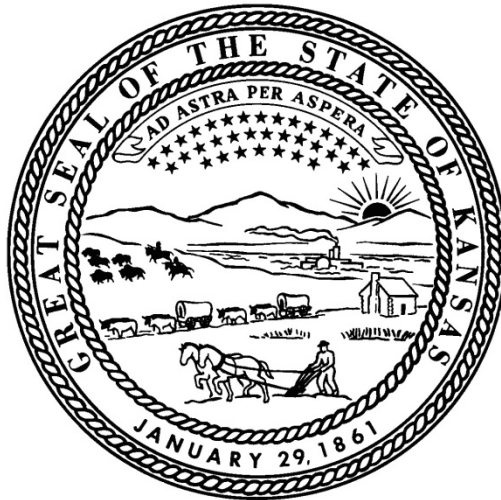


**STATE OF KANSAS**  
**Department of Administration**  
**Office of Accounts and Reports**



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

July 1, 2018 to June 30, 2019

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**Jocelyn Gunter**  
**Office of Accounts and Reports**



# **STATE OF KANSAS**

**Department of  
Administration**

***Jocelyn Gunter***  
**Office of Accounts and Reports**

State of Kansas  
**Fiscal Year 2019 Financial Report**  
June 30, 2019

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# INTRODUCTION

November 22, 2019

The Honorable Laura Kelly, 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 65th Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2019, 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 Accounts and Reports. 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, 2019, 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 Office of Accounts and Reports.

## 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 each year, agencies are required to submit annual budget estimates for the next fiscal year or biennial budget estimates for the next fiscal year and the ensuing fiscal year to the

Division of Budget, in accordance with K.S.A. 75-3717. 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 for specific agencies.

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

## CASH MANAGEMENT

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

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

## RISK MANAGEMENT

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

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 Office of Accounts and Reports Team. It is through their relentless efforts that this report was possible. I would also like to acknowledge the many other individuals in the State agencies, universities and component units. Their hard work and diligence in this process is much appreciated.

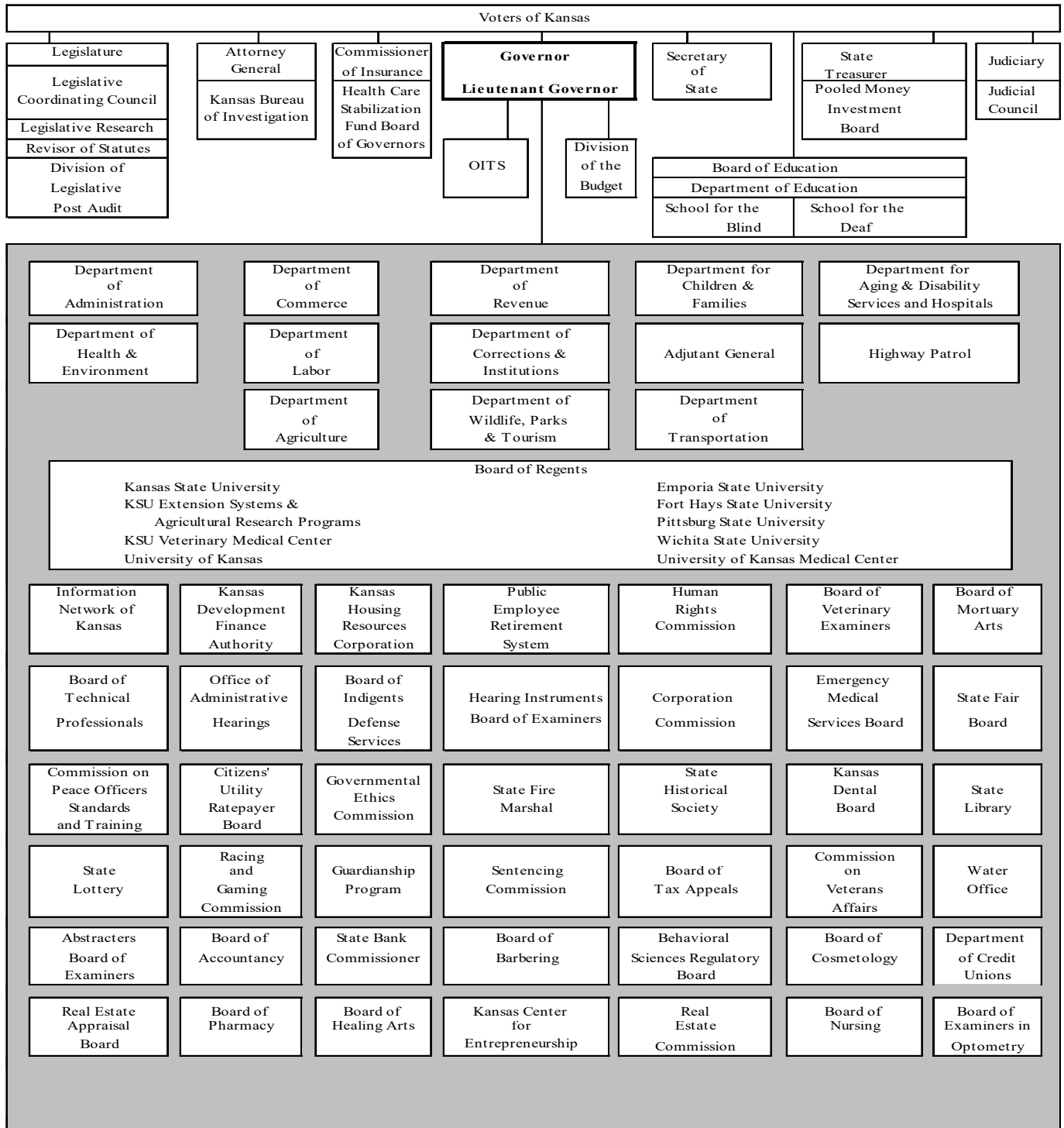
Sincerely,

A handwritten signature in blue ink, appearing to read 'Jocelyn Gunter', is written over a light blue horizontal line.

Jocelyn Gunter

Director, Office of Accounts and Reports

State of Kansas  
June 30, 2019



**Executive Branch**

*Governor*  
Laura Kelly

*Lieutenant Governor*  
Lynn Rogers

*Secretary of State*  
Scott Schwab

*State Treasurer*  
Jake LaTurner

*Attorney General*  
Derek Schmidt

*Commissioner of  
Education*  
Randy Watson

*Commissioner of  
Insurance*  
Vicki Schmidt

**Legislative Branch**

*Speaker of the House of  
Representatives*  
Ron Ryckman

*Speaker Pro Tempore of  
the House of  
Representatives*  
Blaine Finch

*President of the Senate*  
Susan Wagle

*Vice President of the  
Senate*  
Jeff Longbine

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

*Secretary of Senate*  
Corey Carnahan

*Legislative Coordinating  
Council Chair*  
Sen. Susan Wagle

*Legislative Research  
Acting Director*  
J.G. Scott

**Judicial Branch**

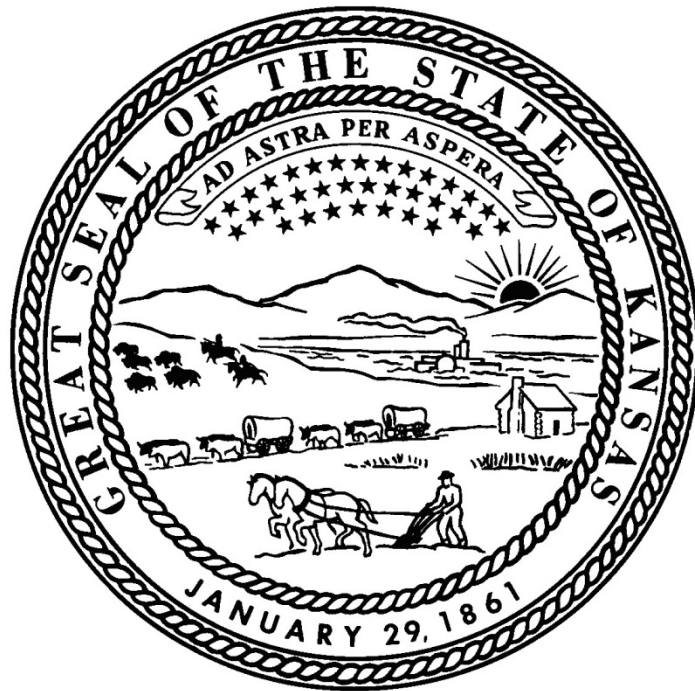
*Supreme Court of Kansas*  
*Chief Justice*  
Lawton Nuss

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

*Court of Appeals*  
*Chief Judge*  
Karen Arnold-Burger

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

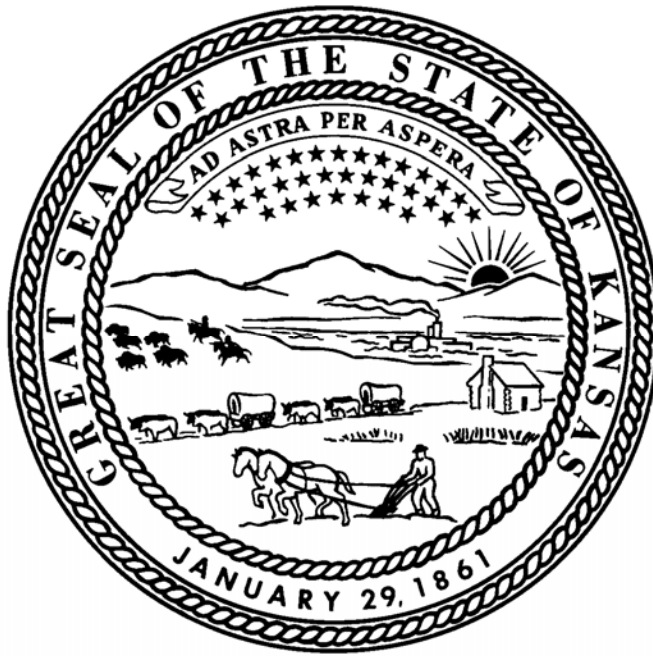
*Judicial Administrator*  
Nancy M. Dixon



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**FINANCIAL**

**SECTION**



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## INDEPENDENT AUDITORS' REPORT

Secretary of the Department of Administration  
Kansas Department of Administration  
State of Kansas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas, as of and for the year ended June 30, 2019, 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.

We did not audit the financial statements of the various component units of the six state universities, which represent 33 percent, 61 percent and 35 percent, respectively, of the assets and deferred outflows of resources, net position, and revenues of the discretely presented component units, the Kansas Development Finance Authority (KDFA) which represents less than 1 percent, less than 1 percent, and less than 1 percent, respectively, of assets and deferred outflows of resources, net position, and revenues of the discretely presented component units, the Kansas Center for Entrepreneurship (KCE) which represents less than 1 percent, less than 1 percent, and less than 1 percent, respectively, of assets and deferred outflows of resources, net position, and revenues of the discretely presented component units, the Kansas Turnpike Authority (KTA) which represents 9 percent, 10 percent, and 4 percent, respectively, of assets and deferred outflows of resources, net position, and revenues of the discretely presented component units, the Information Network of Kansas, Inc. (INK) which represents less than 1 percent, less than 1 percent, and less than 1 percent, respectively, of assets and deferred outflows of resources, net position, and revenues of the discretely presented component units, and the Kansas Lottery which represents less than 1 percent, less than 1 percent, and 8 percent, respectively, of the assets and deferred outflows of resources, net position and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities, KDFA, KCE, KTA, and INK in the aggregate discretely presented component units, and Kansas Lottery in the aggregate remaining fund information, is based solely on the reports of other auditors.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note III.J to the financial statements, various adjustments were made to the beginning net positions and fund balances to correct errors in the prior year financial statements due to a change in how deferred revenues are reported by the State. Our opinions were not modified with respect to the restatement.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the information needed to support the modified approach for infrastructure reporting, the OPEB schedule of funding progress, schedule of the State's proportionate share of the net pension liability and the schedule of state contributions as listed in the 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 and described above, and the report of other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Secretary of the Department of Administration  
Kansas Department of Administration  
State of Kansas

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

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

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
November 22, 2019

## 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, 2019. 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, 2019 by \$11.4 billion (presented as “net position”). Of this amount a negative \$2.1 billion was reported as unrestricted net position, which represents the amount available to be used to meet ongoing obligations to citizens and creditors.
- Total net position increased by \$1.2 billion (11.73 percent) in fiscal year 2019, including restatements. Net position of governmental activities increased by \$1.0 billion (11.25 percent), and net position of the business-type activities increased \$204.8 million (14.78 percent).

#### Fund highlights:

- For fiscal year 2019, the governmental funds reported a combined ending fund balance of \$2.2 billion, an increase of \$0.8 billion in comparison with the prior year. Of the total amount, \$807.2 million represents the fund balance of the Non-Major Governmental funds. The General Fund reported an unassigned fund balance for fiscal year 2019 of a positive \$447.6 million, as compared to the prior year unassigned balance of a positive \$59.1 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 \$10.2 million (0.13%) during the current year. This net increase was primarily due to net decreases in bonds outstanding and the net pension liability of \$93.5 million and \$129.8 million, respectively, offset by an increase of \$255.3 million due to the recording of the KPERS employee liability.

### 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 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 the component units or their entities have certain independent qualities as well. For the most part, these entities operate similar to private sector businesses and the business-type activities described above.

Financial statements of the individual component units can be found in the basic financial statements following the fund statements. Addresses and other additional information about component units are presented in the notes to the financial statements. The government-wide financial statements can be found immediately following this discussion and analysis.

## **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

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

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

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

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

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

***Fiduciary Funds Financial Statements*** – These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

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

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

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

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

#### **Required Supplementary Information**

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

#### **Other Supplementary Information**

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government. The combined net position of the State (government and business-type activities) totaled \$11.43 billion at the end of 2019, compared to \$10.20 billion at the end of the previous year, an increase of 11.73 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  
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June 30, 2019

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 4,238,327	\$ 3,180,714	\$ 2,127,955	\$ 1,931,020	\$ 6,366,282	\$ 5,111,734
Capital assets	13,918,662	13,882,776	4,555	528	13,923,217	13,883,304
Total assets	18,156,989	17,063,490	2,132,510	1,931,548	20,289,499	18,995,038
Accumulated decrease in fair value hedging	6,675	5,291	0	0	6,675	5,291
Deferred amounts on refunding	25,790	32,050	3,526	4,743	29,316	36,793
Deferred outflows - pensions	337,487	367,409	1,231	1,385	338,718	368,794
Deferred outflows - OPEB	6,970	6,263	0	0	6,970	6,263
Total deferred outflows	376,922	411,013	4,757	6,128	381,679	417,141
Non-current liabilities	7,104,346	7,083,919	500,540	510,772	7,604,886	7,594,691
Other liabilities	1,402,935	1,382,709	46,185	41,202	1,449,120	1,423,911
Total liabilities	8,507,281	8,466,628	546,725	551,974	9,054,006	9,018,602
Deferred inflows - pensions	185,590	165,280	490	459	186,080	165,739
Deferred inflows - OPEB	5,419	1,481	21	0	5,440	1,481
Total deferred inflows	191,009	166,761	511	459	191,520	167,220
Net investment in capital assets	10,262,233	10,188,970	4,555	528	10,266,788	10,189,498
Restricted	1,642,511	1,269,556	1,599,217	1,395,748	3,241,728	2,665,304
Unrestricted	(2,069,123)	(2,617,412)	(13,741)	(11,033)	(2,082,864)	(2,628,445)
Total net position	\$ 9,835,621	\$ 8,841,114	\$ 1,590,031	\$ 1,385,243	\$ 11,425,652	\$ 10,226,357

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

At the end of the current fiscal year, the State is able to report positive balances in the net investment in capital assets and restricted categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. Negative unrestricted net position reported for the government as a whole and for its separate governmental and business-type activities is due in part to the reporting of the total OPEB liability under GASB 75 and the net pension liability under GASB 68. See Note IV Sections E. and F., respectively, for more information.

