27,923 | 11,047 |
| Fund balances, end of year | \$ 10,914 | \$ 672 | \$ 24,011 | \$ 8,816 |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds - Continued
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Special Revenue Funds | | | |
|---|-----------------------|-----------------|--------------------------------|-----------------|
| | Secretary of State | State Treasurer | Wildlife, Parks and Tourism | Executive |
| Revenues: | | | | |
| Property tax | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Income and inheritance tax | 0 | 0 | 0 | 0 |
| Sales and excise tax | 0 | 0 | 959 | 0 |
| Gross receipts tax | 0 | 0 | 0 | 0 |
| Charges for services | 4,394 | 617 | 38,347 | 1 |
| Operating grants | 77 | 0 | 14,652 | 9,546 |
| Capital grants | 0 | 0 | 0 | 0 |
| Investment earnings | 5 | 2,730 | 14 | 2 |
| Other revenues | 20 | 24,901 | 106 | 55 |
| Total revenues | <u>4,496</u> | <u>28,248</u> | <u>54,078</u> | <u>9,604</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 5,019 | 26,036 | 0 | 8,626 |
| Human resources | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 0 | 0 |
| Public safety | 0 | 0 | 0 | 0 |
| Agriculture and natural resources | 0 | 0 | 70,231 | 0 |
| Highways and other transportation | 0 | 0 | 0 | 0 |
| Health and environment | 0 | 0 | 0 | 0 |
| Debt service: | | | | |
| Principal | 0 | 0 | 1,676 | 0 |
| Interest | 0 | 0 | 85 | 0 |
| Total expenditures | <u>5,019</u> | <u>26,036</u> | <u>71,992</u> | <u>8,626</u> |
| Excess of revenues over (under) expenditures | <u>(523)</u> | <u>2,212</u> | <u>(17,914)</u> | <u>978</u> |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 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 | 0 | (2,200) | 4,649 | (1,224) |
| Total other financing sources (uses) | <u>0</u> | <u>(2,200)</u> | <u>4,649</u> | <u>(1,224)</u> |
| Net change in fund balances | <u>(523)</u> | <u>12</u> | <u>(13,265)</u> | <u>(246)</u> |
| Fund balances, beginning of year | 7,575 | 3,847 | 29,812 | 1,544 |
| Revisions to beginning fund balances | 0 | 0 | 0 | 0 |
| Fund balances, beginning of year (restated) | <u>7,575</u> | <u>3,847</u> | <u>29,812</u> | <u>1,544</u> |
| Fund balances, end of year | <u>\$ 7,052</u> | <u>\$ 3,859</u> | <u>\$ 16,547</u> | <u>\$ 1,298</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds - Continued
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Special Revenue Funds | | | |
|---|-----------------------|------------------------------------|------------------|---------------------------|
| | Legislative | Transportation- Special Revenue | State Water Plan | Peace Officer Training |
| Revenues: | | | | |
| Property tax | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Income and inheritance tax | 0 | 0 | 0 | 0 |
| Sales and excise tax | 0 | 0 | 2,897 | 0 |
| Gross receipts tax | 0 | 0 | 0 | 0 |
| Charges for services | 177 | 0 | 4,703 | 547 |
| Operating grants | 0 | 7,820 | 0 | 0 |
| Capital grants | 0 | 0 | 0 | 0 |
| Investment earnings | 0 | 127 | 0 | 0 |
| Other revenues | 0 | 2,406 | 5,006 | 219 |
| Total revenues | <u>177</u> | <u>10,353</u> | <u>12,606</u> | <u>766</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 179 | 0 | 0 | 0 |
| Human resources | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 25 | 0 |
| Public safety | 0 | 0 | 0 | 761 |
| Agriculture and natural resources | 0 | 0 | 10,743 | 0 |
| Highways and other transportation | 0 | 22,021 | 0 | 0 |
| Health and environment | 0 | 0 | 1,969 | 0 |
| Debt service: | | | | |
| Principal | 0 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 0 |
| Total expenditures | <u>179</u> | <u>22,021</u> | <u>12,737</u> | <u>761</u> |
| Excess of revenues over (under) expenditures | <u>(2)</u> | <u>(11,668)</u> | <u>(131)</u> | <u>5</u> |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 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 | 0 | 21,000 | (402) | 0 |
| Total other financing sources (uses) | <u>0</u> | <u>21,000</u> | <u>(402)</u> | <u>0</u> |
| Net change in fund balances | <u>(2)</u> | <u>9,332</u> | <u>(533)</u> | <u>5</u> |
| Fund balances, beginning of year | 120 | 23,835 | 11,146 | 610 |
| Revisions to beginning fund balances | 0 | 0 | 0 | 0 |
| Fund balances, beginning of year (restated) | <u>120</u> | <u>23,835</u> | <u>11,146</u> | <u>610</u> |
| Fund balances, end of year | <u>\$ 118</u> | <u>\$ 33,167</u> | <u>\$ 10,613</u> | <u>\$ 615</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds - Continued
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Capital Projects Funds | | | Debt Service Funds |
|---|-----------------------------------|---------------------------------|---------------|----------------------|
| | State Buildings (Appropriated) | Capitol Complex Buildings | State Library | Master Lease Program |
| Revenues: | | | | |
| Property tax | \$ 51,022 | \$ 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 | 3 | 0 |
| Capital grants | 0 | 0 | 53 | 0 |
| Investment earnings | 0 | 6 | 0 | 2 |
| Other revenues | 0 | 0 | 213 | 24 |
| Total revenues | <u>51,022</u> | <u>6</u> | <u>269</u> | <u>26</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 450 | 12,655 | 0 | 819 |
| Human resources | 5,659 | 0 | 0 | 0 |
| Education | 32,423 | 0 | 154 | 0 |
| Public safety | 3,520 | 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 | 6,810 | 0 | 5,400 |
| Interest | 0 | 8,163 | 0 | 1,051 |
| Total expenditures | <u>42,052</u> | <u>27,628</u> | <u>154</u> | <u>7,270</u> |
| Excess of revenues over (under) expenditures | <u>8,970</u> | <u>(27,622)</u> | <u>115</u> | <u>(7,244)</u> |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 0 | 0 | 0 | 0 |
| Issuance of capital leases | 0 | 0 | 0 | 1,762 |
| 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 | (6,079) | 14,964 | 0 | 0 |
| Total other financing sources (uses) | <u>(6,079)</u> | <u>14,964</u> | <u>0</u> | <u>1,762</u> |
| Net change in fund balances | <u>2,891</u> | <u>(12,658)</u> | <u>115</u> | <u>(5,482)</u> |
| Fund balances, beginning of year | 39,735 | 12,842 | 212 | 33,696 |
| Revisions to beginning fund balances | 0 | 0 | 0 | 0 |
| Fund balances, beginning of year (restated) | <u>39,735</u> | <u>12,842</u> | <u>212</u> | <u>33,696</u> |
| Fund balances, end of year | <u>\$ 42,626</u> | <u>\$ 184</u> | <u>\$ 327</u> | <u>\$ 28,214</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds - Continued
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Debt Service Funds | | | |
|---|--------------------|-----------------|----------------|-----------------------------------|
| | Corrections | Pooled Funds | Armories | Public Broadcasting Digital |
| Revenues: | | | | |
| 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 |
| Total revenues | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 0 | 61 | 0 | 0 |
| Human resources | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 0 | 0 |
| Public safety | 25,585 | 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 | 7,065 | 2,225 | 75 |
| Interest | 327 | 7,665 | 1,392 | 59 |
| Total expenditures | <u>25,912</u> | <u>14,791</u> | <u>3,617</u> | <u>134</u> |
| Excess of revenues over (under) expenditures | <u>(25,912)</u> | <u>(14,791)</u> | <u>(3,617)</u> | <u>(134)</u> |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 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 | 25,894 | 14,729 | 3,545 | 134 |
| Total other financing sources (uses) | <u>25,894</u> | <u>14,729</u> | <u>3,545</u> | <u>134</u> |
| Net change in fund balances | <u>(18)</u> | <u>(62)</u> | <u>(72)</u> | <u>0</u> |
| Fund balances, beginning of year | 32 | 62 | 118 | 12 |
| Revisions to beginning fund balances | 0 | 0 | 0 | 0 |
| Fund balances, beginning of year (restated) | <u>32</u> | <u>62</u> | <u>118</u> | <u>12</u> |
| Fund balances, end of year | <u>\$ 14</u> | <u>\$ 0</u> | <u>\$ 46</u> | <u>\$ 12</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds - Continued
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Debt Service Funds | | | |
|---|-----------------------------|-------------------|----------------|-----------------|
| | Vital Statistics Project | Highway Patrol | Labor | Social Services |
| Revenues: | | | | |
| 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 | 5,554 |
| Total revenues | <u>0</u> | <u>0</u> | <u>0</u> | <u>5,554</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 0 | 0 | 0 | 0 |
| Human resources | 0 | 0 | 190 | 2,375 |
| Education | 0 | 0 | 0 | 0 |
| Public safety | 0 | 295 | 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 | 2,310 | 1,730 |
| Interest | 0 | 77 | 424 | 1,449 |
| Total expenditures | <u>0</u> | <u>372</u> | <u>2,924</u> | <u>5,554</u> |
| Excess of revenues over (under) expenditures | <u>0</u> | <u>(372)</u> | <u>(2,924)</u> | <u>0</u> |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 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 | 0 | 372 | 2,924 | 0 |
| Total other financing sources (uses) | <u>0</u> | <u>372</u> | <u>2,924</u> | <u>0</u> |
| Net change in fund balances | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Fund balances, beginning of year | 1 | 0 | 7 | 0 |
| Revisions to beginning fund balances | 0 | 0 | 0 | 0 |
| Fund balances, beginning of year (restated) | <u>1</u> | <u>0</u> | <u>7</u> | <u>0</u> |
| Fund balances, end of year | <u>\$ 1</u> | <u>\$ 0</u> | <u>\$ 7</u> | <u>\$ 0</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds - Concluded
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Debt Service Funds | | | |
|---|----------------------|-------------------------|----------------------------|--------------------------------|
| | Bond and Interest | Highway Debt Service | STAR Bonds Debt Service | Total Nonmajor Governmental |
| Revenues: | | | | |
| Property tax | \$ 0 | \$ 0 | \$ 0 | \$ 51,022 |
| Income and inheritance tax | 0 | 0 | 0 | 35,320 |
| Sales and excise tax | 0 | 0 | 41,859 | 55,659 |
| Gross receipts tax | 0 | 0 | 0 | 21,369 |
| Charges for services | 0 | 0 | 0 | 420,927 |
| Operating grants | 0 | 0 | 0 | 687,093 |
| Capital grants | 0 | 0 | 0 | 220 |
| Investment earnings | 7 | 128 | 5,528 | 9,258 |
| Other revenues | 1,825 | 0 | 0 | 147,291 |
| Total revenues | <u>1,832</u> | <u>128</u> | <u>47,387</u> | <u>1,428,159</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 12,937 | 0 | 0 | 494,548 |
| Human resources | 18,307 | 0 | 0 | 111,953 |
| Education | 0 | 0 | 0 | 853,445 |
| Public safety | 0 | 0 | 0 | 257,803 |
| Agriculture and natural resources | 109 | 0 | 0 | 117,335 |
| Highways and other transportation | 0 | 0 | 0 | 22,021 |
| Health and environment | 0 | 0 | 0 | 9,003 |
| Debt service: | | | | |
| Principal | 32,250 | 89,370 | 39,376 | 218,505 |
| Interest | 6,074 | 70,220 | 9,605 | 139,887 |
| Total expenditures | <u>69,677</u> | <u>159,590</u> | <u>48,981</u> | <u>2,224,500</u> |
| Excess of revenues over (under) expenditures | <u>(67,845)</u> | <u>(159,462)</u> | <u>(1,594)</u> | <u>(796,341)</u> |
| Other financing sources (uses): | | | | |
| Issuance of bonds | 53,890 | 0 | 6,073 | 59,963 |
| Issuance of capital leases | 0 | 0 | 0 | 11,777 |
| Premium on issuance of debt | 5,644 | 0 | 0 | 5,644 |
| Issuance of refunding bonds | 58,550 | 0 | 0 | 58,550 |
| Premium on issuance of refunding debt | 7,909 | 0 | 0 | 7,909 |
| Payment to refunded bond escrow agent | (53,095) | 0 | 0 | (53,095) |
| Transfers, net | (4,742) | 171,548 | 0 | 673,865 |
| Total other financing sources (uses) | <u>68,156</u> | <u>171,548</u> | <u>6,073</u> | <u>764,613</u> |
| Net change in fund balances | <u>311</u> | <u>12,086</u> | <u>4,479</u> | <u>(31,728)</u> |
| Fund balances, beginning of year | 106 | 109,231 | 26,722 | 773,736 |
| Revisions to beginning fund balances | 0 | 0 | 0 | 6,287 |
| Fund balances, beginning of year (restated) | 106 | 109,231 | 26,722 | 780,023 |
| Fund balances, end of year | <u>\$ 417</u> | <u>\$ 121,317</u> | <u>\$ 31,201</u> | <u>\$ 748,295</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
Other Supplementary Information
June 30, 2014