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

	Component Units	
	2019	2018
Current and other assets	\$ 5,370,251	\$ 5,035,261
Capital assets	4,407,113	4,374,460
Total assets	9,777,364	9,409,721
Deferred amounts on refunding	11,274	9,793
Deferred outflows - pensions	39,125	45,769
Deferred outflows - OPEB	3,605	3,291
Total deferred outflows	54,004	58,853
Non-current liabilities	2,178,066	2,295,420
Other liabilities	419,273	378,196
Total liabilities	2,597,339	2,673,616
Deferred inflows - pensions	43,161	34,027
Deferred inflows - OPEB	5,834	761
Deferred amount on refunding	730	751
Total deferred inflows	49,725	35,539
Net investment in capital assets	2,688,258	2,601,670
Restricted	3,622,094	3,380,495
Unrestricted	873,952	777,254
Total net position	\$ 7,184,304	\$ 6,759,419

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**Changes in Net Position – Primary Government**

Net position increased by \$1.2 billion. Approximately 58.0 percent of the total revenue came from taxes, while 25.9 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 12.2 percent of the total revenues. Expenses cover a range of services. The largest expenses of total expenses were for education (40.7 percent), human resources (19.7 percent), and health and environment (18.7 percent).

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 955,624	\$ 921,791	\$ 1,033,645	\$ 1,001,582	\$ 1,989,269	\$ 1,923,373
Operating grants and contributions	4,033,653	3,794,863	881	1,395	4,034,534	3,796,258
Capital grants and contributions	162,970	193,119	25,632	19,655	188,602	212,774
General revenues:						
Taxes						
Property taxes	739,403	698,404	0	0	739,403	698,404
Income and inheritance taxes	4,387,339	3,996,581	0	0	4,387,339	3,996,581
Sales and excise taxes	3,920,659	3,901,264	0	0	3,920,659	3,901,264
Gross receipts taxes	400,594	407,329	0	0	400,594	407,329
Investment earnings	52,635	32,232	44,699	17,862	97,334	50,094
Other revenue	545,993	521,597	(1,075)	17,885	544,918	539,482
Total revenues	15,198,870	14,467,180	1,103,782	1,058,379	16,302,652	15,525,559
<b>Expenses:</b>						
General government	738,005	799,293	0	0	738,005	799,293
Human resources	2,970,240	2,800,874	0	0	2,970,240	2,800,874
Education	6,146,720	5,754,793	0	0	6,146,720	5,754,793
Public safety	613,587	608,472	0	0	613,587	608,472
Agriculture and natural resources	136,345	144,841	0	0	136,345	144,841
Highways and other transportation	749,537	625,195	0	0	749,537	625,195
Health and environment	2,824,494	2,725,566	0	0	2,824,494	2,725,566
Interest expense	200,355	172,560	0	0	200,355	172,560
Water pollution and safety	0	0	16,321	16,003	16,321	16,003
Health care stabilization	0	0	52,468	41,576	52,468	41,576
Unemployment insurance	0	0	132,918	163,254	132,918	163,254
Workers' compensation	0	0	3,956	5,502	3,956	5,502
Lottory	0	0	518,400	496,065	518,400	496,065
Intergovernmental transfer program	0	0	2	219	2	219
Transportation revolving fund	0	0	9	47	9	47
Total expenses	14,379,283	13,631,594	724,074	722,666	15,103,357	14,354,260
Increase (decrease) in net assets before transfers	819,587	835,586	379,708	335,713	1,199,295	1,171,299
Transfers	174,920	206,487	(174,920)	(206,487)	0	0
Change in net position	994,507	1,042,073	204,788	129,226	1,199,295	1,171,299
Net position, beginning of year	8,841,114	7,850,049	1,385,243	1,256,073	10,226,357	9,106,122
Revisions to beginning net position	0	(51,008)	0	(56)	0	(51,064)
Net position, beginning of year (restated)	8,841,114	7,799,041	1,385,243	1,256,017	10,226,357	9,055,058
Net position, end of year	\$ 9,835,621	\$ 8,841,114	\$ 1,590,031	\$ 1,385,243	\$ 11,425,652	\$ 10,226,357

State of Kansas  
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**Changes in Net Position – Component Units**

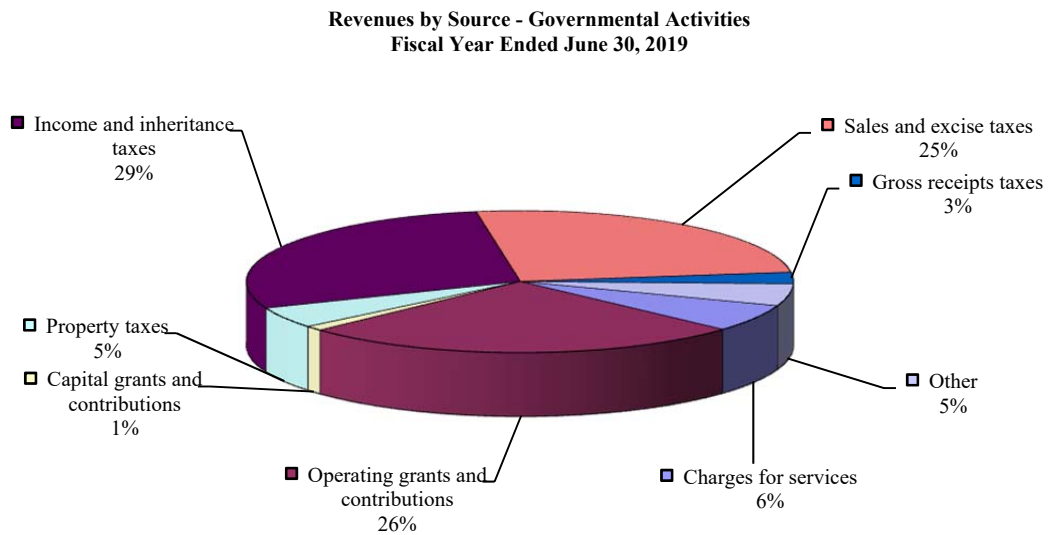
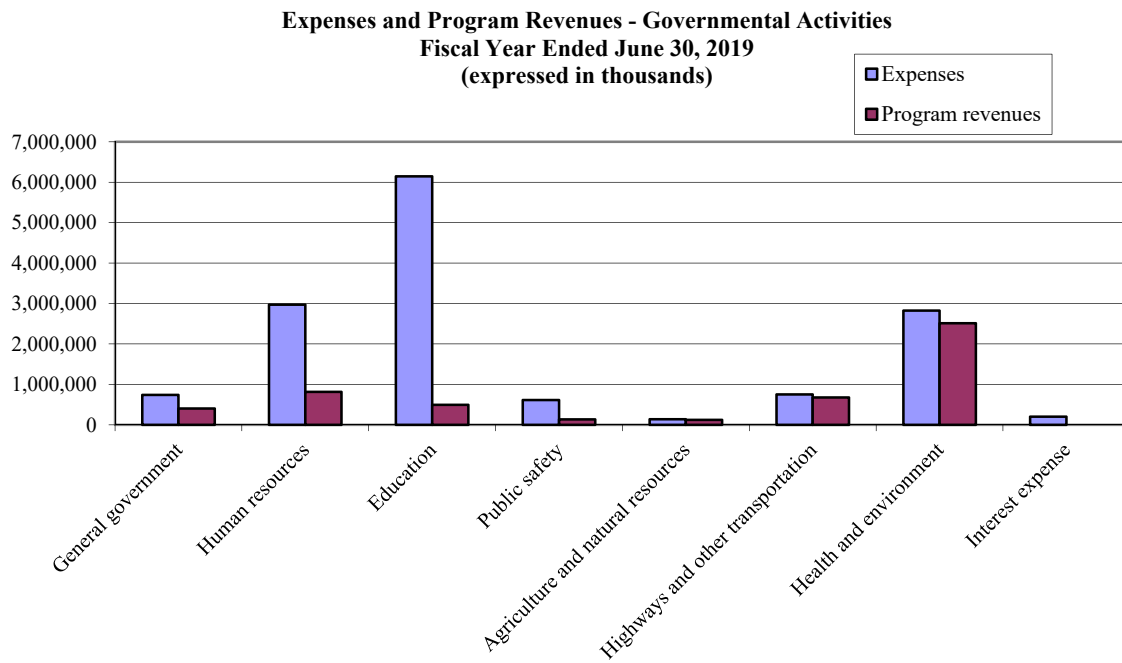
Component unit net position increased by \$424.9 million or 6.3 percent. Charges for various goods and services provided 41.13 percent of the total revenues. Approximately 32.7 percent of the total revenue came from other revenue, while 20.9 percent resulted from grants and contributions (including federal 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	
	2019	2018
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,565,243	\$ 1,471,800
Operating grants and contributions	725,298	679,999
Capital grants and contributions	68,953	105,939
General revenues:		
Taxes		
Property Tax	8,038	7,916
Sales & excise Tax	0	0
Gross receipts taxes	0	0
Investment earnings	192,166	220,095
Other revenue	1,245,489	1,183,533
Total revenues	<u>3,805,187</u>	<u>3,669,282</u>
<b>Expenses:</b>		
Kansas Turnpike Authority	94,109	75,385
Kansas Development Finance Authority	1,716	1,858
Information Network of Kansas, Inc.	689	1,062
State University System	3,208,923	3,106,436
Kansas Center for Entrepreneurship	2,989	3,099
Kansas Housing Resources Corp.	88,916	87,313
Total expenses	<u>3,397,342</u>	<u>3,275,153</u>
Change in net position	407,845	394,129
Net position, beginning of year	6,759,419	6,398,623
Revisions to beginning net position	<u>17,040</u>	<u>(33,333)</u>
Net position, beginning of year (restated)	<u>6,776,459</u>	<u>6,365,290</u>
Net position, end of year	<u>\$ 7,184,304</u>	<u>\$ 6,759,419</u>

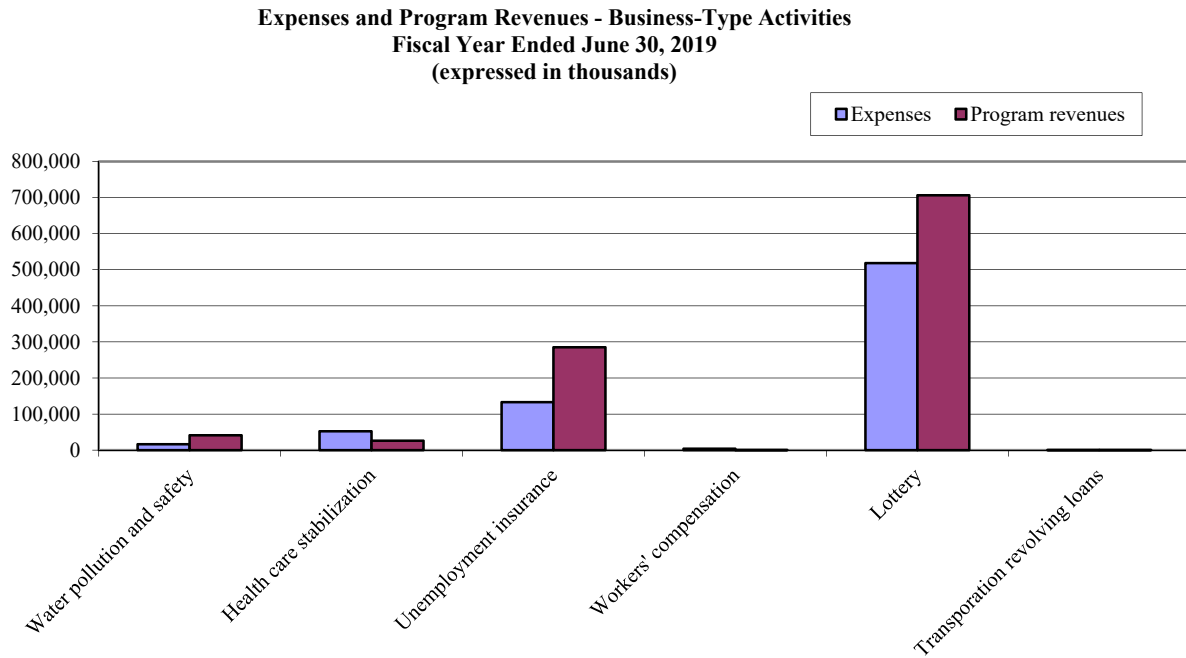
### Governmental Activities

Governmental activities increased net position by \$1.0 billion in fiscal year 2019. 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:

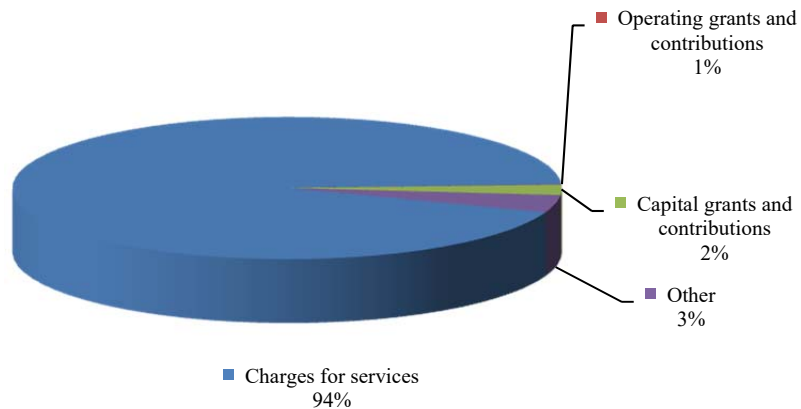


### Business-Type Activities

The State's business-type activities increased the net position of the State by \$204.8 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:



**Revenues by Source - Business-Type Activities**  
**Fiscal Year Ended June 30, 2019**



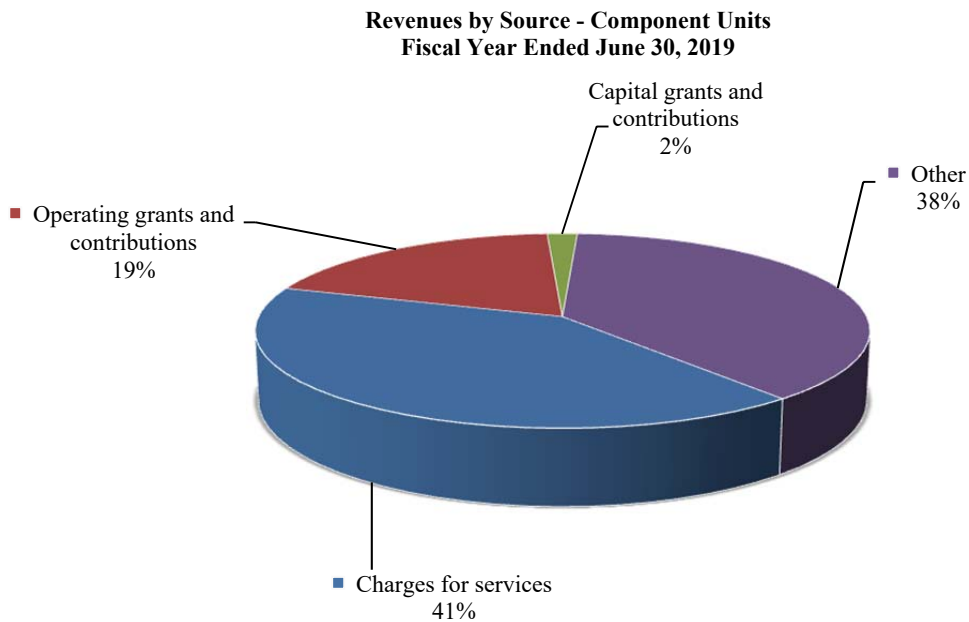
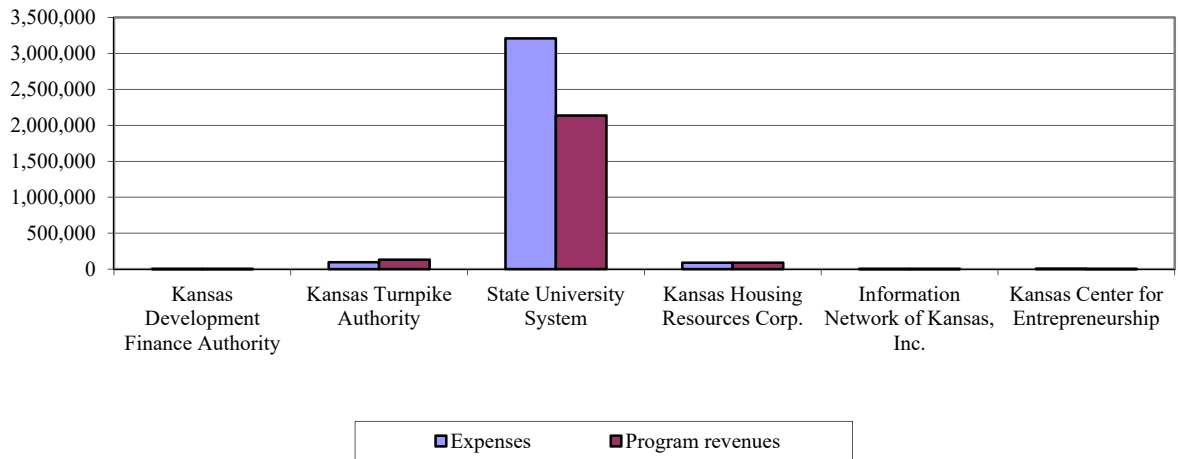
State of Kansas  
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**Component Units**

The State's component units increased the net position of the State by \$424.9 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, 2019**  
(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 2019, the governmental funds reported a combined ending fund balance of \$2.2 billion, an increase of \$754.5 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 positive \$447.6 million, while the total fund balance was a positive \$452.8 million. During fiscal year 2019, the State experienced increased revenue in income tax, property tax, and sales and excise taxes. The cash and investment balance is approximately \$356.7 million higher in fiscal year 2019 than it was in fiscal year 2018.

### **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 \$204.8 million as a result of operations in the proprietary funds. This increase resulted from a \$32.2 million increase in the Water Funds, a \$174.2 million increase in the Unemployment Insurance Fund and a \$3.0 million decrease in the Health Care Stabilization Fund. There was an increase of \$1.5 million 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 \$424.9 million. The Kansas Turnpike accounted for \$45.5 million of the increase in net position. The State University System accounted for an increase of \$377.4 million. The other four component units accounted for an increase in net position of approximately \$1.9 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

For fiscal year 2019, differences existed between the original budget, the revised budget, and the actual budget at the close of the fiscal year. Revenue estimates were revised upward by approximately \$227.9 million over the original estimate. Fiscal year 2019 ended with revenues \$106.5 million above the revised estimate.

Original estimates for expenditures for fiscal year 2019 were decreased by \$37.0 million in the revised budget for the fiscal year. Fiscal year 2019 ended with expenditures matching the revised estimates.

The original budget estimate provided for revenues less than expenditures of \$142.7 million. The final budget provided for \$122.2 million of revenues greater than expenditures. Subsequently, fiscal year 2019 was closed with revenues greater than expenditures of \$228.7 million.

Looking ahead to fiscal year 2020, the primary area that will affect budget outcomes including is K-12 school finance expenditures.

The 2019 Legislature concurred with the Governor's school finance plan to address the school finance remedy phase of *Gannon v. State of Kansas*. The Legislature passed and the Governor signed 2019 Senate Bill 16 which implements the school finance changes, as well as enacts several new education policy requirements for the Department of Education. On June 15, 2019, the Kansas Supreme Court found that 2019 Senate Bill 16 substantially complies with its prior mandates. However, the court will retain jurisdiction to ensure that the Legislature's approved plan is fully implemented in the future.

The 2019 Legislature appropriated \$0.4 billion in fiscal year 2020 from the State General Fund for K-12 school finance. These amounts will be used along with other funds to finance increases to base state aid per pupil (called Base State Aid for Student Excellence or BASE). Under the new school finance plan, BASE will increase from \$4,165 in fiscal year 2019 to \$4,436 in fiscal year 2020, with a gradual increase to \$4,846 in fiscal year 2023. After fiscal year 2023, the BASE will be equal to the BASE in the immediately preceding year plus an amount equal to the average percentage increase in the Consumer Price Index—Midwest Region for the three immediately preceding school years. With this plan in law, school districts are estimated to receive \$198.6 million more in base aid in fiscal year 2020 compared to fiscal year 2019.

The Consensus Estimating Group met on November 7, 2019 to revise the State General Fund revenue estimate for fiscal years 2020 and 2021. The estimate for fiscal year 2020 was increased by \$220.4 million, or 3.0 percent, above the previous estimate made in April 2019 and subsequently adjusted for legislation enacted during the 2019 Legislative Session. The estimate for fiscal year 2021 was increased by \$305.1 million, or 4.1 percent, above the Spring 2019 estimate.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

State investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$13.9 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 0.29 percent in terms of net book value. The majority of capital asset expenditures were used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$88.2 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 (KDFA) is a public body politic and corporate, constituting an independent instrumentality of the State. It was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

The total long-term debt obligations increased by \$10.2 million during the current fiscal year. This net increase was primarily due to net decreases in bonds outstanding and the net pension liability of \$93.5 million and \$129.8 million, respectively, offset by an increase of \$255.3 million due to the recording of the KPERS employee liability.

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

## **ECONOMIC FACTORS**

The Kansas economy has shown improvement in 2018 and the growth appears to be continuing in the first half of 2019. The economy continues to struggle in the agriculture sector. Unemployment remained low in Kansas as the annual unemployment rate decreased for the eighth consecutive year to 3.4 percent. This rate is one of the lowest recorded in Kansas history, a record preceded only in 1999, 1979, and 1978. The number of unemployed people and the number of unemployment insurance claims also continued to decrease. There were 32,551 continued unemployment claims in June 2019, down from 36,452 in June 2018. The total number of people in the labor force declined for the fourth consecutive year and the labor force participation rate fell for the ninth consecutive year.

Job numbers were on the rise in 2018 with nonfarm job estimates showing an increase of 12,200 jobs over the prior year and an increase of 10,100 in the private sector. In 2018 there was job growth in 9 of the 11 major industries. In the private sector, Manufacturing, Professional and business services, Trade, Transportation and Utilities added the most jobs. Two major industries, Financial activities and Information, both decreased in the number of jobs.

## **Fiscal Year 2019 State General Fund Allotments**

An executive branch allotment system to reduce expenditures is applicable to the expenditures by State agencies when under certain circumstances for any fiscal year the resources of the State General Fund or any special revenue fund appear likely to be insufficient to cover appropriations made against the State General Fund or such special revenue fund. Such determinations are to be made by the Director of the Budget.

Allotment authority was expanded in fiscal years 2015, 2016 and 2017. The expanded authority allowed State General Fund expenditure reductions and transfers from special revenue funds to the State General Fund whenever the estimated State General Fund ending balance is below \$100.0 million.

There were no allotments enacted in fiscal years 2018 or 2019.

**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:

Jocelyn Gunter  
Director of Accounts and Reports for the State of Kansas  
Office of Accounts and Reports  
700 SW Harrison, Suite 300  
Topeka, KS 66603

# **Financial Statements**

State of Kansas  
**Financial Statements**  
June 30, 2019

**Government Wide - Statement of Net Position**  
**June 30, 2019**  
*(expressed in thousands)*

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,416,264	\$ 50,931	\$ 2,467,195	\$ 733,463
Investments	171,249	198,705	369,954	489,915
Receivables (net)	1,350,792	650,474	2,001,266	690,560
Due from primary government:				
Investment in direct financing leases, due within one year	0	0	0	360
Investment in direct financing leases, due in more than one year	0	0	0	775
Internal balances	4,529	(4,529)	0	0
Inventories	42,966	1,923	44,889	13,816
Other current assets	0	0	0	31,770
Restricted cash and cash equivalents	250,568	958,987	1,209,555	167,722
Restricted investments	819	271,464	272,283	3,220,059
Capital assets not being depreciated	12,792,734	0	12,792,734	907,741
Capital assets, net of accumulated depreciation	1,125,928	4,555	1,130,483	3,499,372
Other noncurrent assets	1,140	0	1,140	21,811
Total assets	<u>18,156,989</u>	<u>2,132,510</u>	<u>20,289,499</u>	<u>9,777,364</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	6,675	0	6,675	0
Deferred amounts on refunding	25,790	3,526	29,316	11,274
Deferred outflows - pensions	337,487	1,231	338,718	39,125
Deferred outflows - OPEB	6,970	0	6,970	3,605
Total deferred outflows of resources	<u>376,922</u>	<u>4,757</u>	<u>381,679</u>	<u>54,004</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	1,372,422	31,684	1,404,106	302,493
Due to component unit:				
Lease revenue bonds payable, due within one year	360	0	360	0
Lease revenue bonds payable, due in more than one year	775	0	775	0
Unearned revenue	15,867	14,501	30,368	116,780
Derivative instrument - interest rate swap	13,511	0	13,511	0
Noncurrent liabilities:				
Due within one year	361,170	77,804	438,974	157,203
Due in more than one year	6,743,176	422,736	7,165,912	2,020,863
Total liabilities	<u>8,507,281</u>	<u>546,725</u>	<u>9,054,006</u>	<u>2,597,339</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	185,590	490	186,080	43,161
Deferred inflows - OPEB	5,419	21	5,440	5,834
Deferred amounts on refunding	0	0	0	730
Total deferred inflows of resources	<u>191,009</u>	<u>511</u>	<u>191,520</u>	<u>49,725</u>
<b>NET POSITION</b>				
Net investment in capital assets	10,262,233	4,555	10,266,788	2,688,258
Restricted for:				
Capital projects	53,786	0	53,786	264,346
Debt service	91,137	136	91,273	62,874
Nonexpendable	0	0	0	1,761,907
Other purposes	691,191	1,599,081	2,290,272	1,532,967
Highways and other transportation	806,397	0	806,397	0
Unrestricted	<u>(2,069,123)</u>	<u>(13,741)</u>	<u>(2,082,864)</u>	<u>873,952</u>
Total net position	<u>\$ 9,835,621</u>	<u>\$ 1,590,031</u>	<u>\$ 11,425,652</u>	<u>\$ 7,184,304</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2019

**Government Wide - Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 738,005	\$ 329,407	\$ 72,023	\$ 0
Human resources	2,970,240	135,399	680,833	0
Education	6,146,720	6,615	485,448	0
Public safety	613,587	53,552	79,459	84
Agriculture and natural resources	136,345	86,842	34,632	337
Highways and other transportation	749,537	223,273	289,968	162,549
Health and environment	2,824,494	120,536	2,391,290	0
Interest expense	200,355	0	0	0
Total governmental activities	14,379,283	955,624	4,033,653	162,970
Business-type activities:				
Water pollution and safety	16,321	15,743	0	25,632
Health care stabilization	52,468	26,441	0	0
Unemployment insurance	132,918	284,343	881	0
Workers' compensation	3,956	586	0	0
Lottery	518,400	706,310	0	0
Intergovernmental transfer program	2	42	0	0
Transportation revolving loans	9	180	0	0
Total business-type activities	724,074	1,033,645	881	25,632
<b>Total primary government</b>	<b>\$ 15,103,357</b>	<b>\$ 1,989,269</b>	<b>\$ 4,034,534</b>	<b>\$ 188,602</b>
<b>Component units:</b>				
Kansas Turnpike Authority	\$ 94,109	\$ 129,814	\$ 1,382	\$ 0
Kansas Development Finance Authority	1,716	981	0	0
Kansas Center for Entrepreneurship	2,989	2,128	213	0
Information Network of Kansas, Inc.	689	1,249	0	0
State University System	3,208,923	1,426,692	641,026	68,953
Kansas Housing Resources Corporation	88,916	4,379	82,677	0
<b>Total component units</b>	<b>\$ 3,397,342</b>	<b>\$ 1,565,243</b>	<b>\$ 725,298</b>	<b>\$ 68,953</b>