Combining Statement of Net Position - Nonmajor Proprietary Funds
June 30, 2014
(expressed in thousands)

| | Business-Type Activities | | | | | Total |
|--|------------------------------|------------------|---|--|---|-------------------|
| | Workers Compensa- tion | Lottery | Intergovern- mental Transfer Program | Transporta- tion Revolving Fund | Communica- tion Systems Revolving Fund | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 6,186 | \$ 6,545 | \$ 263 | \$ 19,815 | \$ 2,309 | \$ 35,118 |
| Restricted cash and cash equivalents | 0 | 0 | 0 | 30,747 | 0 | 30,747 |
| Receivables, net | 0 | 14,743 | 0 | 5,991 | 466 | 21,200 |
| Inventories | 0 | 1,940 | 0 | 0 | 0 | 1,940 |
| Total current assets | <u>6,186</u> | <u>23,228</u> | <u>263</u> | <u>56,553</u> | <u>2,775</u> | <u>89,005</u> |
| Noncurrent assets: | | | | | | |
| Investments | 0 | 0 | 0 | 15,277 | 0 | 15,277 |
| Receivables, net | 0 | 0 | 0 | 38,827 | 2,208 | 41,035 |
| Capital assets (net of accumulated depreciation) | 0 | 273 | 14 | 0 | 0 | 287 |
| Total noncurrent assets | <u>0</u> | <u>273</u> | <u>14</u> | <u>54,104</u> | <u>2,208</u> | <u>56,599</u> |
| Total assets | <u>\$ 6,186</u> | <u>\$ 23,501</u> | <u>\$ 277</u> | <u>\$ 110,657</u> | <u>\$ 4,983</u> | <u>\$ 145,604</u> |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and other liabilities | \$ 12 | \$ 14,071 | \$ 0 | \$ 621 | \$ 14 | \$ 14,718 |
| Due to other funds | 0 | 5,447 | 0 | 0 | 0 | 5,447 |
| Short-term compensated absences | 10 | 0 | 0 | 0 | 0 | 10 |
| Short-term portion of long-term liabilities | 5,081 | 0 | 0 | 5,730 | 200 | 11,011 |
| Total current liabilities | <u>5,103</u> | <u>19,518</u> | <u>0</u> | <u>6,351</u> | <u>214</u> | <u>31,186</u> |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 2 | 0 | 0 | 0 | 0 | 2 |
| Claims and judgments | 26,680 | 0 | 0 | 0 | 0 | 26,680 |
| Bonds, notes and loans payable | 0 | 0 | 0 | 46,094 | 996 | 47,090 |
| Unearned lease revenue | 0 | 0 | 0 | 0 | 1,130 | 1,130 |
| Arbitrage rebate payable | 0 | 0 | 0 | 190 | 0 | 190 |
| Other noncurrent liabilities | 0 | 363 | 0 | 0 | 0 | 363 |
| Total noncurrent liabilities | <u>26,682</u> | <u>363</u> | <u>0</u> | <u>46,284</u> | <u>2,126</u> | <u>75,455</u> |
| Total liabilities | <u>31,785</u> | <u>19,881</u> | <u>0</u> | <u>52,635</u> | <u>2,340</u> | <u>106,641</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 0 | 273 | 14 | 0 | 0 | 287 |
| Restricted for: | | | | | | |
| Debt service | 0 | 0 | 0 | 38,207 | 0 | 38,207 |
| Unrestricted | (25,599) | 3,347 | 263 | 19,815 | 2,643 | 469 |
| Total net position | <u>(25,599)</u> | <u>3,620</u> | <u>277</u> | <u>58,022</u> | <u>2,643</u> | <u>38,963</u> |
| Total liabilities and net position | <u>\$ 6,186</u> | <u>\$ 23,501</u> | <u>\$ 277</u> | <u>\$ 110,657</u> | <u>\$ 4,983</u> | <u>\$ 145,604</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenses, and Changes in
Fund Net Position - Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2014**
(expressed in thousands)

| | Business-Type Activities | | | | | Total |
|---|------------------------------|-----------------|---|--|---|------------------|
| | Workers Compensa- tion | Lottery | Intergovern- mental Transfer Program | Transporta- tion Revolving Fund | Communica- tion Systems Revolving Fund | |
| Operating revenues: | | | | | | |
| Charges for services | \$ 5,016 | \$ 598,731 | \$ 0 | \$ 110 | \$ 387 | \$ 604,244 |
| Other revenue | 166 | 4,381 | 124 | 1,567 | 0 | 6,238 |
| Total operating revenues | <u>5,182</u> | <u>603,112</u> | <u>124</u> | <u>1,677</u> | <u>387</u> | <u>610,482</u> |
| Operating expenses: | | | | | | |
| Personal services | 188 | 5,542 | 864 | 0 | 0 | 6,594 |
| Supplies and services | 1,828 | 279,542 | 406 | 21 | 119 | 281,916 |
| Lottery prize awards | 0 | 138,742 | 0 | 0 | 0 | 138,742 |
| Depreciation | 0 | 147 | 1 | 0 | 0 | 148 |
| Insurance claims and expenses | 1,900 | 0 | 0 | 0 | 0 | 1,900 |
| Other expenses | 2,818 | 20,823 | 0 | 115 | 0 | 23,756 |
| Total operating expenses | <u>6,734</u> | <u>444,796</u> | <u>1,271</u> | <u>136</u> | <u>119</u> | <u>453,056</u> |
| Operating income (loss) | <u>(1,552)</u> | <u>158,316</u> | <u>(1,147)</u> | <u>1,541</u> | <u>268</u> | <u>157,426</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Capital grants | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment earnings | 0 | 0 | 113 | 741 | 2 | 856 |
| Interest expense | 0 | 0 | 0 | (2,530) | (98) | (2,628) |
| Other expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total nonoperating revenues (expenses) | <u>0</u> | <u>0</u> | <u>113</u> | <u>(1,789)</u> | <u>(96)</u> | <u>(1,772)</u> |
| Net income (loss) | <u>(1,552)</u> | <u>158,316</u> | <u>(1,034)</u> | <u>(248)</u> | <u>172</u> | <u>155,654</u> |
| Transfers out | 0 | (158,975) | 0 | 0 | 0 | (158,975) |
| Change in net position | (1,552) | (659) | (1,034) | (248) | 172 | (3,321) |
| Net position - beginning | (24,047) | 47,747 | 1,311 | 58,270 | 2,471 | 85,752 |
| Revisions to beginning net position | 0 | (43,468) | 0 | 0 | 0 | (43,468) |
| Net position - beginning (restated) | <u>(24,047)</u> | <u>4,279</u> | <u>1,311</u> | <u>58,270</u> | <u>2,471</u> | <u>42,284</u> |
| Net position - ending | <u>\$ (25,599)</u> | <u>\$ 3,620</u> | <u>\$ 277</u> | <u>\$ 58,022</u> | <u>\$ 2,643</u> | <u>\$ 38,963</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

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Statement of Net Position - Internal Service Funds
June 30, 2014
(expressed in thousands)

| | Printing | Accounting Services | Motor Pool | Information Technology | Aircraft | Building Maintenance |
|--|-----------------|------------------------|---------------|---------------------------|-------------|-------------------------|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 1,041 | \$ 9,293 | \$ 405 | \$ 907 | \$ 1 | \$ 12,356 |
| Receivables, net | 170 | 24 | 0 | 6,331 | 0 | 1,848 |
| Inventories | 0 | 0 | 0 | 0 | 0 | 368 |
| Total current assets | <u>1,211</u> | <u>9,317</u> | <u>405</u> | <u>7,238</u> | <u>1</u> | <u>14,572</u> |
| Noncurrent assets: | | | | | | |
| Capital assets not being depreciated | 0 | 0 | 0 | 0 | 0 | 460 |
| Capital assets (net of accumulated depreciation) | 1,663 | 23,140 | 274 | 11,419 | 0 | 61,482 |
| Total noncurrent assets | <u>1,663</u> | <u>23,140</u> | <u>274</u> | <u>11,419</u> | <u>0</u> | <u>61,942</u> |
| Total assets | <u>\$ 2,874</u> | <u>\$ 32,457</u> | <u>\$ 679</u> | <u>\$ 18,657</u> | <u>\$ 1</u> | <u>\$ 76,514</u> |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and other liabilities | \$ 246 | \$ 541 | \$ 14 | \$ 793 | \$ 6 | \$ 1,033 |
| Due to other funds | 0 | 0 | 29 | 456 | 0 | 0 |
| Short-term compensated absences | 135 | 308 | 0 | 475 | 0 | 327 |
| Short-term portion of long-term liabilities | 0 | 30,256 | 0 | 0 | 0 | 7,387 |
| Total current liabilities | <u>381</u> | <u>31,105</u> | <u>43</u> | <u>1,724</u> | <u>6</u> | <u>8,747</u> |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 30 | 67 | 0 | 104 | 0 | 72 |
| Claims and judgments | 0 | 59 | 0 | 0 | 0 | 0 |
| Bonds, notes and loans payable | 0 | 0 | 0 | 0 | 0 | 42,035 |
| Advances from other funds | 0 | 0 | 22 | 616 | 0 | 0 |
| Total noncurrent liabilities | <u>30</u> | <u>126</u> | <u>22</u> | <u>720</u> | <u>0</u> | <u>42,107</u> |
| Total liabilities | <u>411</u> | <u>31,231</u> | <u>65</u> | <u>2,444</u> | <u>6</u> | <u>50,854</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 1,663 | 23,140 | 274 | 11,419 | 0 | 61,942 |
| Unrestricted | 800 | (21,914) | 340 | 4,794 | (5) | (36,282) |
| Total net position | <u>2,463</u> | <u>1,226</u> | <u>614</u> | <u>16,213</u> | <u>(5)</u> | <u>25,660</u> |
| Total liabilities and net position | <u>\$ 2,874</u> | <u>\$ 32,457</u> | <u>\$ 679</u> | <u>\$ 18,657</u> | <u>\$ 1</u> | <u>\$ 76,514</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