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

State of Kansas  
**Financial Statements**  
June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (336,575)	\$ 0	\$ (336,575)	\$ 0
(2,154,008)	0	(2,154,008)	0
(5,654,657)	0	(5,654,657)	0
(480,492)	0	(480,492)	0
(14,534)	0	(14,534)	0
(73,747)	0	(73,747)	0
(312,668)	0	(312,668)	0
(200,355)	0	(200,355)	0
<u>(9,227,036)</u>	<u>0</u>	<u>(9,227,036)</u>	<u>0</u>
0	25,054	25,054	0
0	(26,027)	(26,027)	0
0	152,306	152,306	0
0	(3,370)	(3,370)	0
0	187,910	187,910	0
0	40	40	0
0	171	171	0
<u>0</u>	<u>336,084</u>	<u>336,084</u>	<u>0</u>
<u>\$ (9,227,036)</u>	<u>\$ 336,084</u>	<u>\$ (8,890,952)</u>	<u>\$ 0</u>
\$ 0	\$ 0	\$ 0	\$ 37,087
0	0	0	(735)
0	0	0	(648)
0	0	0	560
0	0	0	(1,072,252)
0	0	0	(1,860)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,037,848)</u>
<b>General revenues:</b>			
Taxes:			
Property tax	\$ 739,403	\$ 0	\$ 739,403
Income and inheritance tax	4,387,339	0	4,387,339
Sales and excise tax	3,920,659	0	3,920,659
Gross receipts tax	400,594	0	400,594
Investment earnings	52,635	44,699	97,334
Other revenue	545,993	(1,075)	544,918
Transfers	174,920	(174,920)	0
<b>Total general revenues</b>	<u>10,221,543</u>	<u>(131,296)</u>	<u>10,090,247</u>
Change in net position	<u>994,507</u>	<u>204,788</u>	<u>1,199,295</u>
Net position - beginning	8,841,114	1,385,243	10,226,357
Revisions to beginning net position	0	0	0
Net position - beginning (restated)	<u>8,841,114</u>	<u>1,385,243</u>	<u>10,226,357</u>
Net position - ending	<u>\$ 9,835,621</u>	<u>\$ 1,590,031</u>	<u>\$ 11,425,652</u>

State of Kansas  
Financial Statements  
June 30, 2019

**Balance Sheet - Governmental Funds**  
**June 30, 2019**

(expressed in thousands)

	General	Social Services	Health and Environment	Education	Transporta- tion	Non-major Governmental	Total Governmental
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,159,886	\$ 58,645	\$ 177,710	\$ 14,027	\$ 519,507	\$ 415,374	\$ 2,345,149
Investments	0	0	0	0	149,214	22,035	171,249
Receivables, net	878,090	97,576	210,871	2,548	106,059	53,548	1,348,692
Due from other funds	5,396	17,830	20,500	0	0	125,274	169,000
Inventories	5,274	234	0	0	23,095	3,794	32,397
Advances to other funds	0	17,750	20,500	0	0	260,105	298,355
Restricted cash and cash equivalents	0	0	0	0	0	203,466	203,466
Restricted investments	0	0	0	0	0	819	819
Total assets	<u>\$ 2,048,646</u>	<u>\$ 192,035</u>	<u>\$ 429,581</u>	<u>\$ 16,575</u>	<u>\$ 797,875</u>	<u>\$ 1,084,415</u>	<u>\$ 4,569,127</u>
<b>LIABILITIES</b>							
Accounts payable and other current liabilities	\$ 677,794	\$ 107,876	\$ 212,092	\$ 7,956	\$ 56,621	\$ 252,535	\$ 1,314,874
Due to other funds	158,495	107	0	0	0	5,632	164,234
Advances from other funds	297,672	61	0	0	0	529	298,262
Unearned revenue	0	0	0	0	13,803	2,064	15,867
Total liabilities	<u>1,133,961</u>	<u>108,044</u>	<u>212,092</u>	<u>7,956</u>	<u>70,424</u>	<u>260,760</u>	<u>1,793,237</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - taxes	461,857	39	5	0	23,955	118	485,974
Unavailable revenue - other	0	17,347	79,488	0	0	16,315	113,150
Total deferred inflows of resources	<u>461,857</u>	<u>17,386</u>	<u>79,493</u>	<u>0</u>	<u>23,955</u>	<u>16,433</u>	<u>599,124</u>
<b>FUND BALANCES</b>							
Nonspendable:							
Long-term receivables	0	0	0	0	6,348	0	6,348
Inventory	5,274	234	0	0	23,095	3,794	32,397
Restricted for:							
Capital projects	0	0	0	0	0	53,786	53,786
Debt service	0	0	0	0	0	143,804	143,804
General government	0	0	0	0	0	248,428	248,428
Human resources	0	66,371	0	0	0	58,716	125,087
Education	0	0	0	8,619	0	7,194	15,813
Public safety	0	0	0	0	0	70,072	70,072
Agriculture and natural resources	0	0	0	0	0	93,795	93,795
Highways and other transportation	0	0	0	0	674,053	132,344	806,397
Health and environment	0	0	137,996	0	0	0	137,996
Unassigned	447,554	0	0	0	0	(4,711)	442,843
Total fund balance	<u>452,828</u>	<u>66,605</u>	<u>137,996</u>	<u>8,619</u>	<u>703,496</u>	<u>807,222</u>	<u>2,176,766</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,048,646</u>	<u>\$ 192,035</u>	<u>\$ 429,581</u>	<u>\$ 16,575</u>	<u>\$ 797,875</u>	<u>\$ 1,084,415</u>	<u>\$ 4,569,127</u>

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

(Continued)

State of Kansas  
**Financial Statements**  
June 30, 2019

**Balance Sheet - Governmental Funds - Continued**  
**June 30, 2019**  
*(expressed in thousands)*

	Total Governmental
<b>Reconciliation to the Statement of Net Position:</b>	
Total fund balance from previous page	\$ 2,176,766
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds:	
Capital assets not being depreciated	12,792,734
Capital assets being depreciated	1,125,928
Internal service funds included in above	(57,268)
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	6,675
Other noncurrent assets	1,140
Deferred refunding	25,790
Deferred outflows - pensions	337,487
Deferred outflows - OPEB	6,970
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	(10,685)
Capital leases payable	(139,206)
Revenue bonds payable	(4,205,285)
Pollution remediation	(76,320)
Unamortized premium discount	(269,763)
Total OPEB liability	(51,485)
Net pension liability	(1,891,987)
Compensated absences	(111,381)
Claims and judgments	(92,814)
Special assessment payable	(115)
KPERs Employee liability	(255,304)
Due to component unit (lease revenue bonds payable)	(1,135)
Arbitrage and derivative liabilities	(13,512)
Accrued interest	(52,667)
Internal service funds included in above	120,680
Other deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds:	
Deferred inflows - pensions	(185,590)
Deferred inflows - OPEB	(5,419)
Deferred inflows of resources adjustment for revenue unavailable at the fund level	599,124
Internal service funds: the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	62,263
Net position of governmental activities	<u>\$ 9,835,621</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2019

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)**

	General	Social Services	Health and Environment	Education	Transporta- tion	Non-major Governmental	Total Governmental
<b>Revenues:</b>							
Property tax	\$ 4	\$ 0	\$ 0	\$ 678,998	\$ 0	\$ 60,411	\$ 739,413
Income and inheritance tax	4,243,431	0	0	0	0	22,742	4,266,173
Sales and excise tax	3,052,192	3,661	782	9,233	841,191	13,693	3,920,752
Gross receipts tax	163,950	0	213,381	0	0	23,322	400,653
Charges for services	32,655	112,772	97,258	5,525	223,273	459,938	931,421
Operating grants	0	656,621	2,398,510	482,149	276,591	207,011	4,020,882
Capital grants	0	0	0	0	163,096	97	163,193
Investment earnings	36,370	360	1,003	7	10,445	4,723	52,908
Other revenues	10,760	6,571	318,554	61,216	5,923	90,014	493,038
Total revenues	<u>7,539,362</u>	<u>779,985</u>	<u>3,029,488</u>	<u>1,237,128</u>	<u>1,520,519</u>	<u>881,951</u>	<u>14,988,433</u>
<b>Expenditures:</b>							
Current:							
General government	419,820	0	0	0	0	447,477	867,297
Human resources	1,189,056	1,719,782	0	0	0	72,458	2,981,296
Education	4,312,954	0	0	1,489,942	0	86,061	5,888,957
Public safety	406,783	0	0	0	0	208,966	615,749
Agriculture and natural resources	10,836	0	0	0	0	131,377	142,213
Highways and other transportation	0	0	0	0	765,481	25,690	791,171
Health and environment	780,346	0	2,038,963	0	0	8,732	2,828,041
Debt service:							
Principal	4,234	1,028	0	0	0	239,054	244,316
Interest	27,048	878	0	0	0	201,212	229,138
Total expenditures	<u>7,151,077</u>	<u>1,721,688</u>	<u>2,038,963</u>	<u>1,489,942</u>	<u>765,481</u>	<u>1,421,027</u>	<u>14,588,178</u>
<b>Excess of revenues over (under) expenditures</b>	<u>388,285</u>	<u>(941,703)</u>	<u>990,525</u>	<u>(252,814)</u>	<u>755,038</u>	<u>(539,076)</u>	<u>400,255</u>
<b>Other financing sources (uses):</b>							
Sale of assets	0	0	0	0	0	1,982	1,982
Issuance of bonds	0	0	0	0	0	173,035	173,035
Issuance of capital leases	0	10,642	0	0	0	1,761	12,403
Premium on issuance of debt	0	0	0	0	0	26,962	26,962
Transfers, net	517	944,454	(933,670)	253,336	(539,799)	455,298	180,136
Total other financing sources (uses)	<u>517</u>	<u>955,096</u>	<u>(933,670)</u>	<u>253,336</u>	<u>(539,799)</u>	<u>659,038</u>	<u>394,518</u>
<b>Net change in fund balances</b>	<u>388,802</u>	<u>13,393</u>	<u>56,855</u>	<u>522</u>	<u>215,239</u>	<u>119,962</u>	<u>794,773</u>
Fund balances, beginning	64,026	64,947	104,438	8,097	489,428	691,342	1,422,278
Revisions to beginning fund balance	0	(11,735)	(23,297)	0	0	(4,082)	(39,114)
Fund balance - beginning	<u>64,026</u>	<u>53,212</u>	<u>81,141</u>	<u>8,097</u>	<u>489,428</u>	<u>687,260</u>	<u>1,383,164</u>
Change in reserves for inventory	0	0	0	0	(1,171)	0	(1,171)
<b>Fund balances, end</b>	<u>\$ 452,828</u>	<u>\$ 66,605</u>	<u>\$ 137,996</u>	<u>\$ 8,619</u>	<u>\$ 703,496</u>	<u>\$ 807,222</u>	<u>\$ 2,176,766</u>

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

(Continued)

State of Kansas  
**Financial Statements**  
June 30, 2019

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Total Governmental
<b>Reconciliation to the Statement of Activities:</b>	
Total net change in fund balance from previous page	\$ 794,773
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	(75,809)
Capitalized assets acquired	155,497
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.	(37,382)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	
Unavailable revenue	173,044
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position:	
Revenue bonds	(173,035)
Bond premiums and discounts	(26,962)
Deferred refundings	(6,260)
Other borrowings	(269,188)
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	233,344
Other borrowings	10,972
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.	37,118
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	(1,984)
Pollution remediation	15,543
Accrued interest	(397)
Claims and judgments	(5,928)
Total OPEB liability	4,153
Net pension liability	129,457
Change in inventory for materials and supplies	(1,171)
Derivatives (liability), due to component and accrued accounts payable	61,124
Derivatives (assets and deferred outflows)	1,308
The amortization of collective deferred outflows and inflows of resources related to pensions affects change in net position, but does not provide or use current financial resources to governmental funds.	
Deferred outflows - pensions	(29,922)
Deferred inflows - pensions	(20,310)
Deferred outflows - OPEB	707
Deferred inflows - OPEB	(3,938)
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.	29,753
Changes in Net Position of Governmental Activities	<u>\$ 994,507</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2019

**Statement of Net Position - Proprietary Funds**  
**June 30, 2019**  
*(expressed in thousands)*

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Non-major Funds	Total	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 23,008	\$ 4,046	\$ 1,862	\$ 22,015	\$ 50,931	\$ 71,115
Restricted cash and cash equivalents	0	951,613	0	136	951,749	47,102
Investments	171,003	0	27,702	0	198,705	0
Receivables, net	68,961	14,955	2,287	16,004	102,207	2,100
Inventories	0	0	0	1,923	1,923	10,569
Total current assets	262,972	970,614	31,851	40,078	1,305,515	130,886
Noncurrent assets:						
Restricted cash and cash equivalents	7,238	0	0	0	7,238	0
Investments, restricted	2,258	0	269,206	0	271,464	0
Receivables, net	533,237	0	0	15,030	548,267	0
Capital assets not being depreciated	0	0	0	0	0	5,646
Capital assets (net of accumulated depreciation)	0	0	3	4,552	4,555	51,622
Total noncurrent assets	542,733	0	269,209	19,582	831,524	57,268
Total assets	805,705	970,614	301,060	59,660	2,137,039	188,154
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amounts on refunding	3,526	0	0	0	3,526	0
Deferred outflows - pensions	0	0	0	1,231	1,231	0
Total deferred outflows of resources	3,526	0	0	1,231	4,757	0
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other current liabilities	3,225	6,009	66	22,384	31,684	4,881
Unearned revenue	0	0	14,098	0	14,098	0
Due to other funds	0	0	0	4,529	4,529	237
Compensated absences	0	0	80	9	89	1,290
Portion of long-term liabilities	34,944	0	34,875	7,896	77,715	37,361
Total current liabilities	38,169	6,009	49,119	34,818	128,115	43,769
Noncurrent liabilities:						
Compensated absences	0	0	18	2	20	299
Claims and judgments	0	0	225,229	28,060	253,289	49,508
Bonds, notes and loans payable	154,066	0	0	0	154,066	32,222
Unearned lease revenue	0	0	0	403	403	0
Arbitrage rebate payable	40	0	0	0	40	0
Other noncurrent liabilities	9,171	0	0	6,076	15,247	0
Total OPEB liability	0	0	0	74	74	0
Advances from other funds	0	0	0	0	0	93
Total noncurrent liabilities	163,277	0	225,247	34,615	423,139	82,122
Total liabilities	201,446	6,009	274,366	69,433	551,254	125,891
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - pensions	0	0	0	490	490	0
Deferred inflows - OPEB	0	0	0	21	21	0
Total deferred inflows of resources	0	0	0	511	511	0
<b>NET POSITION</b>						
Net investment in capital assets	0	0	3	4,552	4,555	22,762
Restricted for:						
Debt service	0	0	0	136	136	0
Other purposes	607,785	964,605	26,691	0	1,599,081	0
Unrestricted	0	0	0	(13,741)	(13,741)	39,501
Total net position	\$ 607,785	\$ 964,605	\$ 26,694	\$ (9,053)	\$ 1,590,031	\$ 62,263