Combining Statement of Net Position - Internal Service Funds - Concluded
June 30, 2014
(expressed in thousands)

| | Architectural Services | State Workers Compensation | Capitol Security | Osawatomie Motor Pool | Wildlife | Personnel Services | Total |
|--|---------------------------|-------------------------------|---------------------|--------------------------|---------------|-----------------------|-------------------|
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 3,292 | \$ 14,129 | \$ 356 | \$ 76 | \$ 256 | \$ 4 | \$ 42,116 |
| Receivables, net | 1 | 0 | 2 | 0 | 0 | 0 | 8,376 |
| Inventories | 0 | 0 | 561 | 0 | 0 | 0 | 929 |
| Total current assets | <u>3,293</u> | <u>14,129</u> | <u>919</u> | <u>76</u> | <u>256</u> | <u>4</u> | <u>51,421</u> |
| Noncurrent assets: | | | | | | | |
| Infrastructure | 0 | 0 | 0 | 0 | 0 | 0 | 460 |
| Capital assets (net of accumulated depreciation) | 64 | 0 | 0 | 0 | 0 | 0 | 98,042 |
| Total noncurrent assets | <u>64</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>98,502</u> |
| Total assets | <u>\$ 3,357</u> | <u>\$ 14,129</u> | <u>\$ 919</u> | <u>\$ 76</u> | <u>\$ 256</u> | <u>\$ 4</u> | <u>\$ 149,923</u> |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and other liabilities | \$ 118 | \$ 158 | \$ 39 | \$ 0 | \$ 0 | \$ 0 | \$ 2,948 |
| Due to other funds | 0 | 0 | 0 | 0 | 0 | 0 | 485 |
| Short-term compensated absences | 88 | 47 | 1 | 0 | 0 | 0 | 1,381 |
| Short-term portion of long-term liabilities | 0 | 13,486 | 0 | 0 | 0 | 0 | 51,129 |
| Total current liabilities | <u>206</u> | <u>13,691</u> | <u>40</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>55,943</u> |
| Noncurrent liabilities: | | | | | | | |
| Compensated absences | 19 | 10 | 0 | 0 | 0 | 0 | 302 |
| Claims and judgements | 0 | 42,070 | 0 | 0 | 0 | 0 | 42,129 |
| Bonds, notes and loans payable | 0 | 0 | 0 | 0 | 0 | 0 | 42,035 |
| Advances from other funds | 0 | 0 | 0 | 0 | 0 | 0 | 638 |
| Total noncurrent liabilities | <u>19</u> | <u>42,080</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>85,104</u> |
| Total liabilities | <u>225</u> | <u>55,771</u> | <u>40</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>141,047</u> |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 64 | 0 | 0 | 0 | 0 | 0 | 98,502 |
| Unrestricted | 3,068 | (41,642) | 879 | 76 | 256 | 4 | (89,626) |
| Total net position | <u>3,132</u> | <u>(41,642)</u> | <u>879</u> | <u>76</u> | <u>256</u> | <u>4</u> | <u>8,876</u> |
| Total liabilities and net position | <u>\$ 3,357</u> | <u>\$ 14,129</u> | <u>\$ 919</u> | <u>\$ 76</u> | <u>\$ 256</u> | <u>\$ 4</u> | <u>\$ 149,923</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenses, and Changes in
Fund Net Position - Internal Service Funds
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)**

| | Printing | Accounting Services | Motor Pool | Information Technology | Aircraft | Building Maintenance |
|---|-----------------|------------------------|---------------|---------------------------|---------------|-------------------------|
| Operating revenues: | | | | | | |
| Charges for services | \$ 7,463 | \$ 14,881 | \$ 526 | \$ 33,276 | \$ 89 | \$ 24,456 |
| Other revenue | 1 | 143 | 1,693 | 2 | 0 | 187 |
| Total operating revenues | <u>7,464</u> | <u>15,024</u> | <u>2,219</u> | <u>33,278</u> | <u>89</u> | <u>24,643</u> |
| Operating expenses: | | | | | | |
| Salaries and wages | 2,320 | 5,081 | 0 | 8,883 | 0 | 7,961 |
| Supplies and services | 5,375 | 7,430 | 777 | 18,903 | 99 | 9,333 |
| Depreciation | 206 | 2,623 | 42 | 3,069 | 0 | 1,439 |
| Insurance claims and expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Other expenses | 0 | 68 | 0 | 213 | 0 | 35 |
| Total operating expenses | <u>7,901</u> | <u>15,202</u> | <u>819</u> | <u>31,068</u> | <u>99</u> | <u>18,768</u> |
| Operating income (loss) | <u>(437)</u> | <u>(178)</u> | <u>1,400</u> | <u>2,210</u> | <u>(10)</u> | <u>5,875</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Investment earnings | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 0 | (171) | 0 | 0 | 0 | (2,275) |
| Other expenses | 0 | 0 | 0 | 0 | 0 | (19) |
| Total nonoperating revenues (expenses) | <u>0</u> | <u>(171)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(2,294)</u> |
| Net income (loss) | <u>(437)</u> | <u>(349)</u> | <u>1,400</u> | <u>2,210</u> | <u>(10)</u> | <u>3,581</u> |
| Transfers in | 52 | 758 | 0 | 3,210 | 0 | 660 |
| Transfers out | (141) | (77) | (1,408) | (3,471) | 0 | (4,684) |
| Change in net position | <u>(526)</u> | <u>332</u> | <u>(8)</u> | <u>1,949</u> | <u>(10)</u> | <u>(443)</u> |
| Net position - beginning | 2,989 | 894 | 622 | 14,264 | 5 | 26,103 |
| Net position - ending | <u>\$ 2,463</u> | <u>\$ 1,226</u> | <u>\$ 614</u> | <u>\$ 16,213</u> | <u>\$ (5)</u> | <u>\$ 25,660</u> |

State of Kansas
Other Supplementary Information
June 30, 2014

**Combining Statement of Revenues, Expenses, and Changes in
Fund Net Position - Internal Service Funds - Concluded
For the Fiscal Year Ended June 30, 2014**
(expressed in thousands)

| | Architectural Services | State Workers Compensation | Capitol Security | Osawatomie Motor Pool | Wildlife | Personnel Services | Total |
|---|---------------------------|-------------------------------|---------------------|--------------------------|---------------|-----------------------|-----------------|
| Operating revenues: | | | | | | | |
| Charges for services | \$ 1,917 | \$ 0 | \$ 206 | \$ 0 | \$ 48 | \$ 0 | \$ 82,862 |
| Other revenue | 17 | 22,589 | 698 | 18 | 0 | 0 | 25,348 |
| Total operating revenues | <u>1,934</u> | <u>22,589</u> | <u>904</u> | <u>18</u> | <u>48</u> | <u>0</u> | <u>108,210</u> |
| Operating expenses: | | | | | | | |
| Salaries and wages | 1,567 | 1,062 | 181 | 0 | 0 | 0 | 27,055 |
| Supplies and services | 188 | 2,242 | 0 | 0 | 4 | 0 | 44,351 |
| Depreciation | 8 | 0 | 0 | 0 | 0 | 0 | 7,387 |
| Insurance claims and expenses | 0 | 17,736 | 0 | 0 | 0 | 0 | 17,736 |
| Other expenses | 0 | 9 | 0 | 0 | 0 | 0 | 325 |
| Total operating expenses | <u>1,763</u> | <u>21,049</u> | <u>181</u> | <u>0</u> | <u>4</u> | <u>0</u> | <u>96,854</u> |
| Operating income (loss) | <u>171</u> | <u>1,540</u> | <u>723</u> | <u>18</u> | <u>44</u> | <u>0</u> | <u>11,356</u> |
| Nonoperating revenues (expenses): | | | | | | | |
| Investment earnings | 0 | 30 | 0 | 0 | 0 | 0 | 30 |
| Interest expense | 0 | 0 | 0 | 0 | 0 | 0 | (2,446) |
| Other expenses | 0 | (283) | 0 | 0 | 0 | 0 | (302) |
| Total nonoperating revenues (expenses) | <u>0</u> | <u>(253)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(2,718)</u> |
| Net income (loss) | 171 | 1,287 | 723 | 18 | 44 | 0 | 8,638 |
| Transfers in | 0 | 0 | 0 | 0 | 0 | 0 | 4,680 |
| Transfers out | (62) | 0 | 0 | 0 | 0 | 0 | (9,843) |
| Change in net position | <u>109</u> | <u>1,287</u> | <u>723</u> | <u>18</u> | <u>44</u> | <u>0</u> | <u>3,475</u> |
| Net position - beginning | 3,023 | (42,929) | 156 | 58 | 212 | 4 | 5,401 |
| Net position - ending | <u>\$ 3,132</u> | <u>\$ (41,642)</u> | <u>\$ 879</u> | <u>\$ 76</u> | <u>\$ 256</u> | <u>\$ 4</u> | <u>\$ 8,876</u> |



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**STATISTICAL
SECTION**

State of Kansas
Statistical Section
June 30, 2014

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|--|--------------------|
| Financial Trends | 144 |
| These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. | |
| Revenue Capacity | 155 |
| These schedules contain information to help the reader assess the state's most significant revenue source, the income and sales taxes. | |
| Debt Capacity | 157 |
| 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. | |
| Demographic and Economic Information | 160 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place. | |
| Operating Information | 161 |
| 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.

The State University System was changed from a business-type activity to a component unit of the State which significantly changes some amounts for fiscal year 2004 and beyond.