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

State of Kansas  
**Financial Statements**  
June 30, 2019

**Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Proprietary Funds  
For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Non-major Funds	Total	
<b>Operating revenues:</b>						
Charges for services	\$ 1,716	\$ 284,343	\$ 26,441	\$ 707,118	\$ 1,019,618	\$ 88,504
Interest on loans	14,027	0	0	0	14,027	0
Other revenue	1,841	7,637	782	5,557	15,817	46,847
Total operating revenues	17,584	291,980	27,223	712,675	1,049,462	135,351
<b>Operating expenses:</b>						
Salaries and wages	0	0	1,615	6,486	8,101	25,767
Supplies and services	1,764	0	6,224	327,194	335,182	41,992
Lottery prize awards	0	0	0	172,677	172,677	0
Depreciation	0	0	2	167	169	12,200
Insurance claims and expenses	0	132,884	0	1,286	134,170	14,407
Program administration - Water Funds	1,859	0	0	0	1,859	0
Other expenses	4,437	34	44,627	14,557	63,655	4,261
Total operating expenses	8,060	132,918	52,468	522,367	715,813	98,627
<b>Operating income (loss)</b>	9,524	159,062	(25,245)	190,308	333,649	36,724
<b>Nonoperating revenues (expenses):</b>						
Operating grants	0	881	0	0	881	0
Capital grants	25,632	0	0	0	25,632	0
Investment earnings	4,756	19,788	20,000	155	44,699	349
Interest expense	(8,257)	0	0	(4)	(8,261)	(1,631)
Other revenues (expenses)	495	(4,679)	(435)	(12,273)	(16,892)	(473)
Total nonoperating revenues (expenses)	22,626	15,990	19,565	(12,122)	46,059	(1,755)
<b>Income before transfers</b>	32,150	175,052	(5,680)	178,186	379,708	34,969
Transfers in	0	2	2,838	339	3,179	1,196
Transfers out	0	(831)	(200)	(177,068)	(178,099)	(6,412)
Change in net position	32,150	174,223	(3,042)	1,457	204,788	29,753
Net position - beginning	575,635	790,382	29,736	(10,510)	1,385,243	32,510
<b>Net position - ending</b>	\$ 607,785	\$ 964,605	\$ 26,694	\$ (9,053)	\$ 1,590,031	\$ 62,263

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

State of Kansas  
**Financial Statements**  
June 30, 2019

**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Water Funds	Unemployment Insurance	Health Care Stabilization	Non-major funds	Total	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>						
Cash receipts from customers	\$ 13,987	\$ 296,017	\$ 27,944	\$ 712,533	\$ 1,050,481	\$ 134,779
Cash payments to suppliers for goods and services	(1,765)	837	(6,252)	(1,022)	(8,202)	(48,542)
Cash payments to employees for services	0	0	(1,611)	(6,681)	(8,292)	(25,499)
Cash payments for lottery prizes	0	0	0	(511,498)	(511,498)	0
Claims paid	0	(132,884)	(28,717)	(1,008)	(162,609)	(21,069)
Other operating revenues	3,517	0	0	153	3,670	0
Other operating expenses	(1,870)	0	0	(1,424)	(3,294)	0
Net cash provided (used) by operating activities	13,869	163,970	(8,636)	191,053	360,256	39,669
<b>Cash flows from noncapital financing activities:</b>						
Operating grants receipts	0	881	0	0	881	0
Other non-operating expenses	0	(4,679)	(435)	0	(5,114)	(473)
Advances from other funds	0	0	0	0	0	(237)
Net transfers to other funds	0	(829)	2,638	(176,729)	(174,920)	(5,216)
Other cash inflows from noncapital financing activities	83,153	0	0	0	83,153	0
Other cash outflows from noncapital financing activities	(88,981)	0	0	(12,277)	(101,258)	0
Net cash provided (used) by noncapital financing activities	(5,828)	(4,627)	2,203	(189,006)	(197,258)	(5,926)
<b>Cash flows from capital and related financing activities:</b>						
Repayment of long-term debt	0	0	0	0	0	(2,114)
Interest payments	0	0	0	0	0	(1,631)
Proceeds from sale of fixed assets	0	0	0	14	14	0
Payments for purchase of fixed assets	0	0	0	(88)	(88)	(5,781)
Net cash provided (used) by capital and related financing activities	0	0	0	(74)	(74)	(9,526)
<b>Cash flows from investing activities:</b>						
Proceeds from sale and maturities of investment securities	796,473	0	25,530	0	822,003	0
Purchase of investments	(797,702)	0	(31,126)	0	(828,828)	0
Cash receipts from customers	0	0	0	0	0	0
Interest and dividends	4,443	19,788	7,520	150	31,901	349
Other investing revenues	69,771	0	0	0	69,771	0
Other investing expenses	(81,425)	0	0	0	(81,425)	0
Net cash provided (used) by investing activities	(8,440)	19,788	1,924	150	13,422	349
Net increase (decrease) in cash and cash equivalents	(399)	179,131	(4,509)	2,123	176,346	24,566
Cash and cash equivalents, beginning of year	30,645	776,528	6,371	20,028	833,572	93,651
<b>Cash and cash equivalents, end of year</b>	<b>\$ 30,246</b>	<b>\$ 955,659</b>	<b>\$ 1,862</b>	<b>\$ 22,151</b>	<b>\$ 1,009,918</b>	<b>\$ 118,217</b>
<b>Reconciliation of operating income (loss) to net cash provided by operations:</b>						
Operating income (loss)	\$ 9,524	\$ 159,062	\$ (25,245)	\$ 190,308	\$ 333,649	\$ 36,724
<b>Adjustment to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation and amortization	0	0	2	167	169	12,200
Changes in assets and liabilities:						
Receivables	(7,406)	4,037	0	125	(3,244)	(572)
Inventories	0	0	0	0	0	(4,406)
Accounts payable	97	871	(28)	1,355	2,295	2,163
Payroll liabilities	0	0	4	3	7	268
Due to other funds	0	0	0	611	611	(46)
Claims and judgments	0	0	15,910	278	16,188	(6,662)
Unearned revenue	0	0	721	(106)	615	0
Net change in pension deferred outflows/inflows	0	0	0	185	185	0
Net pension liability	0	0	0	(383)	(383)	0
OPEB liability	0	0	0	0	0	0
Lottery prize liability	0	0	0	(1,490)	(1,490)	0
Loan principal	(69,771)	0	0	0	(69,771)	0
Loans disbursed	81,425	0	0	0	81,425	0
Loan interest	0	0	0	0	0	0
Total adjustments	4,345	4,908	16,609	745	26,607	2,945
<b>Net cash provided (used) by operating activities</b>	<b>\$ 13,869</b>	<b>\$ 163,970</b>	<b>\$ (8,636)</b>	<b>\$ 191,053</b>	<b>\$ 360,256</b>	<b>\$ 39,669</b>

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

State of Kansas  
**Financial Statements**  
June 30, 2019

**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2019**  
*(expressed in thousands)*

	Pension Trust	Investment Trust	Agency
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,847	\$ 1,298,361	\$ 333,845
Investments:			
Domestic equities	6,129,376	0	0
International equities	4,311,377	0	0
Short term	290,958	0	60,791
Fixed income	5,468,782	0	0
Alternative investments	1,600,568	0	0
Real estate	2,396,467	0	0
Certificates of deposit	0	0	114,723
Receivables, net	592,822	0	311,600
Capital assets	2,847	0	246
	<u>20,807,044</u>	<u>1,298,361</u>	<u>821,205</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	<u>158,990</u>	<u>0</u>	<u>821,205</u>
	<u>158,990</u>	<u>0</u>	<u>\$ 821,205</u>
<b>NET POSITION</b>			
Net position held in trust	<u>\$ 20,648,054</u>	<u>\$ 1,298,361</u>	

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

State of Kansas  
**Financial Statements**  
June 30, 2019

**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Pension Trust	Investment Trust
	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>		
Contributions:		
Employer contributions	\$ 1,138,895	\$ 0
Employee contributions	437,353	0
	<u>                    </u>	<u>                    </u>
Total contributions	1,576,248	0
	<u>                    </u>	<u>                    </u>
Investment earnings:		
Net appreciation (depreciation) in fair value in investments	798,206	21,746
Interest	162,200	0
Dividends	240,617	0
Real estate income	106,326	0
Other investment income	16,526	0
	<u>                    </u>	<u>                    </u>
Total investment earnings	1,323,875	21,746
Less investment expense	107,190	0
	<u>                    </u>	<u>                    </u>
Net investment earnings	1,216,685	21,746
MIP deposits	0	4,386,687
Other income	5,488	0
	<u>                    </u>	<u>                    </u>
Total investment earnings	1,222,173	4,408,433
	<u>                    </u>	<u>                    </u>
Total additions	2,798,421	4,408,433
	<u>                    </u>	<u>                    </u>
<b>DEDUCTIONS</b>		
Benefits and refunds:		
Monthly benefits and refunds	1,747,624	0
Refunds of contributions	74,316	0
Death benefits	11,357	0
Distributions	0	4,249,340
	<u>                    </u>	<u>                    </u>
Total benefits and refunds	1,833,297	4,249,340
	<u>                    </u>	<u>                    </u>
Administrative expenses	13,279	0
	<u>                    </u>	<u>                    </u>
Total deductions	1,846,576	4,249,340
	<u>                    </u>	<u>                    </u>
Change in net position	951,845	159,093
Net position - beginning	19,696,209	1,139,268
	<u>                    </u>	<u>                    </u>
<b>Net position - ending</b>	<u><u>\$ 20,648,054</u></u>	<u><u>\$ 1,298,361</u></u>

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

State of Kansas  
**Financial Statements**  
June 30, 2019

**Combining Statement of Net Position - Component Units**  
**June 30, 2019**  
*(expressed in thousands)*

	Information Network of Kansas, Inc.	Kansas Turnpike Authority	Kansas Development Finance Authority	Kansas Housing Resources Corporation	Kansas Center for Entrepre- neurship	State University System	Total
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 6,472	\$ 35,720	\$ 99	\$ 992	\$ 10,302	\$ 679,878	\$ 733,463
Restricted cash and cash equivalents	0	17,198	0	3,439	0	38,207	58,844
Investments	0	44,642	8,836	12,230	1,482	225,054	292,244
Restricted investments	0	6,726	2,788	0	0	618,463	627,977
Receivables, net	3,480	14,561	90	1,349	20,520	411,937	451,937
Due from primary government	0	0	360	0	0	0	360
Inventories	0	0	0	0	0	13,816	13,816
Other assets	0	3,113	69	183	3	28,402	31,770
Total current assets	9,952	121,960	12,242	18,193	32,307	2,015,757	2,210,411
Noncurrent assets:							
Restricted cash and cash equivalents	0	0	0	13	0	108,865	108,878
Investments	0	80,387	0	0	0	117,284	197,671
Restricted investments	0	0	0	0	0	2,592,082	2,592,082
Receivables, net	0	0	0	1,572	0	237,051	238,623
Due from primary government	0	0	775	0	0	0	775
Capital assets not being depreciated	0	653,338	0	26	0	254,377	907,741
Capital assets (net of accumulated depreciation)	4	35,994	380	291	0	3,462,703	3,499,372
Other noncurrent assets	0	0	0	0	0	21,811	21,811
Total noncurrent assets	4	769,719	1,155	1,902	0	6,794,173	7,566,953
Total assets	9,956	891,679	13,397	20,095	32,307	8,809,930	9,777,364
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred amounts on refunding	0	3,452	0	0	0	7,822	11,274
Deferred outflows - pensions	0	2,492	253	694	0	35,686	39,125
Deferred outflows - OPEB	0	605	20	0	0	2,980	3,605
Total deferred outflows of resources	0	6,549	273	694	0	46,488	54,004
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and other liabilities	5,204	20,803	446	357	906	274,777	302,493
Unearned revenue	0	1,595	327	204	0	114,654	116,780
Compensated absences	0	2,415	0	321	0	68,330	71,066
Portion of long-term liabilities	0	10,745	360	0	0	75,032	86,137
Total current liabilities	5,204	35,558	1,133	882	906	532,793	576,476
Noncurrent liabilities:							
Compensated absences	0	1,095	0	98	0	16,389	17,582
Bonds, notes and loans payable	0	147,982	775	0	0	1,533,577	1,682,334
Arbitrage rebate liability	0	0	0	0	0	20	20
Other noncurrent liabilities	0	0	2,460	0	0	61,879	64,339
Net pension liability	0	14,037	1,165	3,418	0	198,460	217,080
Total OPEB liability	0	6,884	48	0	0	32,576	39,508
Total noncurrent liabilities	0	169,998	4,448	3,516	0	1,842,901	2,020,863
Total liabilities	5,204	205,556	5,581	4,398	906	2,375,694	2,597,339
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows - pensions	0	1,789	137	405	0	40,830	43,161
Deferred inflows - OPEB	0	144	4	0	0	5,686	5,834
Deferred amounts on refunding	0	0	0	0	0	730	730
Total deferred inflows of resources	0	1,933	141	405	0	47,246	49,725
<b>NET POSITION</b>							
Net investment in capital assets	4	519,779	380	317	0	2,167,778	2,688,258
Restricted for:							
Capital projects	0	0	0	0	0	264,346	264,346
Debt service	0	42,491	0	0	0	20,383	62,874
Nonexpendable	0	0	0	0	0	1,761,907	1,761,907
Other purposes	0	0	0	4,044	0	1,528,923	1,532,967
Unrestricted	4,748	128,469	7,568	11,625	31,401	690,141	873,952
Total net position	4,752	690,739	7,948	15,986	31,401	6,433,478	7,184,304

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

State of Kansas  
**Financial Statements**  
June 30, 2019

**Combining Statement of Activities-Component Units**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Information Network of Kansas, Inc.	Kansas Turnpike Authority	Kansas Development Finance Authority	Kansas Housing Resources Corporation	Kansas Center for Entrepre- neurship	State University System	Total
<b>Expenses:</b>							
Salaries and wages	\$ 118	\$ 18,497	\$ 1,074	\$ 3,256	\$ 0	\$ 1,823,137	\$ 1,846,082
Supplies and services	570	64,546	536	1,525	130	774,461	841,768
Depreciation and amortization	1	4,102	101	144	0	212,332	216,680
Interest expense	0	6,964	0	0	0	58,178	65,142
Other expenses	0	0	5	83,991	2,859	340,815	427,670
Total expenses	689	94,109	1,716	88,916	2,989	3,208,923	3,397,342
<b>Program Revenues:</b>							
Charges for services	1,249	129,814	981	4,379	2,128	1,426,692	1,565,243
Operating grants	0	1,382	0	82,677	213	641,026	725,298
Capital grants	0	0	0	0	0	68,953	68,953
Total program revenues	1,249	131,196	981	87,056	2,341	2,136,671	2,359,494
<b>Net (Expense) Revenue</b>	560	37,087	(735)	(1,860)	(648)	(1,072,252)	(1,037,848)
<b>General Revenues:</b>							
Taxes:							
Property tax	0	0	0	0	0	8,038	8,038
Investment earnings	64	5,113	591	642	671	185,085	192,166
Other revenue (loss)	0	3,332	12	2,282	365	1,239,498	1,245,489
Total general revenues	64	8,445	603	2,924	1,036	1,432,621	1,445,693
<b>Change in net position</b>	624	45,532	(132)	1,064	388	360,369	407,845
Total net position - beginning	4,128	645,207	8,080	14,922	31,013	6,056,069	6,759,419
Revisions to beginning net position	0	0	0	0	0	17,040	17,040
Total net position - beginning (restated)	4,128	645,207	8,080	14,922	31,013	6,073,109	6,776,459
<b>Total net position - ending</b>	<u>\$ 4,752</u>	<u>\$ 690,739</u>	<u>\$ 7,948</u>	<u>\$ 15,986</u>	<u>\$ 31,401</u>	<u>\$ 6,433,478</u>	<u>\$ 7,184,304</u>