State of Kansas
Statistical Section
June 30, 2014

Financial Trends

Net Position by Fund Type

Last Ten Fiscal Years

(expressed in thousands)

| | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|----------------------|----------------------|----------------------|
| Governmental activities | | | |
| Net investment in capital assets | \$ 435,125 | \$ 8,144,626 | \$ 9,538,694 |
| Restricted | 89,640 | 97,386 | 93,923 |
| Unrestricted | 762,257 | 1,309,066 | 331,906 |
| Total governmental activities net position | <u>\$ 9,287,022</u> | <u>\$ 9,551,078</u> | <u>\$ 9,964,523</u> |
| Business-type activities ¹ | | | |
| Net investment in capital assets | \$ 247 | \$ 388 | \$ 256 |
| Restricted | 766,234 | 950,950 | 1,087,458 |
| Unrestricted | 5,642 | 20,004 | 6,768 |
| Total business-type activities net position | <u>\$ 772,123</u> | <u>\$ 971,342</u> | <u>\$ 1,094,482</u> |
| Primary government | | | |
| Net investment in capital assets | \$ 8,435,372 | \$ 8,145,014 | \$ 9,538,950 |
| Restricted | 855,874 | 1,048,336 | 1,181,381 |
| Unrestricted | 767,899 | 1,329,110 | 338,674 |
| Total primary government net position | <u>\$ 10,059,145</u> | <u>\$ 10,522,460</u> | <u>\$ 11,059,005</u> |

State of Kansas
Statistical Section
June 30, 2014

Financial Trends

Net Position by Fund Type

Last Ten Fiscal Years

(expressed in thousands)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 9,800,244 | \$ 9,509,615 | \$ 9,601,110 | \$ 9,219,935 | \$ 9,279,477 | \$ 9,323,734 | \$ 9,791,994 |
| 87,640 | 143,946 | 209,443 | 869,678 | 920,031 | 1,162,509 | 1,238,216 |
| 86,523 | 105,512 | 155,995 | 122,947 | 286,900 | 512,524 | (45,468) |
| <u>\$ 9,974,407</u> | <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> |
| \$ 364 | \$ 478 | \$ 8,351 | \$ 6,194 | \$ 54,273 | \$ 43,844 | \$ 299 |
| 1,066,936 | 779,479 | 433,809 | 466,317 | 474,957 | 496,714 | 536,957 |
| 18,330 | (6,394) | 118,772 | 90,826 | 171,381 | 215,568 | 331,144 |
| <u>\$ 1,085,630</u> | <u>\$ 773,563</u> | <u>\$ 560,932</u> | <u>\$ 563,337</u> | <u>\$ 700,611</u> | <u>\$ 756,126</u> | <u>\$ 868,400</u> |
| \$ 9,800,608 | \$ 9,510,093 | \$ 9,609,461 | \$ 9,226,129 | \$ 9,333,750 | \$ 9,367,578 | \$ 9,792,293 |
| 1,154,576 | 923,425 | 643,252 | 1,335,995 | 1,394,988 | 1,659,223 | 1,775,173 |
| 104,853 | 99,118 | 274,767 | 213,773 | 458,281 | 728,092 | 285,676 |
| <u>\$ 11,060,037</u> | <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> |

State of Kansas
Statistical Section
June 30, 2014

Financial Trends

Changes in Net Position Last Ten Fiscal Years

(expressed in thousands)

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,215,280 | \$ 975,416 | \$ 1,074,391 | \$ 1,002,719 |
| Human resources | 3,124,978 | 2,979,056 | 3,080,465 | 3,279,850 |
| Education | 3,393,376 | 4,378,010 | 4,696,343 | 5,011,242 |
| Public safety | 514,904 | 583,340 | 607,343 | 742,254 |
| Agriculture and natural resources | 93,528 | 98,116 | 102,471 | 111,445 |
| Highways and other transportation | 679,952 | 893,582 | 639,384 | 848,375 |
| Health and environment | 189,908 | 197,884 | 199,996 | 225,740 |
| Economic development | 3,293 | 3,780 | 3,125 | 251 |
| Interest expense | 0 | 0 | 149,550 | 145,246 |
| Total governmental activities expenses | <u>9,215,219</u> | <u>10,109,184</u> | <u>10,553,068</u> | <u>11,367,122</u> |
| Business-type activities: | | | | |
| Water pollution and safety | 30,499 | 33,995 | 33,845 | 33,794 |
| Health care stabilization | 39,897 | 32,500 | 24,013 | 56,030 |
| Employment security | 280,644 | 253,055 | 245,910 | 277,545 |
| Workers' compensation | 2,273 | 4,888 | 4,342 | 5,050 |
| Lottery | 145,496 | 167,623 | 170,928 | 171,216 |
| Universities | 0 | 0 | 0 | 0 |
| Intergovernmental transfer program | 9,287 | 1,084 | 583 | 470 |
| Transportation revolving loans | 0 | 1,145 | 1,977 | 2,681 |
| Total business-type activities expenses | <u>508,096</u> | <u>494,290</u> | <u>481,598</u> | <u>546,786</u> |
| Total primary government expenses | <u>\$ 9,723,315</u> | <u>\$ 10,603,474</u> | <u>\$ 11,034,666</u> | <u>\$ 11,913,908</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| General government | \$ 320,129 | \$ 274,969 | \$ 281,027 | \$ 308,030 |
| Human resources | 1,861,855 | 2,090,961 | 2,099,064 | 2,163,300 |
| Education | 386,369 | 390,180 | 395,050 | 407,737 |
| Public safety | 126,632 | 149,638 | 165,609 | 255,683 |
| Agriculture and natural resources | 65,012 | 63,533 | 66,477 | 68,020 |
| Highways and other transportation | 563,126 | 586,235 | 697,979 | 697,233 |
| Health and environment | 131,568 | 129,227 | 122,938 | 139,367 |
| Total governmental activities revenues | <u>3,454,691</u> | <u>3,684,743</u> | <u>3,828,144</u> | <u>4,039,370</u> |
| Business-type activities ¹ : | | | | |
| Water pollution and safety | 44,542 | 42,992 | 35,393 | 32,139 |
| Health care stabilization | 21,244 | 27,402 | 36,010 | 38,079 |
| Employment security | 348,021 | 349,919 | 275,733 | 224,745 |
| Workers' compensation | 3,464 | 1,182 | 7,395 | 5,508 |
| Lottery | 207,772 | 237,270 | 241,441 | 238,349 |
| Universities | 0 | 0 | 0 | 0 |
| Intergovernmental transfer program | 167 | 133 | 157 | 191 |
| Transportation revolving fund | 0 | 70 | 912 | 127 |
| Total business-type activities revenues | <u>625,210</u> | <u>658,968</u> | <u>597,041</u> | <u>539,138</u> |
| Total primary government revenues | <u>\$ 4,079,901</u> | <u>\$ 4,343,711</u> | <u>\$ 4,425,185</u> | <u>\$ 4,578,508</u> |
| Net (Expense) Revenue | | | | |
| Government activities | \$ (5,760,528) | \$ (6,424,441) | \$ (6,724,924) | \$ (7,327,752) |
| Business-type activities | 117,114 | 164,678 | 115,443 | (7,648) |
| Total primary net (expense) revenue | <u>\$ (5,643,414)</u> | <u>\$ (6,259,763)</u> | <u>\$ (6,609,481)</u> | <u>\$ (7,335,400)</u> |

State of Kansas
Statistical Section
June 30, 2014

Financial Trends

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> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 955,701 | \$ 851,373 | \$ 1,084,268 | \$ 1,199,474 | \$ 822,456 | \$ 778,620 |
| 3,691,535 | 3,785,792 | 4,053,711 | 2,736,768 | 2,702,954 | 2,614,673 |
| 5,183,287 | 5,028,780 | 5,091,475 | 5,014,709 | 5,130,332 | 5,209,211 |
| 754,869 | 786,682 | 711,734 | 589,676 | 610,878 | 589,939 |
| 126,940 | 109,672 | 105,710 | 120,242 | 124,244 | 122,995 |
| 437,099 | 516,629 | 885,153 | 1,006,995 | 928,140 | 863,577 |
| 229,198 | 232,955 | 258,964 | 1,425,544 | 2,129,953 | 2,285,022 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 151,702 | 144,125 | 144,443 | 152,361 | 139,500 | 138,718 |
| <u>11,530,331</u> | <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> |
| 35,479 | 33,366 | 44,780 | 59,646 | 36,301 | 26,955 |
| 45,641 | 30,347 | 30,286 | 6,442 | 37,160 | 29,729 |
| 735,844 | 1,381,286 | 971,158 | 736,736 | 527,345 | 369,720 |
| 4,511 | 4,540 | 5,217 | 4,718 | 3,723 | 6,734 |
| 165,048 | 184,080 | 199,015 | 335,018 | 465,555 | 444,796 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 102 | 139 | 170 | 695 | 0 | 1,271 |
| 3,384 | 4,561 | 3,429 | 3,488 | 3,908 | 2,883 |
| <u>990,009</u> | <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>\$ 12,520,340</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> |
| \$ 322,789 | \$ 344,150 | \$ 342,849 | \$ 446,341 | \$ 327,902 | \$ 379,499 |
| 2,609,468 | 2,839,446 | 2,988,161 | 983,660 | 1,003,914 | 933,347 |
| 425,331 | 747,276 | 692,079 | 484,634 | 488,135 | 480,375 |
| 266,768 | 350,512 | 312,685 | 175,242 | 173,663 | 142,821 |
| 72,042 | 74,804 | 80,324 | 92,906 | 103,625 | 90,502 |
| 579,323 | 690,597 | 850,859 | 672,116 | 639,443 | 730,609 |
| 138,245 | 159,009 | 190,052 | 1,939,093 | 1,911,061 | 2,115,889 |
| <u>4,413,966</u> | <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> |
| 34,029 | 67,258 | 46,056 | 36,902 | 51,651 | 64,757 |
| 43,108 | 26,719 | 31,570 | 29,350 | 27,027 | 25,348 |
| 220,886 | 310,145 | 401,477 | 435,729 | 422,553 | 409,368 |
| 4,049 | 3,148 | 9,004 | 4,932 | 1,779 | 5,016 |
| 232,139 | 258,494 | 273,995 | 499,479 | 610,317 | 598,731 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 197 | 0 | 0 | 0 | 0 | 0 |
| 901 | 674 | 730 | 815 | 2,214 | 497 |
| <u>535,309</u> | <u>666,438</u> | <u>762,832</u> | <u>1,007,207</u> | <u>1,115,541</u> | <u>1,103,717</u> |
| <u>\$ 4,949,275</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> |
| \$ (7,116,365) | \$ (6,250,214) | \$ (6,878,449) | \$ (7,451,777) | \$ (7,940,714) | \$ (7,729,713) |
| (454,700) | (971,881) | (491,223) | (139,536) | 41,549 | 221,629 |
| <u>\$ (7,571,065)</u> | <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> |

State of Kansas
Statistical Section
June 30, 2014

Financial Trends

Revenues and Other Changes in Net Position

Last Ten Fiscal Years

(Expressed in thousands)

| | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|---------------------|---------------------|---------------------|
| Governmental activities: | | | |
| Taxes | | | |
| Property tax | \$ 666,698 | \$ 548,725 | \$ 593,229 |
| Income and inheritance tax | 2,385,369 | 2,866,019 | 3,210,696 |
| Sales and excise tax | 2,660,026 | 2,789,933 | 2,863,794 |
| Gross receipts tax | 127,336 | 132,928 | 134,872 |
| Investment earnings | 26,401 | 61,617 | 106,727 |
| Other revenue | 275,320 | 244,009 | 218,482 |
| Extraordinary items | 77,383 | 0 | 0 |
| Transfers | 0 | 66,868 | 69,881 |
| Total governmental activities revenues | <u>6,218,533</u> | <u>6,710,099</u> | <u>7,197,681</u> |
| Business-type activities: ¹ | | | |
| Investment earnings | 29,507 | 37,446 | 45,914 |
| Other revenue | 55,757 | 35,972 | 31,624 |
| Transfers | (77,383) | (66,868) | (69,881) |
| Total business-type activities revenues | <u>7,881</u> | <u>6,550</u> | <u>7,657</u> |
| Total primary government revenues | <u>\$ 6,226,414</u> | <u>\$ 6,716,649</u> | <u>\$ 7,205,338</u> |
| Change in Net Position | | | |
| Governmental activities | \$ 458,005 | \$ 285,658 | \$ 472,757 |
| Business-type activities | <u>124,995</u> | <u>171,228</u> | <u>123,100</u> |
| Total primary government | <u>\$ 583,000</u> | <u>\$ 456,886</u> | <u>\$ 595,857</u> |

State of Kansas
Statistical Section
June 30, 2014

Financial Trends

Revenues and Other Changes in Net Position

Last Ten Fiscal Years

(Expressed in thousands)

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 613,222 | \$ 631,800 | \$ 625,862 | \$ 610,463 | \$ 626,121 | \$ 641,553 | \$ 623,983 |
| 3,431,970 | 2,997,595 | 2,562,404 | 3,033,559 | 3,203,760 | 3,382,048 | 2,610,490 |
| 2,949,551 | 2,883,012 | 2,764,218 | 3,289,025 | 3,424,419 | 3,510,478 | 3,599,390 |
| 138,094 | 138,532 | 139,813 | 161,280 | 163,862 | 177,215 | 198,479 |
| 35,563 | 17,811 | 30,229 | 48,684 | (19,548) | 58,671 | 42,199 |
| 106,339 | 232,779 | 278,082 | 237,319 | 313,929 | 489,719 | 402,911 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 78,160 | 78,177 | 81,784 | 69,530 | 122,855 | 165,514 | 171,891 |
| <u>7,352,899</u> | <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> |
| 44,956 | 37,890 | 32,033 | 39,149 | 21,265 | 6,298 | 12,681 |
| 33,014 | 182,920 | 809,001 | 524,020 | 378,400 | 188,955 | 96,708 |
| (78,160) | (78,177) | (81,784) | (69,530) | (122,855) | (165,514) | (171,891) |
| (190) | 142,633 | 759,250 | 493,639 | 276,810 | 29,739 | (62,502) |
| <u>\$ 7,352,709</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> |
| \$ 25,147 | \$ (136,659) | \$ 232,178 | \$ 571,411 | \$ 383,621 | \$ 484,484 | \$ (80,370) |
| (7,838) | (312,067) | (212,631) | 2,416 | 137,274 | 71,288 | 159,127 |
| <u>\$ 17,309</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> |

State of Kansas
Statistical Section
June 30, 2014

Financial Trends

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(expressed in thousands)

| | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--|---------------------|---------------------|---------------------|
| General Fund | | | |
| Reserved | \$ 15,674 | \$ 22,386 | \$ 28,871 |
| Unreserved | 297,059 | 649,526 | 791,980 |
| Total general fund | <u>\$ 312,733</u> | <u>\$ 671,912</u> | <u>\$ 820,851</u> |
| Social Services Fund ¹ | | | |
| Reserved | \$ 19,413 | \$ 18,125 | \$ 16,708 |
| Unreserved | 70,426 | 45,558 | 7,810 |
| Total social services fund | <u>\$ 89,839</u> | <u>\$ 63,683</u> | <u>\$ 24,518</u> |
| Transportation Fund | | | |
| Reserved | \$ 942,114 | \$ 962,147 | \$ 977,154 |
| Unreserved | (168,173) | (243,585) | (356,696) |
| Total transportation fund | <u>\$ 773,941</u> | <u>\$ 718,562</u> | <u>\$ 620,458</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 | \$ 0 | \$ 4,152 | \$ 8,405 |
| Unreserved | 0 | 4,917 | 15,785 |
| Total health policy authority fund | <u>\$ 0</u> | <u>\$ 9,069</u> | <u>\$ 24,190</u> |
| All Other Governmental Funds | | | |
| Reserved reported in: | | | |
| Reserved for debt service | \$ 76,143 | \$ 13,489 | \$ 13,767 |
| Reserved for encumbrances | 155,113 | 149,569 | 189,578 |
| Reserved for advances to other funds | 79,215 | 86,002 | 41,023 |
| Unreserved | 353,789 | 402,889 | 416,568 |
| Total all other governmental funds | <u>\$ 664,260</u> | <u>\$ 651,949</u> | <u>\$ 660,936</u> |

¹ 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, 2014

Financial Trends

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(expressed in thousands)

| 2008 | 2009 | 2010 |
|--------------|--------------|--------------|
| \$ 7,324 | \$ 24,663 | \$ 29,680 |
| 414,713 | (201,007) | (278,000) |
| \$ 422,037 | \$ (176,344) | \$ (248,320) |
| | | |
| \$ 0 | \$ 0 | \$ 0 |
| 0 | 0 | 0 |
| \$ 0 | \$ 0 | \$ 0 |
| | | |
| \$ 735,930 | \$ 1,022,259 | \$ 781,308 |
| (94,692) | (562,388) | (524,154) |
| \$ 641,238 | \$ 459,871 | \$ 257,154 |
| | | |
| \$ 0 | \$ 0 | \$ 0 |
| (755,115) | (885,715) | (664,315) |
| \$ (755,115) | \$ (885,715) | \$ (664,315) |
| | | |
| \$ 0 | \$ 7,964 | \$ 5,204 |
| 1,464 | 8,722 | 4,312 |
| \$ 1,464 | \$ 16,686 | \$ 9,516 |
| | | |
| \$ 32,224 | \$ 165,598 | \$ 209,443 |
| 11,575 | 237,604 | 199,753 |
| 78,530 | 78,717 | 73,581 |
| 722,144 | 251,858 | 326,572 |
| \$ 844,473 | \$ 733,777 | \$ 809,349 |

State of Kansas
Statistical Section
June 30, 2014

Financial Trends

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(expressed in thousands)

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | |
| Nonspendable: | | | | |
| Inventory | \$ 6,620 | \$ 7,593 | \$ 7,446 | \$ 7,851 |
| Unassigned | (182,683) | 207,530 | 390,890 | (5,376) |
| Total General Fund | <u>\$ (176,063)</u> | <u>\$ 215,123</u> | <u>\$ 398,336</u> | <u>\$ 2,475</u> |
| Social Services Fund | | | | |
| Nonspendable: | | | | |
| Inventory | \$ 0 | \$ 0 | \$ 0 | \$ 23 |
| Restricted for: | | | | |
| Human resources | 56,200 | 56,773 | 61,041 | 58,794 |
| Total Social Services Fund | <u>\$ 56,200</u> | <u>\$ 56,773</u> | <u>\$ 61,041</u> | <u>\$ 58,817</u> |
| Health and Environment Fund¹ | | | | |
| Restricted for: | | | | |
| Health and Environment | \$ 0 | \$ 101,844 | \$ 138,777 | \$ 187,268 |
| Total Health and Environment Fund | <u>\$ 0</u> | <u>\$ 101,844</u> | <u>\$ 138,777</u> | <u>\$ 187,268</u> |
| Transportation Fund | | | | |
| Nonspendable: | | | | |
| Inventory | \$ 23,968 | \$ 24,940 | \$ 24,363 | \$ 23,983 |
| Prepaid Insurance | 0 | 0 | 0 | 1,096 |
| Restricted for: | | | | |
| Highways and other transportation | 248,808 | 102,629 | 292,903 | 432,854 |
| Total Transportation Fund | <u>\$ 272,776</u> | <u>\$ 127,569</u> | <u>\$ 317,266</u> | <u>\$ 457,933</u> |
| Transportation - Capital Projects Fund | | | | |
| Unassigned | \$ (379,464) | \$ (504,312) | \$ (321,812) | \$ (383,215) |
| Total Transportation - Capital Projects Fund | <u>\$ (379,464)</u> | <u>\$ (504,312)</u> | <u>\$ (321,812)</u> | <u>\$ (383,215)</u> |
| Health Policy Authority¹ | | | | |
| Unassigned | \$ (16,319) | \$ 0 | \$ 0 | \$ 0 |
| Total Health Policy Authority Fund | <u>\$ (16,319)</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| All Other Governmental Funds | | | | |
| Nonspendable: | | | | |
| Long-Term Receivables | \$ 0 | \$ 6,275 | \$ 4,487 | \$ 4,153 |
| Inventory | 0 | 4 | 0 | 3,613 |
| Restricted for: | | | | |
| Capital projects | 33,134 | 67,654 | 52,789 | 43,137 |
| Debt Service | 101,204 | 82,836 | 60,756 | 59,912 |
| General government | 243,636 | 350,578 | 355,907 | 309,541 |
| Human resources | 22,574 | 24,698 | 34,929 | 51,847 |
| Education | 8,959 | 15,669 | 17,837 | 16,255 |
| Public safety | 40,305 | 44,056 | 61,931 | 68,200 |
| Agriculture and natural resources | 47,663 | 53,988 | 56,521 | 41,306 |
| Highways and other transportation | 25,902 | 19,306 | 19,348 | 29,014 |
| Health and environment | 41,293 | 0 | 0 | 0 |
| Assigned to: | | | | |
| Debt Service | 106,038 | 113,867 | 109,231 | 121,317 |
| Unassigned | 0 | 0 | 0 | 0 |
| Total All Other Governmental Funds | <u>\$ 670,708</u> | <u>\$ 778,931</u> | <u>\$ 773,736</u> | <u>\$ 748,295</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.