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

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## I. Summary of Significant Accounting Policies

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

### A. Financial Reporting Entity

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2019, 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, 2019

## I. Summary of Significant Accounting Policies

<b><u>Component Unit</u></b>	<b><u>Description: Criteria for Inclusion</u></b>	<b><u>Reporting Method</u></b>	<b><u>For Separate Financial Statements</u></b>
Kansas Turnpike Authority (KTA)	The State has oversight responsibility of day-to-day operations and administration of KTA. The State also has the power to impose its will on KTA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Turnpike Authority 9401 E. Kellogg Wichita, Kansas 67207
Kansas Development Finance Authority (KDFA)	The Governor appoints the members of the KDFA Board, who are additionally subject to confirmation by the Kansas Senate. The State has the power to impose its will on KDFA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Development Finance Authority 534 S. Kansas Avenue, Suite 800 Topeka, Kansas 66603
Kansas Housing Resources Corporation (KHRC)	KHRC is a subsidiary corporation of KDFA and a legal entity separate and distinct from KDFA and the State.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Housing Resources Corporation 611 S. Kansas Avenue, Suite 300 Topeka, Kansas 66603
Kansas Center for Entrepreneurship (KCE)	The State appoints a voting majority of KCE and has the power to impose its will on KCE.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Center for Entrepreneurship P.O. Box 877 Andover, Kansas 67002
State University System	The State appoints a voting majority of the Kansas Board of Regents which controls the State universities, and has the power to impose its will on the State universities through the budgeting process.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	The Kansas Board of Regents does not issue separate financial statements. For separate financial statements of a university, contact the respective university or:  Kansas Board of Regents 1000 SW Jackson St., Suite 520 Topeka, KS 66612-1368
Kansas 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., Suite 100 Topeka, KS 66603-3803
Information Network of Kansas, Inc. (INK)	The State appoints a voting majority of INK and has the power to impose its will on INK.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Information Network of Kansas, Inc. 300 SW 8th Ave, Suite 300 Topeka, KS 66603

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## I. Summary of Significant Accounting Policies

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**Kansas Turnpike Authority (KTA)** was established as a public corporation in 1953 by the Kansas Legislature. Its enabling statutes are found in K.S.A. 68-2001 et seq., as amended and supplemented. K.S.A. 68-2003 was amended during the State of Kansas' 2013 and 2015 legislative sessions. The legislative amendment changed the reporting requirement for the State of Kansas. KTA is now reported as a discretely presented component unit. Prior to the 2013 legislative session KTA was not included as a State reporting entity. The amendment named the Secretary of Transportation of the State of Kansas as the director of KTA, effective July 1, 2013. The director is responsible for the daily administration of the toll roads, bridges, structures and facilities constructed, maintained or operated by KTA. While KTA 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 KTA 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 supplemented. 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 Center for Entrepreneurship (KCE)** is an independent instrumentality of the State. Its enabling statutes are found in K.S.A. 74-99c-01 through 74-99c-11 et seq., as amended and supplemented. KCE was created with the passage of the Kansas Growth Act. KCE was created for the purpose of promoting an entrepreneurial environment in Kansas by providing expertise, education, and economic resources to small business owners. The economic resources are provided in the form of low interest and/or reduced collateral loans and grants. These funds may only be accessed by working with a local or regional non-profit business support provider, who partners with KCE in providing a local match to the funds being provided.

**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.

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## I. Summary of Significant Accounting Policies

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**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 the Kansas Statutes Chapter 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.

**Information Network of Kansas, Inc. (INK)** was created by K.S.A. 74-9301 et seq. in 1990 by the State of Kansas legislature to provide electronic access for members of the public to public information of agencies by means of a centralized electronic information system, to develop and expand the system and to provide oversight of the network manager. INK is governed by a nine-member Board of Directors with membership on the board established by statute.

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

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

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

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

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## I. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

### D. Fund Accounting

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

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

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## I. Summary of Significant Accounting Policies

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### **Governmental Funds:**

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

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

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

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

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

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

### **Proprietary Funds:**

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

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

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

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

**Internal Service Funds** - These funds account for printing, information technology, accounting, motor pool, aircraft, building maintenance, wildlife, architectural, personnel services, workers' compensation, GIS services 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.

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## I. Summary of Significant Accounting Policies

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***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.

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

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## I. Summary of Significant Accounting Policies

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*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
- 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.

*Fair Value of Investments* –Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

*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

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## I. Summary of Significant Accounting Policies

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established at the time a student registers classes. Provisions for uncollectable student accounts are recorded to maintain an adequate allowance for anticipated losses. Net realizable value (NRV) is the actuarial devaluation method of taxes receivable at the Kansas Department of Revenue. NRV is a complex algorithmic formula, based upon debt size, age, whether the debt is filed or assessed, and historical collections. As debts age, the ability to collect the debt at face value decreases exponentially. The application of NRV on taxes receivable uses the collectability of the debt over time to determine a realistic current value.

### *Inventories*

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the government-wide financial statements are accounted for using the consumption method. Inventories in the governmental funds financial statements are on the purchases method. The purchases method provides that inventory be treated as expenditure when purchased. Consumable supplies are reported only if over \$200,000 per agency.

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

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## I. Summary of Significant Accounting Policies

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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***

State employees who are benefits eligible 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.

Legislative Branch employees may accrue vacation leave with no limit and are paid for all leave at separation. Sick leave accrual and payout at retirement follows the Executive Branch policy.

Judicial Branch employees accrue vacation under a different schedule from the Executive Branch but may not accrue more than 240 hours. Sick leave accrual and payout at retirement follows the Executive Branch policy.

### ***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, which approximates the effective interest 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/expenses.

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

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

### ***Pensions and Other Post-employment Benefits***

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of employee service and the plan's fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan

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## I. Summary of Significant Accounting Policies

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investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liability.

For purposes of measuring the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The total other post-employment benefit (OPEB) liability is the portion of the actuarial present value of projected benefit payments that is attributable to past periods of member service using acceptable methods in accordance with GASB 75. Total OPEB liability is recognized on the Statement of Net Position while changes in the Total OPEB liability are immediately recognized as OPEB expense on the Statement of Activities or reported as deferred inflows/outflows of resources depending on the nature of the change. The total OPEB expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total OPEB liability, current year benefit changes, and other changes in plan fiduciary net position. Additionally, the total OPEB expense includes the annual recognition of outflows and inflows of resources due to other post-employment benefits.

### ***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 four 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. The last two deferred outflows relate to other post-employment benefits (OPEB) and pensions, which is discussed in Note IV, Sections E and F, respectively.

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 four items that qualify for reporting in this category. 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, income and excise taxes as well as collections from the KDHE Medicaid Drug Rebate Program and other sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Second 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. The last two deferred inflows relate to other post-employment benefits (OPEB) and pensions, which is discussed in Note IV, Sections E and F, respectively.

### ***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.

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## I. Summary of Significant Accounting Policies

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The authorization to assign fund balances is delegated by the State legislature to each agency as appropriate. The State General Fund reports the fund balance amount that is not nonspendable, restricted or assigned as unassigned fund balance.

Per K.S.A. 75-6702(c), the provisions of subsection (b) are hereby suspended for the fiscal year ending June 30, 2019, and the fiscal year ending June 30, 2020, 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 2018 or 2019 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 2019:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources for AROs when the liability is incurred and reasonable estimable. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimating the liability and the estimated remaining useful life of the associated tangible capital asset. The adoption of this statement has no significant impact on the State's financial position.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, improves information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The adoption of this statement has no significant impact on the State's financial position.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies the accounting for interest cost incurred before the end of a construction period. Adoption of this statement had no impact on the State's financial position.

At June 30, 2019, 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, 2019:

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement also

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

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provides for recognition of a liability to the beneficiaries in a fiduciary fund when demands for resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. The provisions of this statement are effective for financial statements for the State's fiscal year ending June 30, 2020.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Provisions of this statement are effective for financial statements for the State's fiscal year ending June 30, 2021.

GASB Statement No. 90, *Major Equity Interests*, improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization, and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Provisions of this statement are effective for financial statements for the State's year ending June 30, 2020.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Provisions of this statement are effective for financial statements for the State's year ending June 30, 2022.

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## II. Stewardship, Compliance, Accountability

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### A. Deficit Fund Equity

The Adjutant General fund had a deficit fund balance in fiscal year 2019 of \$4.7 million because the expenditures paid out of the fund exceed revenues received due to the recorded \$6.9 million in unavailable revenue. The unavailable revenue represents amounts drawn from federal grants but not received within 60 days after June 30, 2019. The additional activity in the Adjutant General fund is the result of the increased number of federally declared disasters during the fiscal year.

The Workers' Compensation Fund had a deficit net position in fiscal year 2019 of \$28.0 million because historical claims and expenses paid out of the fund exceeded charges for services received. During 2019, expenses for claims and other operating expenses exceeded charges for services, increasing the negative net position for fiscal year 2019. Future claims will be covered with future collections from other State agencies. The State will continue to monitor the activity of this fund.

The Lottery Fund had a deficit net position in fiscal year 2019 of \$2.7 million. \$6.1 million is due to implementation of GASB Statement 68 Net pension liability and GASB Statement 75 Other postemployment benefits. As the State continues to take action to improve KPERS long-term sustainability, the unfunded pension liability will be reduced which will impact the Lottery's Fund deficit net position. Fiscal year 2019 also had an increase of \$4.4 million in current liabilities primarily due to payment of \$4.2 million for the vending machines that arrived in June. Current and other assets increased \$7.5 million due to increased cash on hand and accounts receivable and a small decrease in ticket inventory. Payments to casino managers are made on the same day every week. On June 30<sup>th</sup>, the amounts due could represent the manager's share of net revenues for as few as five days and as many as 11 days. The implementation of GASB 68 and the reporting of net pension liability have been responsible for substantially all of the deficit net position reported in fiscal year 2019.

The State Workers Compensation Fund had a deficit net position in fiscal year 2019 of \$36.0 million because of historical claims exceeding the internal charges made to the other State's funds. Current year total operating revenues exceeded claims paid, decreasing the negative net position. The State operates this fund as a pay as you go fund because future claims may take years to materialize. This has caused the negative net position in the past and will continue to future years. Future claims would be covered with future collections from other State agencies.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2019

### III. Detailed Notes On All Funds

#### A. Deposits and Investments

A summary of deposits and investments at June 30, 2019, is as follows (expressed in thousands):

<b>Investments:</b>	<b>Governmental &amp; Business - Type Activities</b>	<b>Weighted Average Duration</b>	<b>Fiduciary</b>	<b>Weighted Average Duration</b>	<b>Component Unit</b>	<b>Weighted Average Duration</b>
US Treasury	\$ 7,119	0.38	\$ 2,122,280	4.52	\$ 63,054	2.86
U.S Agencies securities	1,415,778	5.32	1,011,546	1.00	47,277	2.01
Asset Backed	18	0.00	0		0	
Repurchase Agreements	1,192,303	0.00	442,597		0	
Investment Agreement	151,472	<1yr	0		1,419	>10years
Mutual Fund-Fixed Income	0		0		11,455	<1yr
Mutual Fund-Equities	0		0		64,015	
Equity Securities	0		14,757,696		6,497	
Commercial Paper	1,190,597	0.65	375,524	0.15	29,400	<1yr
Corporate Bonds	190,002	4.60	2,850,543	3.52	3,441	3.01
State or Local Debt Obligation	0	0.00	0		4,121	
University assets reported under FASB*	0		0		3,401,198	
Other Investment	15,717		0		109,324	
Treasurer's pool	(741,092)		293,447		447,642	
Cash and cash equivalents	897,073		165,462		422,316	
	<u>\$ 4,318,987</u>		<u>\$ 22,019,095</u>		<u>\$ 4,611,159</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, 2019, the Kansas University Endowment Association held \$1.93 billion of securities at fair value mainly in money markets, marketable domestic equities, U.S. Treasuries, mutual funds, common trust equity and fixed income funds, marketable alternatives and other LLCs and LLPs. The marketable alternatives, LLCs, and LLPs are accounted for at fair value using the NAV as the practical expedient.

At June 30, 2019, the Kansas State University Foundation held \$0.81 billion 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, 2019, the Wichita State University Foundation held \$0.29 billion of securities at fair value held mainly in common and preferred stocks, foreign stocks, corporate bonds, mortgage-backed securities, U.S. government securities, commodities, hedged funds and foreign bonds.

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

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A reconciliation of deposits and investments to the financial statements at June 30, 2019, is as follows (expressed in thousands):

**Disclosures Regarding Deposits and Investments:**

Total investments and time deposits (includes demand deposits for Component Units)	\$ 30,941,073
Carrying amount of demand deposits for Governmental and Business-Type Activities	8,168
Total	<u>\$ 30,949,241</u>

**Statement of Net Position**

*Governmental and Business-Type Activities*

Cash and cash equivalents	\$ 2,467,195
Investments at fair market value	369,954
Restricted cash and cash equivalents	1,209,555
Restricted investments	272,283

*Component Units*

Cash and cash equivalents	733,463
Investments at fair market value	489,915
Restricted cash and cash equivalents	167,722
Restricted investments	3,220,059

**Statement of Fiduciary Net Position**

Cash and cash equivalents	1,646,053
Investments at fair market value	20,373,042
Total	<u>\$ 30,949,241</u>

*Deposits.* At June 30, 2019, the carrying amount was \$8.2 million for Governmental and Business-Type activities. For cash deposits with financial institutions, the State requires that its depository banks pledge collateral that has a market value equal to or greater than the deposits. Effective March 15, 2004, the Kansas State Treasurer's office in its role as custodian for collateral pledged against the State deposits, agreed to follow the changes to the pledged collateral policy that the Pooled Money Investment Board has approved. The criteria for collateralizing Kansas Bank CDs are as follows:

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

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

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

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

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*Fair value measurements.* Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs. The following table presents the State's recurring fair value measurements as of June 30, 2019.