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

State of Kansas
Statistical Section
June 30, 2014

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

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|-------------------|-------------------|-------------------|---------------------|
| Revenues | | | | |
| Taxes | \$ 5,827,740 | \$ 6,378,200 | \$ 6,828,429 | \$ 7,138,723 |
| Charges for services | 554,851 | 655,564 | 744,423 | 654,744 |
| Intergovernmental (operating and capital grants) | 2,910,532 | 3,042,060 | 3,091,345 | 3,391,868 |
| Investment earnings | 26,411 | 61,625 | 106,733 | 35,573 |
| Other revenues (includes extraordinary items) | 283,470 | 263,737 | 290,090 | 127,260 |
| Total revenues | <u>9,603,004</u> | <u>10,401,186</u> | <u>11,061,020</u> | <u>11,348,168</u> |
| Expenditures | | | | |
| General government | 1,274,908 | 999,533 | 1,101,740 | 1,044,775 |
| Human resources | 3,125,941 | 2,982,450 | 3,089,907 | 3,289,095 |
| Education | 3,396,304 | 4,380,427 | 3,879,673 | 5,014,160 |
| Public safety | 507,215 | 577,042 | 611,471 | 749,165 |
| Agriculture and natural resources | 91,512 | 96,026 | 102,387 | 111,419 |
| Highways and other transportation | 1,026,447 | 1,027,094 | 1,033,768 | 1,033,419 |
| Health and environment | 190,761 | 199,016 | 200,906 | 227,102 |
| Economic Development | 3,293 | 3,780 | 3,125 | 251 |
| Debt service: | | | | |
| Principal | 85,347 | 93,570 | 112,398 | 135,524 |
| Interest | 139,062 | 142,316 | 147,770 | 145,694 |
| Total expenditures | <u>9,840,790</u> | <u>10,501,254</u> | <u>10,283,145</u> | <u>11,750,604</u> |
| Excess of revenues over (under) expenditures | (237,786) | (100,068) | 777,875 | (402,436) |
| Other Financing Sources (Uses) | | | | |
| Issuance of bonds | 257,125 | 532,422 | 54,188 | 225,171 |
| 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 | 84,732 | 37,830 | (797,276) | 83,167 |
| Other financing sources (uses) | (1,956) | (177,402) | 0 | (150,275) |
| Extraordinary items | 0 | 0 | 0 | 0 |
| Total other financing sources (uses) | <u>339,901</u> | <u>392,850</u> | <u>(743,088)</u> | <u>158,063</u> |
| Net change in fund balances | <u>\$ 102,115</u> | <u>\$ 292,782</u> | <u>\$ 34,787</u> | <u>\$ (244,373)</u> |
| Debt service as a percentage of noncapital expenditures | 2.28% | 2.25% | 2.53% | 2.39% |

State of Kansas
Statistical Section
June 30, 2014

Financial Trends

Changes in Fund Balances, Governmental Funds

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> |
|----|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| \$ | 6,625,408 | \$ 6,207,094 | \$ 7,032,605 | \$ 7,474,894 | \$ 7,637,721 | \$ 7,144,913 |
| | 845,364 | 704,012 | 752,092 | 758,369 | 871,562 | 922,162 |
| | 3,580,727 | 4,486,248 | 4,723,639 | 3,955,974 | 3,780,418 | 3,955,175 |
| | 17,821 | 29,636 | 42,170 | 9,394 | 31,200 | 47,697 |
| | 240,323 | 260,349 | 213,449 | 319,926 | 435,276 | 382,441 |
| | <u>11,309,643</u> | <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> |
| | 1,082,627 | 991,136 | 1,052,688 | 1,120,050 | 668,180 | 743,637 |
| | 3,697,593 | 3,777,533 | 4,040,706 | 2,741,155 | 2,697,933 | 2,632,279 |
| | 5,185,294 | 5,026,615 | 5,090,986 | 5,015,177 | 5,132,786 | 5,207,568 |
| | 755,762 | 779,411 | 720,548 | 614,237 | 631,164 | 635,851 |
| | 126,182 | 108,018 | 114,677 | 124,041 | 130,156 | 128,294 |
| | 1,010,200 | 988,028 | 1,022,332 | 1,101,841 | 1,042,855 | 1,026,126 |
| | 227,159 | 233,173 | 259,139 | 1,426,387 | 2,134,837 | 2,286,017 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | 134,367 | 190,938 | 187,832 | 204,455 | 238,498 | 222,209 |
| | 146,375 | 141,200 | 153,293 | 146,679 | 140,544 | 139,887 |
| | <u>12,365,559</u> | <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> |
| | (1,055,916) | (548,713) | 121,754 | 24,535 | (60,776) | (569,480) |
| | 117,248 | 561,972 | 370,053 | 178,448 | 554,016 | 59,963 |
| | 0 | 0 | 0 | 0 | 0 | 11,777 |
| | 0 | 0 | 0 | 0 | 0 | 5,644 |
| | 0 | 0 | 0 | 0 | 0 | 58,550 |
| | 0 | 0 | 0 | 0 | 0 | 7,909 |
| | 0 | 0 | 0 | 0 | 0 | (53,095) |
| | 84,246 | 86,169 | 75,071 | 129,104 | 170,825 | 177,054 |
| | 0 | 0 | 0 | 0 | (100,489) | 0 |
| | 0 | (87,359) | 0 | 0 | 0 | 0 |
| | <u>201,494</u> | <u>560,782</u> | <u>445,124</u> | <u>307,552</u> | <u>624,352</u> | <u>267,802</u> |
| \$ | <u>(854,422)</u> | <u>\$ 12,069</u> | <u>\$ 566,878</u> | <u>\$ 332,087</u> | <u>\$ 563,576</u> | <u>\$ (301,678)</u> |
| | 2.27% | 2.71% | 2.70% | 2.81% | 3.02% | 2.85% |

State of Kansas
Statistical Section
 June 30, 2014

Revenue Capacity

Personal Income by Industry, Last Ten Calendar Years

(expressed in thousands)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--|-------------|-------------|-------------|-------------|
| Private Earning | | | | |
| Agricultural, Forestry, Fishing and Hunting | \$ 210,382 | \$ 228,199 | \$ 234,407 | \$ 280,613 |
| Mining | 1,116,737 | 1,328,010 | 1,589,409 | 1,569,892 |
| Utilities | 657,098 | 690,152 | 722,574 | 792,169 |
| Construction | 3,484,446 | 3,776,521 | 4,094,066 | 4,071,929 |
| Manufacturing | 11,051,694 | 11,661,073 | 12,504,265 | 13,461,380 |
| Wholesale trade | 3,545,216 | 3,772,210 | 3,991,402 | 4,241,222 |
| Retail trade | 4,288,788 | 4,362,037 | 4,582,546 | 4,678,343 |
| Transportation and warehousing | 2,410,973 | 2,489,576 | 2,611,443 | 2,767,873 |
| Information | 3,467,343 | 3,344,081 | 3,521,742 | 3,716,215 |
| Finance and insurance | 3,538,324 | 3,684,245 | 3,883,858 | 4,188,156 |
| Real estate and rental and leasing | 1,084,156 | 1,167,144 | 1,171,789 | 1,042,920 |
| Professional, scientific, and technical services | 4,119,366 | 4,494,448 | 4,875,571 | 5,190,583 |
| Management of companies and enterprises | 646,177 | 684,829 | 879,612 | 1,116,081 |
| Administrative and waste management services | 2,047,391 | 2,469,462 | 2,847,681 | 2,855,338 |
| Educational services | 484,165 | 507,546 | 541,281 | 527,279 |
| Health care and social assistance | 6,121,229 | 6,444,008 | 6,819,398 | 7,198,640 |
| Arts, entertainment, and recreation | 275,033 | 274,399 | 295,266 | 312,531 |
| Accommodation and food services | 1,620,859 | 1,655,420 | 1,759,646 | 1,793,797 |
| Other services, except public administration | 1,933,757 | 1,984,554 | 2,059,524 | 2,230,187 |
| Government | | | | |
| Federal, civilian | 2,052,479 | 2,054,583 | 2,145,533 | 2,140,546 |
| Military | 1,732,548 | 1,889,902 | 2,096,824 | 2,544,087 |
| State and local | 9,482,014 | 9,889,548 | 10,239,615 | 9,703,924 |

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

State of Kansas
Statistical Section
 June 30, 2014

Revenue Capacity

Personal Income by Industry, Last Ten Calendar Years

(expressed in thousands)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----|-------------|-------------|-------------|-------------|-------------|-------------|
| \$ | 285,723 | \$ 304,439 | \$ 317,562 | \$ 476,468 | \$ 424,247 | \$ 509,533 |
| | 1,288,477 | 1,549,581 | 1,119,291 | 1,312,659 | 2,450,391 | 2,363,628 |
| | 795,278 | 865,694 | 880,301 | 1,019,849 | 1,072,857 | 1,038,267 |
| | 4,413,807 | 3,988,070 | 4,192,919 | 4,295,913 | 4,584,441 | 4,927,057 |
| | 12,736,605 | 11,899,007 | 11,217,913 | 12,245,199 | 12,858,450 | 12,975,820 |
| | 4,657,163 | 4,436,794 | 4,549,753 | 4,622,713 | 4,804,592 | 4,893,810 |
| | 4,920,439 | 4,540,800 | 4,893,380 | 5,070,180 | 5,137,811 | 5,276,719 |
| | 2,970,686 | 2,850,770 | 2,824,582 | 3,035,855 | 3,383,190 | 3,471,380 |
| | 3,479,790 | 3,102,540 | 2,362,177 | 2,282,041 | 2,393,542 | 2,442,177 |
| | 4,361,995 | 4,232,883 | 4,512,022 | 4,847,908 | 5,012,431 | 5,362,230 |
| | 911,215 | 874,085 | 976,563 | 965,612 | 1,040,947 | 1,244,046 |
| | 5,215,212 | 5,252,448 | 5,294,398 | 5,437,098 | 5,606,490 | 5,966,214 |
| | 1,325,278 | 1,182,450 | 1,503,770 | 1,384,309 | 1,474,957 | 1,624,865 |
| | 3,098,871 | 2,925,202 | 3,163,367 | 3,511,110 | 3,702,063 | 3,939,882 |
| | 617,913 | 658,248 | 684,460 | 720,020 | 761,842 | 785,353 |
| | 8,139,847 | 8,503,526 | 8,893,444 | 9,226,828 | 9,466,219 | 9,667,124 |
| | 326,814 | 318,636 | 338,025 | 356,520 | 424,011 | 461,991 |
| | 2,102,920 | 2,018,859 | 2,114,290 | 2,158,100 | 2,318,669 | 2,364,565 |
| | 3,084,342 | 2,905,835 | 2,986,984 | 3,151,597 | 3,199,920 | 3,377,835 |
| | 2,197,668 | 2,321,229 | 2,560,832 | 2,628,836 | 2,344,005 | 2,250,015 |
| | 2,844,514 | 3,143,234 | 3,490,732 | 3,739,591 | 2,886,228 | 2,761,891 |
| | 10,333,042 | 10,770,093 | 10,799,866 | 10,961,004 | 11,282,155 | 11,309,364 |

State of Kansas
Statistical Section
June 30, 2014

Debt Capacity

Long Term Obligations

Last Ten Fiscal Years

(Expressed in thousands)