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**Investments and Derivative Instruments Measured at Fair Value (expressed in thousands)**

	6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
<b>Debt securities</b>				
U.S. treasury securities	\$ 2,116,527	\$ 159,143	\$ 1,957,384	\$ 0
U.S. agency securities	2,481,585	51,036	2,430,549	0
Corporate bonds	234,081	193,051	41,030	0
Commercial paper	1,595,521	0	1,595,521	0
Asset backed	18	0	18	0
Vanguard short-term bond index	11,455	11,455	0	0
Yankees	351,122	0	351,122	0
International	477,448	0	477,448	0
Foreign bonds	3,855	3,855	0	0
US corporate, municipalities	1,829,253	0	1,826,228	3,025
US Bank loan	160,880	0	158,455	2,425
GNMA	102,484	0	102,484	0
Mutual fund	66,431	66,431	0	0
State or municipal bonds	6,317	0	6,317	0
Certificate of deposit	11,318	0	11,318	0
Commercial mortgage-backed securities	6,540	6,540	0	0
Collateralized mortgage obligations	2,606	0	2,606	0
Other	228,016	226,441	1,083	492
Total debt securities	9,685,457	717,952	8,961,563	5,942
<b>Equity securities</b>				
International commingled and ETF	1,152,097	1,152,097	0	0
Domestic common stock	6,136,986	6,135,885	0	1,101
Domestic preferred	366	366	0	0
International common	3,130,110	3,130,110	0	0
International preferred stock	31,475	31,475	0	0
Common & preferred stock	164	164	0	0
Consumer discretionary	1,181	1,181	0	0
Materials	139	139	0	0
Energy	160	160	0	0
Financials	1,041	1,041	0	0
Healthcare	574	574	0	0
Industrials	718	718	0	0
Information technology	1,231	1,231	0	0
Telecommunication services	106	106	0	0
Mutual funds	17,229	17,229	0	0
Fixed income	26,695	26,695	0	0
Marketable equity securities	22,246	22,246	0	0
Private equity limited partnership	5,496	0	0	5,496
Hedge fund	16,464	0	0	16,464
Other	204,067	68,467	58,334	77,266
Total equity securities	10,748,545	10,589,884	58,334	100,327
<b>Derivatives by Fair Value Level</b>				
To-be-announced agencies	3,554	0	3,554	0
<b>Other</b>				
Money market and short-term obligations	2,202	2,202	0	0
Money market fund	49,897	49,897	0	0
Repurchase agreements	1,634,900	1,634,900	0	0
Guaranteed investment contracts	150,983	149,564	1,419	0
Investment agreement	2,258	2,258	0	0
Closely held common stock	100,819	0	0	100,819
Real estate held for Investment	65,864	0	0	65,864
Mutual fund	64,319	64,319	0	0
KMIP	12,448	12,448	0	0
External investment pools	541,600	458,076	82,163	1,361
Other	116,307	35,938	847	79,522
Total other capital investments	2,745,151	2,409,602	87,983	247,566
Total investments by fair value level	\$ 23,179,153	\$ 13,717,438	\$ 9,107,880	\$ 353,835

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### III. Detailed Notes On All Funds

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<b>Investments measured at the net asset value (NAV)</b>		
Private equity partnerships	\$	1,600,427
Real estate partnership		757,066
Common trust funds-equities		368,025
Common trust funds-fixed income		74,936
Hedge funds		527,534
Private investment		388,309
Real estate core funds		1,487,518
Equity long/short hedge funds		51,619
Event-driven hedge funds		22,954
Equity securities		144,106
Venture capital		152,851
Domestic private equity		37,603
International private equity		13,477
Private capital distressed debt		3,625
Natural resources		23,503
Fixed income		4,408
Multi-strategy hedge funds		13,327
Futures		15,674
Other securities and investments		96
Real estate funds		115,074
Other		122,323
Total investments measured at the NAV		<u>5,924,455</u>
Total investments measured at fair value	\$	<u>29,103,608</u>
<b>Investment valued at amortized cost</b>		
Money market investment	\$	328,132
Certificate of deposit		1,012
Equity security		1,233
Other		30,408
Total investment derivative instruments	\$	<u>360,785</u>

Debt, equity and other securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and other securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt securities classified as level 3 are those securities in inactive markets where prices have been determined to be stale otherwise do not meet observable level 2 criteria.

Marketable equity securities classified in Level 3 of the fair value hierarchy are valued using a market approach models including multiples of adjusted earning, guideline companies and market-based valuations.

Hedge funds, venture capital, and private equity limited partnership investments classified as level 3: Fair value is determined through consideration of the net asset values provided by the fund manager and other market factors. Other factors include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment.

Other investments of \$77.3 million classified as level 3 are equity security holdings which are not publicly traded or readily marketable so are therefore recorded at cost.

All currency forwards and other derivative instruments are used for investment activities. Level 1 options are traded on active exchanges. Currency forwards are included in payables and receivables on the Statement of Fiduciary Position. Fair value for these is reflected by adjusting those payable/receivable values for daily fluctuations in currency exchange rates. KPERS had \$7.8 billion in outstanding currency forward contract payables and receivable at June 30, 2019. The net fluctuations in currency rates at that time increased the unrealized fair value of those contracts by \$19.4 million.

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### III. Detailed Notes On All Funds

Other securities classified as level 3 are valued based on fair value estimates from investment managers or fair value specialist on a monthly, quarterly or annual basis. For real estate investments management obtains fair value estimates from both internal and external valuation sources, including county tax appraisals and historic comparable sales information. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

**Investments Measured at the NAV (expressed in thousands)**

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity long/short hedge funds	\$ 51,619	0	monthly to annually	30-90 days
Common trust funds-equities	368,025	0	daily, monthly, quarterly	1-45 days
Common trust funds-fixed income	74,936	0	daily, monthly, quarterly	1-5 days
			monthly, quarterly, semi-	
Hedge funds	441,332	26,000	annually, annually	2-90 days
Multi-strategy hedge funds	13,327	0	Quarterly	95-100 days
Private equity partnerships	1,600,427	1,371,980	Quarterly	30 days
Other LLC's & LLP's	113,340	0	monthly, quarterly	1-90 days
Equity securities	144,106	0	monthly	5-45 days
Venture capital	81,088	0	None	None
Domestic private equity	37,603	0	None	None
International private equity	13,477	0	None	None
Private investments	388,309	263,425	N/A	N/A
Private capital distressed debt-liquid	3,625	0	None	None
Natural resources	23,503	0	None	None
Other securities and investments	96	0	None	None
Private equity and natural resource limited partnerships	8,984	15,199	At fund discretion	N/A
Real estate partnership	757,066	399,842	Quarterly	30 days
Event-driven hedge funds	22,954	0	monthly to annually	45 days
Real estate fund	39,515	0	None	None
Real estate core funds	1,487,518	32,500	Quarterly	30 days
Real estate other funds	75,559	0	Biannual	30 days
Northgate	3,348	328	n/a	n/a
Siguler Guff	461	90	n/a	n/a
Varde fund	609	0	n/a	n/a
Venture investment assoc	3,961	2,440	n/a	n/a
WCP real estate fund III , LLC	1,121	211	n/a	n/a
Great Jone offshore fund Ltd	6,251	0	n/a	n/a
AQR group risk & style premia offshore	4,215	0	n/a	n/a
HBK offshore, LTD (CITCO)	6,530	0	n/a	n/a
OZ overseas fund II	450	0	n/a	n/a
GSO special situations	33	0	n/a	n/a
Palo Alto offshore II, Ltd	981	0	n/a	n/a
Graham global investment fund II, Ltd	8,709	0	n/a	n/a
Falcon strategic partners IV, L.P	5,498	2,282	n/a	n/a
Olympus peak offshore Ltd	3,214	0	n/a	n/a
Parametric global defensive fund LLC	3,338	0	n/a	n/a
Renaissance institutional fund LLC	5,089	0	n/a	n/a
FEG POF	27,883	11,250	n/a	n/a
Harvest MLP	4,941	0	n/a	n/a
Fixed income	4,408	0		
Futures	15,674	0		
NGP natural resources	1,836	328	n/a	n/a
Governors Lane	2,909	0	n/a	n/a
Indaba capital partners	1,739	0	n/a	n/a
Indus capital partners	81	0	n/a	n/a
Atalan offshore, LTD	4,813	0	n/a	n/a
Elliott international, LTD	4,958	5,000	n/a	n/a
Pelham long/short fund	3,804	0	n/a	n/a
Accolade partners LP	215	0	n/a	n/a
Clear ventures LP	42	0	n/a	n/a
D E Shaw world alpha fund LLC	20,352	0	n/a	n/a
Focused investor fund LP	9,356	0	n/a	n/a
Global alpha inter. small cap LP	4,657	0	n/a	n/a
Ggg partners emerging markets eq fd LLC	4,213	0	n/a	n/a
Marathon London international	12,241	0	n/a	n/a
Strategic partners offshore	116	0	n/a	n/a
Total investments measured at the NAV	<u>\$ 5,924,455</u>	<u>\$ 2,130,875</u>		

**KPERS NAV Methodology.** KPERS wholly owns three separate properties including timberland and its home office. These are valued according to annual independent professional appraisals and can be sold at any time. Appraisals utilize comparable sales, inventory estimates and present values of cash flows to determine respective property valuations. There are no unfunded commitments for these properties. The home office property is 50 percent KPERS occupied and 50 percent rentable space. This building was split into two units of account at purchase. KPERS' portion is included in capital assets. The alternatives distribution is valued based on general partner information that is unobservable.

For 78 private equity partnerships, 31 real estate partnerships and four infrastructure partnerships, the fair value of each investment has been determined using the NAV per share or its equivalent of KPERS' ownership interest in the partners'

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### III. Detailed Notes On All Funds

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capital. All partnerships provided audited December 31, 2018 financial reports with unmodified opinions, along with unaudited quarterly reports. Net asset values one quarter in arrears plus current quarter cash flows are used when recent information is not available. These partnerships are diversified across types and vintage years. The expected term of each partnership is between seven to ten years. Any sales of these would be on an inefficient secondary market that could result in values above or below those listed. Transfers to buyers are restricted to quarter end dates. No sales are contemplated.

STIF funds are open-end mutual fund provided and operated by the custodian bank, that serves the daily cash needs of specific investment managers. The STIF funds are not a 2a-7 like investment pool and are reported at amortized cost. There are no redemption restrictions and shares were redeemable at \$1 per share as of June 30, 2019.

Money market investments are highly liquid debt instruments purchased within one year of maturity, including U.S. Treasury and Agency obligations. Asset-backed securities, derivatives and structured notes are not included in money market investments. The amortized cost of the money market investments is materially equivalent to fair value.

*KSU NAV Methodology.* Investments in common trust funds – equities includes investments in pooled separate accounts which hold exchange-traded equity securities and fixed income securities. While the underlying securities in these accounts are primarily highly liquid, exchange-traded securities, the nature of this type of account generally only allows for monthly liquidity at a month end net asset value.

Investments in private equity and venture capital funds are structured as close-end, commitment-based investment funds where a specified amount of capital is committed upon inception of the fund which is then drawn down over a period of three to five years, and distributions are received through the liquidation of underlying assets of the fund. The typical term of these investments is 12-15 years. Such funds generally do not provide redemption options for investors.

Investments in event-driven hedge funds pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in U.S. common stocks, global real estate projects and arbitrage investments. Certain funds may have the ability to impose a suspension or postponement of redemptions until further notice (a "Gate"). In addition, certain funds may delay payment of a portion of redemption proceeds (a "Holdback") until the annual audited financial statements are distributed.

Investments in equity long/short hedge funds take both long and short positions, primarily in U.S. common stocks. Management of the funds has the ability to shift investments among differing investment strategies. Certain funds may have the ability to impose a suspension or postponement of redemptions until further notice (a "Gate"). In addition certain funds may delay payment of a portion of redemption proceeds (a "Holdback") until the annual audited financial statements are distributed.

*KU NAV Methodology.* Investments in common trust funds – equities and fixed income are invested primarily in marketable common stocks and bonds. The fair values of these investments have been estimated using the NAV per share of the investments.

Hedge funds, private investments, and investments in other LLCs and LLPs are also accounted for at fair value using the NAV as the practical expedient. The primary objectives for these investment types are to improve diversification and reduce volatility. These investments have various liquidity schedules, which are monitored on a continuous basis. Redemption frequency of hedge funds and other LLCs and LLPs can be subject to rolling lockups. Of the hedge funds and other LLCs and LLPs, approximately 83% is available for redemption within 12 months and 15% is available for redemption within three years. The remaining 2% is deemed to be illiquid due to special investments of the manager.

*WSU NAV Methodology.* Fair value for hedge funds and venture capital/private equity is determined through consideration of the net asset values provided by the fund manager and other market factors. Other factors include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment.

### III. Detailed Notes On All Funds

*ESU NAV Methodology.* Investments in multi-strategy hedge funds pursue multiple strategies to diversify risks and reduce volatility. Some examples of the strategies hedge funds invest in include long/short equity, long/short credit, event driven, global macro and multi-strategy. Hedge funds have initial lock-up periods ranging from zero to one year, and thereafter require between 95 and 100 days of advance notice prior to quarterly redemption windows.

Investments in real estate partnerships consists of an open-end real estate product that invests across all major property types using public REITS, private open-end core real estate funds and a portfolio of directly held properties. This investment provides investors with quarterly redemptions. Redemption payments may be delayed in the event of extraordinary circumstances.

Other investments include private equity investments involved in acquiring stakes in private companies. Private debt involves providing debt capital to private investors. Natural resources include investments across a broad spectrum, including natural resources and energy-related investments and commodities. Fund of funds are utilized to access these investments since this provides diversification and reduces risk. These investments are considered to be long-term endeavors and have limited liquidity. Investments make a dollar commitment identifying how much they will invest. During the “drawdown” period (typically the first several years), committed capital is called from investors. Capital is returned to investors as investments are divested through sales or loan maturity.