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| Government Activities | | | | |
| Revenue bonds payable (includes demand bonds) | \$ 1,748,407 | \$ 2,764,949 | \$ 2,740,099 | \$ 2,726,970 |
| Sales tax limited obligation | 173,239 | 232,322 | 218,420 | 185,924 |
| Note payable | 22,391 | 20,448 | 18,278 | 17,597 |
| Capital leases payable | 159,781 | 152,483 | 145,366 | 140,106 |
| Arbitrage rebate payable | 388 | 93 | 97 | 481 |
| Claims and judgements | 54,642 | 68,033 | 61,593 | 82,858 |
| Compensated absences | 100,030 | 109,214 | 118,795 | 121,255 |
| Other post employment benefits | 0 | 0 | 0 | 16,813 |
| Pollution remediation | 0 | 0 | 0 | 0 |
| Total governmental activities | <u>2,258,878</u> | <u>3,347,542</u> | <u>3,302,648</u> | <u>3,292,004</u> |
| Business-Type Activities | | | | |
| Revenue bonds payable | 650,193 | 720,978 | 714,857 | 677,472 |
| Note payable | 0 | 0 | 0 | 0 |
| Arbitrage rebate payable | 2,003 | 963 | 1,340 | 1,755 |
| Unemployment benefits loan | 0 | 0 | 0 | 0 |
| Claims and judgements | 187,474 | 186,871 | 180,802 | 205,766 |
| Compensated absences | 49 | 47 | 59 | 56 |
| Other post employment benefits | 0 | 0 | 0 | 89 |
| Other | 11,392 | 12,961 | 13,730 | 14,703 |
| Total business-type activities | <u>851,111</u> | <u>921,820</u> | <u>910,788</u> | <u>899,841</u> |
| Component Units | | | | |
| Revenue bonds payable | 726,535 | 691,253 | 684,398 | 692,025 |
| Note payable | 68,351 | 109,783 | 20,443 | 119,073 |
| Capital leases payable | 0 | 4,666 | 16,143 | 15,019 |
| Arbitrage rebate payable | 62 | 80 | 69 | 163 |
| Compensated absences | 47,919 | 49,655 | 52,503 | 58,743 |
| Other post employment benefits | 0 | 0 | 0 | 11,775 |
| Pollution remediation | 0 | 0 | 0 | 0 |
| Other | 106,726 | 103,761 | 127,836 | 110,071 |
| Total component units | <u>949,593</u> | <u>959,198</u> | <u>901,392</u> | <u>1,006,869</u> |
| Total | <u>\$ 4,059,582</u> | <u>\$ 5,228,560</u> | <u>\$ 5,114,828</u> | <u>\$ 5,198,714</u> |

State of Kansas
Statistical Section
June 30, 2014

Debt Capacity
Long Term Obligations
Last Ten Fiscal Years
(Expressed in thousands)

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 2,744,828 | \$ 2,861,825 | \$ 3,077,604 | \$ 3,066,913 | \$ 2,726,723 | \$ 2,681,470 |
| 156,196 | 208,425 | 225,548 | 192,045 | 139,662 | 105,033 |
| 26,655 | 25,843 | 20,031 | 18,399 | 63,100 | 15,350 |
| 130,533 | 138,821 | 129,089 | 114,926 | 97,515 | 91,027 |
| 385 | 400 | 827 | 136 | 136 | 190 |
| 85,920 | 87,216 | 88,797 | 88,501 | 102,385 | 154,457 |
| 134,386 | 129,921 | 126,241 | 120,131 | 118,656 | 120,831 |
| 26,626 | 36,270 | 47,188 | 51,998 | 55,079 | 58,631 |
| 81,092 | 70,936 | 73,660 | 69,152 | 63,575 | 65,678 |
| <u>3,386,621</u> | <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> |
| 765,976 | 749,001 | 767,878 | 620,153 | 474,771 | 452,317 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 2,885 | 1,254 | 173 | 176 | 196 | 190 |
| 0 | 88,159 | 170,821 | 4,602 | 50,209 | 0 |
| 218,332 | 215,402 | 221,160 | 199,234 | 200,180 | 198,631 |
| 72 | 68 | 73 | 68 | 75 | 89 |
| 155 | 224 | 300 | 343 | 378 | 412 |
| 17,115 | 17,697 | 17,597 | 17,093 | 12,992 | 11,965 |
| <u>1,004,535</u> | <u>1,071,805</u> | <u>1,178,002</u> | <u>841,669</u> | <u>738,801</u> | <u>663,604</u> |
| 705,223 | 700,808 | 691,971 | 667,137 | 619,256 | 809,260 |
| 146,517 | 174,530 | 217,034 | 263,592 | 262,421 | 333,000 |
| 14,147 | 14,568 | 13,616 | 11,761 | 11,991 | 9,380 |
| 123 | 98 | 51 | 46 | 49 | 51 |
| 61,943 | 65,691 | 69,101 | 73,516 | 68,897 | 78,918 |
| 20,068 | 30,404 | 41,794 | 48,078 | 56,415 | 64,993 |
| 0 | 4,000 | 3,700 | 1,200 | 0 | 0 |
| 111,701 | 110,928 | 61,395 | 54,711 | 48,676 | 252,759 |
| <u>1,059,722</u> | <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>\$ 5,450,878</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> |

State of Kansas
Statistical Section
 June 30, 2014

Demographic and Economic Information
Kansas Demographic Statistics
Last Ten Fiscal Years

| Year | Population (1) | Per Capita Personal Income (2) | Median Age (3) | Education Level in Years of Formal Schooling (4) | K to 12 Public School Enrollment (4) | Unemployment Rate (5) |
|-------------|--------------------------|--|--------------------------|--|--|---------------------------------|
| 2005 | 2,744,687 | 32,948 | 36.1 | - | 466,037 | 5.3% |
| 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 | (6) | (6) | (6) | (6) | 487,317 | 5.1% |

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, 2014

Demographic and Economic Information

Principal Employers in Kansas

Current Year and Ten Years Ago

| Employer | 2014 | | | 2005 | | |
|--|------------------------|------|--------------------------------|-------------------------|------|--------------------------------|
| | 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 | 1.50% | 25,058 / 25,058 | 1 | 1.71% |
| KU and KUMC | 7,974 / 7,974 | 2 | 0.47% | 7,085 / 7,085 | 2 | 0.48% |
| Cessna Aircraft Corporation | 6,200 / 8,600 | 3 | 0.42% | - | - | - |
| Royal Caribbean Cruises Ltd. | 4,900 / 4,900 | 4 | 0.33% | - | - | - |
| B & V - Baker Guam JV | 4,500 / 4,500 | 5 | 0.30% | - | - | - |
| Railcrew Xpress | 4,500 / 4,500 | 6 | 0.30% | - | - | - |
| Shawnee Mission Unified School District | 4,087 / 4,087 | 7 | 0.28% | - | - | - |
| Via Christi Hospitals Wichita, Inc. | 4,000 / 4,100 | 8 | 0.27% | 4,000 / 4,100 | 5 | 0.27% |
| Wichita State University | 3,380 / 3,395 | 9 | 0.23% | - | - | - |
| Kansas State University | 3,000 / 5,168 | 10 | 0.20% | - | - | - |
| Raytheon Aircraft Company | - | - | - | 9,000 / 16,000 | 3 | 0.62% |
| Spirit Aerosystems Inc. | - | - | - | 8,000 / 8,000 | 4 | 0.55% |
| Stormont-Vail Healthcare, Inc. | - | - | - | 3,748 / 4,778 | 6 | 0.26% |
| University Kansas Hospital Authority | - | - | - | 2,750 / 2,750 | 7 | 0.19% |
| Koch Industries, Inc. | - | - | - | 2,000 / 30,000 | 8 | 0.14% |
| Coleman Company Inc. | - | - | - | 2,000 / 2,750 | 9 | 0.14% |
| Conspec Marketing & Mfg. Co. | - | - | - | 1,900 / 1,900 | 10 | 0.13% |
| Total | <u>64,898 / 69,581</u> | | <u>4.30%</u> | <u>65,541 / 102,421</u> | | <u>4.49%</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 FY2014 and FY2005 respectively.

State of Kansas
Statistical Section
June 30, 2014

Operating Information

Full-time Equivalent State Government Employees by Function/Program

Last Ten Fiscal Years

| <u>Function/Program</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| General Government | 5,518 | 5,745 | 5,843 | 5,722 | 5,799 |
| Public Safety | 5,083 | 5,114 | 5,102 | 5,111 | 5,131 |
| Education | 15,901 | 15,562 | 16,770 | 17,076 | 17,714 |
| Transportation | 3,248 | 3,252 | 3,238 | 3,238 | 3,202 |
| Agriculture and Natural Resources | 1,281 | 1,287 | 1,266 | 1,271 | 1,243 |
| Human Resources | 8,426 | 8,189 | 8,191 | 8,160 | 8,337 |
| Total | <u>39,457</u> | <u>39,149</u> | <u>40,410</u> | <u>40,578</u> | <u>41,426</u> |

Source: Department of Administration Workforce Reports at <http://www.da.ks.gov/ps/subject/workforce.htm>

State of Kansas
Statistical Section
June 30, 2014

Operating Information

Full-time Equivalent State Government Employees by Function/Program

Last Ten Fiscal Years

| <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---------------|---------------|---------------|---------------|---------------|
| 5,786 | 5,646 | 5,635 | 5,293 | 5,219 |
| 5,129 | 4,992 | 4,941 | 4,824 | 5,409 |
| 18,375 | 18,340 | 18,368 | 17,918 | 18,405 |
| 3,151 | 3,161 | 3,114 | 2,900 | 2,737 |
| 1,342 | 1,329 | 1,281 | 1,251 | 1,291 |
| <u>8,313</u> | <u>8,209</u> | <u>8,184</u> | <u>6,975</u> | <u>6,984</u> |
| <u>42,096</u> | <u>41,667</u> | <u>41,523</u> | <u>39,161</u> | <u>40,045</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, 2014, 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 15, 2014. 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 (KDFA), the Kansas Housing Resources Corporation (KHRC), the Kansas Bioscience Authority (KBA), Kansas Turnpike Authority (KTA) Kansas Lottery and Kansas Universal Services (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 the 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 schedule of findings and questioned costs, 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 schedule of findings and questioned costs listed as 2014-001, 2014-002 and 2014-006 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 consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as 2014-003, 2014-004, and 2014-005 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 schedule of findings and questioned costs. 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 15, 2014

Section II – Financial Statement Findings

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.

Criteria or specific requirement: Generally accepted accounting principles require that deposit and investment balances to be reported at fair market value. Balances loaned to other State agencies, component units of the State, or outside entities should be reported as receivables rather than deposits and investments. All deposit and investment accounts should be reconciled monthly from third party bank statements to the State's general ledger (SMART).

Context: The State reported approximately \$7 billion of deposits and investments at June 30, 2014, in addition to approximately \$18 billion reported by KPERs.

Effect: The State's process to record and report deposits and investments creates the potential for misstatements and misclassification of assets. As part of the audit we incurred a significant amount of time testing and reconciling deposit and investment balance and noted the following corrected and uncorrected misstatements:

- During 1999 and 2000, \$5 million was transferred from the General Fund to the Water Fund. The Water Funds reported the receipt as revenue and as cash. The General Fund also continued to record the \$5 million as cash, overstating the statewide cash balance by \$5 million. We proposed and the State posted an adjustment to reduce cash by \$5 million as of June 30, 2014. As the overstatement also existed as of June 30, 2013, we reported and uncorrected misstatement to beginning fund balance of the General Fund in the same amount.

- We proposed, and the State posted an adjustment, to reclassify approximately \$7.8 million of deposits and investments to receivables from either other State agencies, component units of the State, or third party entities.
- We noted approximately \$5.8 million of old outstanding checks that should have been escheated as unclaimed property as of June 30, 2014. We reported an uncorrected adjustment to increase cash and investments by the same amount. The State elected to make the adjustment to deposits and investments, as well as the corresponding adjustments to unclaimed property revenue and liabilities, in fiscal year 2015.
- We confirmed a cash balance of approximately \$3 million, which was not reported in the State's general ledger. An adjusting journal entry was required to correct the State's cash balance.
- We noted an overstatement of cash of approximately \$150 million. In a prior year, the State defeased certain bonds, as cash was placed in a trust to repay future bond maturities. The debt and cash should be removed from the State's general ledger. However, we noted approximately \$150 million of cash that was still recorded in a fiduciary fund. We proposed and the State posted an adjustment in the same amount to reduce cash in the fiduciary fund.

Cause: The process used by the State to report deposits and investments is decentralized and complex.

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.

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 Department of Administration and State Treasurers Office will work together to revise the process and implement accordingly.

Responsible party: DeAnn Hill, Chief Financial Officer – 785.368.7390
Lucinda Anstaett, Director of Cash Management STO – 785.296.4151

Planned completion date for corrective action plan: June 30, 2015

Plan to monitor completion of corrective action plan: CLA will be asked to review the modified process during advance fieldwork for fiscal year 2015.

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.

Criteria or specific requirement: State Statute requires the annual audit to be completed by December 31 each year. The State has contracted with CLA to perform the Statewide audit of the CAFR. Per the contract, CLA is required to deliver the audit opinion by December 15, and the State is required to provide a draft CAFR by October 31.

The Department of Administration (DOA) is ultimately responsible for issuance of the CAFR. However, the DOA is reliant on information for various agencies, departments and components of the State. Some of the other agencies and departments require a separate audit prior to inclusion in the State's CAFR. Further, the transactional data of certain entities consolidated in the State's CAFR are not maintained in the State's general ledger accounting system, SMART.

Context: The State's primary government and component units report total assets of approximately \$25 billion and revenues of nearly \$20 billion.

Effect: Delays in compiling the necessary information and drafting the CAFR limits the State's ability to adequately review the CAFR prior to the start of the audit. As a result, both the State and the auditors identified numerous corrections to the draft CAFR, including posted and passed adjustments to account balances. The increased focus on addressing the various corrections limits the time available to perform other necessary procedures, and increases the likelihood that the final CAFR contains material misstatements. The delays also increase the risk that the CAFR is not completed by the statutory deadline.

Cause: 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 CAFR. Due to the decentralization, the DOA does not have an effective process to coordinate receipt of information from the agencies, departments and components. If the financial information is not received on a timely basis, the DOA lacks the necessary resources to adequately review and assess the information to meet the statutory requirements.

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.

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 DOA has no authority to ensure the various agencies, departments and component units meet the timeline for submitting their financial statements. There were various audits received after the DOA set deadline, including certain audit reports audited by CLA. We will work with LPA to amend all the audit contracts to include a required delivery date that will align with an earlier timeline. We will meet with the Board of Regents plus the various Universities COBO's to prepare a written agreement for year-end June 30, 2015 which will outline the requirements of each University. If this effort is not successful, we will recommend the Universities have separate audits or be required to prepare their own CAFR to be submitted to the State with the designated timeline. The DOA will require the auditors furnish a prepared by client list by March 31, 2015. This list will include the required schedules, analysis and supporting documentation for the fiscal year 2015 audit. After reviewing the list and formulating a timeline for submission, the DOA will then meet with the auditors to discuss the timeline to ensure all are in agreement.

Responsible party: DeAnn Hill, Chief Financial Officer – 785.368.7390

Planned completion date for corrective action plan: April 30, 2015

Plan to monitor completion of corrective action plan: The meetings with the various parties will commence January 2015. An update report will be submitted to the Secretary of Administration every 2 weeks.

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.

Criteria or specific requirement: In accordance with generally accepted accounting principles, the State reports a liability for the outstanding an incurred but not reported workers' compensation claims that are expected to be paid out in the future. The estimated liability is difficult to project as it must consider the total cost of claims and timing of payments. Accordingly, an actuarial valuation is considered one of the most effective ways of estimating the liability.

Context: The State reported a liability in the Workers' Compensation fund (nonmajor proprietary fund) of approximately \$31.7 million at June 30, 2014, relative to total assets of approximately \$6.2 million and annual operating revenue of approximately \$5.2 million.

Effect: Based on the incorrect application of estimates contained in the 2002 actuarial valuation, we note the June 30, 2014 liability could be overstated by approximately \$14.5 million. We reported a passed adjustment for this amount, as well as a corresponding potential increase in beginning net position of approximately \$13.4 million, equal to the potential overstatement of the prior year liability. A revised actuarial valuation would likely have an additional impact on the estimated workers' compensation liability.

Cause: The State has not obtained an updated actuarial valuation since 2002, and does not have a policy regarding how frequently, or under what circumstances, it should obtain a revised actuarial valuation.

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.

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 DOA will work with the Insurance Commissioner to develop an appropriate method of estimating the liability which may include periodic actuarial studies.

Responsible party: DeAnn Hill, Chief Financial Officer – 785.368.7390

Planned completion date for corrective action plan: March 31, 2015

Plan to monitor completion of corrective action plan: DOA will adopt a timeline to implement once we meet with the Insurance Commissioner. Once this timeline is set, the parties responsible will have check in requirements periodically to monitor progress.

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).

Criteria or specific requirement: GASB Statement No. 21, *Accounting for Escheat Property*, requires the State to record a liability to the extent it is probable that the unclaimed property will be reclaimed and paid to claimants. The liability should represent “the best estimate of the amount ultimately expected to be reclaimed and paid, giving effect to such factors as previous and current trends in amounts reclaimed and paid relative to amounts escheated, and anticipated changes in those trends.”

Context: At June 30, 2014, the State holds approximately \$298 million of unclaimed property.

Effect: After discussing the liability calculation and requirements of GASB Statement No. 21, management revised its liability calculation, giving more consideration to collection and repayment trends over the past 10 years. The revised calculation resulted in an adjustment to increase the liability by approximately \$20.9 million in the General Fund as of June 30, 2014. Management performed a similar analysis to recalculate the liability as of June 30, 2013 and determined the liability may have been understated by approximately \$16.8 million as of that date. We reported an uncorrected (passed) adjustment to beginning fund balance of the General Fund in the same amount.

Cause: The State does not have a policy or procedure in place to annually calculate the unclaimed property liability based on historical payout trends

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.

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: State Treasurer's Office will formalize the procedure that is currently being followed and take in to consideration historical payout trends.

Responsible party: Lucinda Anstaett, Director of Cash Management STO – 785.296.4151

Planned completion date for corrective action plan: March 31, 2015

Plan to monitor completion of corrective action plan: Treasurer Estes will receive progress reports.

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.

Criteria or specific requirement: Generally accepted accounting principles require the State to estimate and report as a liability the portion of income tax receipts that will be refunded in the following year. Likewise, the State is required to estimate and report a receivable for receipts

from annual filers who owe more in taxes than what has been withheld during the year. The estimates should be based on the best information available and the methodology should be re-evaluated for reasonableness at least annually.

Context: The State reports individual income tax revenue in excess of \$2 billion. The State estimated a liability for expected refunds of \$280 million and \$272 million at June 30, 2014 and 2013, respectively. The State estimated a receivable for subsequent year receipts from annual filers of \$89 million and \$166 million at June 30, 2014 and 2013, respectively.

Effect: Liabilities and receivables related to the State's individual income taxes could be misstated.

Cause: During the late 1990's, the State developed a methodology to estimate liabilities and receivables related to individual income taxes. The State does not have a process in place to annually evaluate the reasonableness of the estimation methodology. Further, the estimation methodology and assumptions/rationale are not documented.

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.

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 DOA will consult with the Department of Revenue to assist in their development of a methodology to improve and document its procedures to estimate the individual income tax revenue liability and receivable. This will include consideration of past estimates compared to actual and any changes in state tax law.

Responsible party: Gary Kinnan, Department of Revenue, 785-296-4457

Planned completion date for corrective action plan: 03/31/2015

Plan to monitor completion of corrective action plan: The improved methodology discussed with the auditors during their advance work in May, 2015.

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.

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).

Context: The State University System includes \$6.9 billion in assets and \$3.7 billion in revenue during FY 2014.

Effect: CLA proposed nine adjustments totaling nearly \$2 billion to the State University System financial information provided. The errors identified by CLA that resulted in these adjustments included:

- Transactions between universities and their blended component units which had not been properly eliminated.
- Errors in the process of recording the financial information of the State University System in the State general ledger.
- Items which had been incorrectly reported to DOA by the State University System.

Cause: The errors noted above appeared to be due to several factors. Firstly, there was an absence of control systems at both the State University System level and the DOA level to ensure that consistent and accurate information was being reported by State University System. CLA discovered that the system in place for recording nearly all balance sheet items related to the State University System is an excel worksheet with tabs for balance sheet items to be filled out by the State University System and submitted to DOA for recording in the State's general ledger. Multiple entries into the State's accounting system from these spreadsheets were materially incorrect and had not been corrected by a management review before being posted to the general ledger. CLA also noted instances where information had been recorded incorrectly on these excel worksheets by the State University System and that the errors had not been caught by management at the State University System. CLA noted that there was a lack of understanding from the State University System on the magnitude of items needed by the State to ensure that the financial statements were free of material misstatements. Secondly CLA noted that the State University System did not properly understand eliminations required of a blended university presentation.

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.

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 DOA will work with the Kansas Board of Regents and State University System staff to plan a new method for the State University System to present its financial statements that include their component units in a manner that fulfills DOA needs in completing the statewide CAFR.

1. University controllers will have at least one or two in-person training sessions on consistency of presenting their financial data, including how eliminations are to be entered.
2. DOA will meet with University staff in the spring to discuss the complexities of how the university financial data should be reconciled with the state's accounting system data.
3. Each member of the State University System will submit its individual financial statements that include their component units, reflecting all elimination entries to the DOA per the required timeline. These financial statements will include:
 - a. Statement of net position
 - b. Statement of revenue, expenses and changes in net position
 - c. Statement of cash flows

Responsible party: Elaine Frisbie, Kansas Board of Regents

Planned completion date for corrective action plan: The Board of Regents and the State University System will develop a specific timeline once the submission deadline is communicated.

Plan to monitor completion of corrective action plan: The Board of Regents and the State University System will hold periodic meetings and conference calls throughout the spring, summer and fall of 2015 to ensure adherence to the schedule and that the financial data are reported in a consistent manner across the Universities.