*Interest Rate Risk.* Interest rate 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 their portfolios and maintaining a standard of quality of authorized eligible investments. The Primary Government, Component Units, and Fiduciary investments as of June 30, 2019 are presented below with applicable credit ratings (expressed in thousands):

**Governmental and Business-Type Activities Investments at June 30, 2019**

	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Asset Backed	\$ 18	\$ 0	\$ 0	\$ 0	18
U.S.Treasury	7,119	0	7,119	0	0
U.S Agencies Securities	1,415,778	0	1,415,778	0	0
Repurchase Agreements	1,192,303	0	1,192,303	0	0
Investment Contracts	151,472	2,258	0	149,214	0
Commercial paper	1,190,597	0	1,019,594	0	171,003
Corporate Securities	190,002	0	190,002	0	0
Other	15,717	5,676	0	0	10,041
	<u>\$ 4,163,006</u>	<u>\$ 7,934</u>	<u>\$ 3,824,796</u>	<u>\$ 149,214</u>	<u>\$ 181,062</u>

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#### Component Units Investments at June 30, 2019

	Fair Value	Quality Ratings				
		AAA	AA	A	BBB	Unrated
U.S Treasury	\$ 63,054	\$ 0	\$ 63,054	\$ 0	\$ 0	\$ 0
U.S Agencies Securities	47,277	0	47,277	0	0	0
Investment Contracts	1,419	0	0	0	0	1,419
Mutual Fund -Fixed Income	11,455	0	0	11,455	0	0
Mutual Fund-Equities	64,015	0	0	0	0	64,015
Equity Securities	6,497	0	0	0	0	6,497
Corporate Bonds and Commercial paper	32,841	126	832	31,334	549	0
State or Local Debt Obligations	3,953	0	3,704	0	0	249
Municipal Securities	168	0	0	168	0	0
Unversity assets reported under FASB*	3,401,198	0	0	0	0	3,401,198
Other Investment	109,326	0	0	0	0	109,326
	<b>\$ 3,741,203</b>	<b>\$ 126</b>	<b>\$ 114,867</b>	<b>\$ 42,957</b>	<b>\$ 549</b>	<b>\$ 3,582,704</b>

#### Fiduciary Fund Investments at June 30, 2019

	Fair Value	Quality Ratings									
		AAA	AA	A	BBB	BB	B	CCC	CC	C	Unrated
U.S Government	\$ 2,122,280	\$ 2,019,797	\$ 102,483	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
U.S Agency	1,011,546	2,330	978,750	10,683	15,649	1,837	2,297	0	0	0	0
Repurchase Agreements	442,597	0	442,597	0	0	0	0	0	0	0	0
Equity Securities	14,757,696	0	0	0	0	0	0	0	0	0	14,757,696
Corporate Bonds and Commercial paper	3,226,067	622,172	432,244	363,391	917,915	423,509	344,823	101,745	3,742	3,438	113,088
	<b>\$ 21,560,186</b>	<b>\$ 2,644,299</b>	<b>\$ 1,956,074</b>	<b>\$ 374,074</b>	<b>\$ 933,564</b>	<b>\$ 425,346</b>	<b>\$ 347,120</b>	<b>\$ 101,745</b>	<b>\$ 3,742</b>	<b>\$ 3,438</b>	<b>\$ 14,870,784</b>

**Concentration risk.** Concentration risk is the risk of loss resulting from an over concentration of assets in a specific maturity, specific user, or specific class of securities. Certain state agencies minimize this risk by requiring that no more than five percent of the investment portfolio be invested in the securities of a single issuer or business entity (excluding U.S. Treasury Securities and U.S. Government Agency Securities), and requiring that commercial paper and corporate bonds never exceed 60 percent of the investment portfolio. As of June 30, 2019, all investments, excepts for certificate of deposit (57.31%) are in the U.S. Government Instrumentality obligations, which include U.S Treasury Securities, Federal National Mortgage Association, Federal Home Loan Bank, and the Federal Home Loan Mortgage Corporation comprised 1.65%, 15.74%, 7.38%, and 17.92% respectively of KHRC's investment portfolio. As of June 30, 2019, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank, BNP Paribas NY Branch Comm Paper, Canadian Imperial Holding Comm paper, Credit Agricole CIB NY Comm paper, Dexia Credit Local SA NY Comm paper, JP Morgan Securities LLC Comm paper, MUFG Bank LTD/NY Comm paper, and Natixis NY Branch Comm paper comprised 20.74%, 13.96%, 18.87%, 5.03%, 5.6%, 5.03%, 5.04%, 5.03%, 5.02%, and 5.02% respective of KTA's investment portfolio. As of June 30, 2019, the remaining Component units and Fiduciary Funds held investments from no single issuer in excess of five percent of their total portfolio values. As of June 30, 2019, U.S Government Agency Securities, commercial paper, repurchases agreement and Kansas Bank CDs comprised 36.9%, 28.7%, 33.7%, and 0.7%, 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:

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### III. Detailed Notes On All Funds

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- 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 came in “physical form” (actual piece of paper identifying type, dollar amount, etc.) and would have been safe kept (held) by either the State (in the State Treasurer’s Vault) or at the State’s correspondent bank vault. The PMIB does not have any of these types of securities in the fixed-income investment portfolio known as the Pooled Money Investment Portfolio; a.k.a. the PMIP.

Other primary government Investment Funds such as the Treasurer’s unclaimed property, one hundred percent of its investment are held in the Fund’s name and are not subject to creditors of the custodial bank. At June 30, 2019, KPERS had US Dollar and foreign currency balances at custodial banks with a net value of \$13.6 million. This is primarily foreign currency deposits facilitating international investments in the respective local markets. KPERS’ deposits of \$9.0 million held at the State Treasury were fully collateralized at fiscal year end by FDIC insurance or pledged collateral (government securities or FHLB letters of credit). The Kansas Development and Financial Authority (KDFA) bank balances are backed by pledge collateral to a Federal Reserve account for amounts in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Kansas Housing Resource Corporation (KHRC) investment policy requires collateralization on all demand deposit accounts, and to secure investments in Certificates of Deposits and Repurchase Agreements. KHRC also minimizes custodial credit risk by pre-qualifying the custodial or depository institutions, brokers/dealers, intermediaries and advisors with which KHRC will do business. Investments held at June 30, 2019, including the underlying securities on the repurchase agreement, are held by the investment’s counterparty. At June 30, 2019, none of KTA’s bank balances were exposed to custodial credit risk. At June 30, 2019, KCE’s deposits were fully insured or collateralized with securities held by KCE or by its agent in KCE’s name. At June 30, 2019, INK’s deposits were insured by the FDIC up to \$250,000 per bank. At December 31, 2018, balances were fully secured.

*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, 2019, were distributed among currencies in the following list.

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

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**Fiduciary Fund**  
**Foreign Currency at June 30, 2019**

USD Equivalent		Currency	Total
Equity	Fixed		
\$ 25,661	\$ 9,344	Australian Dollar	\$ 35,005
27,379	0	Brazilian Real	27,379
468,790	242,191	British Pound Sterling	710,981
207,628	16,776	Canadian Dollar	224,404
80,174	2,244	Danish Krone	82,418
1,127,222	169,078	Euro Currency Unit	1,296,300
250,590	0	Hong Kong Dollar	250,590
11,987	0	Indonesian Rupiah	11,987
10,428	0	Israeli New Shekel	10,428
490,858	26,390	Japanese Yen	517,248
5,583	0	Mexican New Peso	5,583
60,074	0	New Taiwan Dollar	60,074
110	4,109	New Zealand Dollar	4,219
21,068	0	Norwegian Krone	21,068
907	0	Philippine Peso	907
46,736	0	Singapore Dollar	46,736
45,551	0	S African Comm Rand	45,551
67,145	0	South Korean Won	67,145
70,824	7,315	Swedish Krona	78,139
191,915	0	Swiss Franc	191,915
10,376	0	Thailand Baht	10,376
1,688	0	Turkish New Lira	1,688
<u>\$ 3,222,694</u>	<u>\$ 477,447</u>		<u>\$ 3,700,141</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 23.5 percent of assets in dedicated international equities. KPERS utilizes two currency overlay managers to reduce risk by hedging up to 100 percent of the developed foreign currency market for selected international equity portfolios. At June 30, 2019, KPERS total foreign currency exposure was 47.5 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 specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to nonperformance of 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, 2019, KPERS had total net margins receivable the next day of \$0. Short-term

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### III. Detailed Notes On All Funds

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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 gains of \$7.5 million were associated with futures for the year ending June 30, 2019.

#### *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 specified price within a specified time. The option buyer has some counterparty risk in the event the seller cannot deliver when exercised. This involves opportunity cost and possible loss of option fees. The option seller holds the securities and has minimal counterparty risk. Option strategies used by KPERS are designed to provide exposures to positive market moves and limit exposures to interest rate and currency volatility.

#### **Investment Derivative Summary at June 30, 2019**

*(expressed in thousands)*

<u>Derivative</u>	<u>Asset Class*</u>	<u>Notional Value</u>	<u>Fair Value</u>
Domestic Equity Futures	Domestic Equities	\$ 23,577	\$ 0
International Equity Futures	International Equities	82,499	0
Fixed Futures	Fixed	57,397	0
TBA Agency Bonds**	Fixed	3,554	3,554
Foreign Currency Forwards	Fixed	7,818,089	(19,414)

\* 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 fair values. 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 has 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 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

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#### *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 30,2018	Increases	Decreases	June 30,2019
TBA agency bonds*	\$ 132,098	\$ 546,532	\$ 675,076	\$ 3,554
Foreign currency forwards	27,313	17,158	63,885	(19,414)
Options purchased	75	296	371	0
Total	<u>\$ 159,486</u>	<u>\$ 563,986</u>	<u>\$ 739,332</u>	<u>\$ (15,860)</u>

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

#### *Foreign Currency Forwards*

KPERS' international investment managers use forward contracts to obtain currencies necessary for trade execution and manage the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward contracts to enhance returns or to control volatility. Currency risk arises due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counterparties. KPERS could incur a loss if its counterparties failed to perform pursuant to the terms of their contractual obligations. Since KPERS holds the offsetting currency in the contract, and controls are established by the investment managers to monitor the creditworthiness of the counterparties, risk of actual loss is minimized. Foreign currency forwards are reflected on the financial statements in offsetting notional receivable and payable amounts for the two sides of the contract. Fair value is reflected as unrealized gains or losses when currency rates fluctuate during the life of the contract.

KPERS utilizes two currency overlay managers to reduce, or partially hedge, KPERS' exposure to foreign currencies through the international equities portfolio. At June 30, 2019, the fair value of international equities was \$4.3 billion. The overlay managers evaluate KPERS' international equities exposure to currencies, and buy/sell inverse currency forwards in relation to the overall currency exposures. The inverse relationship of these hedging investment 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."

The forward contracts are purchased as needs are determined by the hedge manager, and mature quarterly. 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 to any changes to portfolio currency exposures. 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. An investment 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 exposures.

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

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

<u>Currency</u>	Notional Cost (USD)	Pending Foreign Exchange Receivables	Pending Foreign Exchange Payables	Fair Value June 30, 2019
<u>Investment Currency Forwards</u>				
Australian Dollar	\$ 304,858	\$ 304,293	\$ 305,798	\$ (1,505)
Brazilian Real	311	310	311	(1)
British Pound Sterling	1,611,874	1,610,630	1,609,423	1,207
Canadian Dollar	326,839	328,221	330,081	(1,860)
Danish Krone	77,984	77,986	78,109	(123)
Euro Currency Unit	2,814,263	2,816,332	2,823,375	(7,043)
Hong Kong Dollar	297,482	297,488	297,820	(332)
Israeli New Shekel	14,104	14,149	14,137	12
Japanese Yen	1,246,232	1,244,923	1,252,831	(7,908)
New Zealand Dollar	99,935	100,657	100,682	(25)
Norwegian Krone	196,702	196,451	196,569	(118)
Philippine Peso	324	324	324	0
Singapore Dollar	155,491	155,581	155,857	(276)
Swedish Krona	141,982	142,602	141,745	857
Swiss Franc	529,708	530,608	532,907	(2,299)
Total	<u>\$ 7,818,089</u>	<u>\$ 7,820,555</u>	<u>\$ 7,839,969</u>	<u>\$ (19,414)</u>

### III. Detailed Notes On All Funds

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

Counterparty Name	By Counterparty at June 30, 2019		Worst
	Notional \$USD	Fair Values	Long Term Rating
<i>Investment forwards counterparty exposure</i>			
Australia and New Zealand Banking Group	\$ 635,858	\$ (1,142)	AA-
Bank of America, N.A.	258,586	(1,271)	A+
Bank of New York	4,253	(1)	AA-
Barclays Bank PLC Wholesale	266,411	(1,231)	A
BNP Paribas SA	288,212	(1,256)	A+
Citibank N.A.	324,920	(623)	A+
Deutsche Bank Ag	163,532	(4)	BBB
Goldman Sachs Bank USA	1,450	3	A+
Goldman Sachs International	311,370	(1,494)	A
HSBC Bank PLC	973,159	(1,822)	A
HSBC Bank USA	170,640	(1,477)	AA-
Income Repatriation Boston	1,239	(3)	NR
JP Morgan Chase Bank N.A. London	975,696	934	A+
Merrill Lynch International	124,765	(205)	A-
Morgan Stanley & Co. Inc.	471	-	BBB+
Morgan Stanley & Co. International PLC	272,281	(1,155)	BBB+
National Australia Bank Limited	414,479	(3,143)	AA-
Royal Bank of Canada (UK)	303,096	(1,297)	A
Standard Chartered Bank	4,831	163	A
State Street Bank & Trust Company	5,960	(17)	AA-
State Street Bank & Trust Company (HK)	324	-	AA-
State Street Bank London	1,167,112	(3,498)	A
Toronto Dominion Bank	840,587	(521)	AA-
UBS AG	2,466	5	A+
UBS AG London	123,697	(269)	A+
Westpac Banking Corporation	182,694	(90)	AA-
Total	\$ 7,818,089	\$ (19,414)	

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

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#### B. Receivables

Accounts receivable as of June 30, 2019, 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
	Governmental	Business-type		Units
	Activities	Activities	Total	
Taxes receivable	\$ 951,580	\$ 0	\$ 951,580	\$ 0
Intergovernmental receivable	38,783	0	38,783	5,401
Loan receivable	17,660	611,522	629,182	24,795
Accrued interest	1,243	7,418	8,661	1,235
Other receivables	341,526	31,534	373,060	659,129
Total	<u>\$ 1,350,792</u>	<u>\$ 650,474</u>	<u>\$2,001,266</u>	<u>\$ 690,560</u>

Taxes receivable and other receivables are shown net of allowances for uncollectible amounts of \$279.2 million and \$223.5 million (\$60.6 million governmental activities and \$162.9 million business-type activities), 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, 2019, is as follows (expressed in thousands):

Total minimum lease payments to be received	\$ 1,235
Less: unearned income	<u>(100)</u>
Net investment in direct financing leases	<u>\$ 1,135</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.

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

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#### **E. Equity**

Net investment in capital assets, restricted for capital projects, restricted for debt service, restricted for highways and other transportation and restricted for other purposes are each shown separately on the Statement of Net Position. Restricted for capital projects, restricted for debt service, restricted for highways and other transportation and restricted for other purposes are restricted for externally imposed constraints. In addition, \$1.8 billion included in the State University System Component Units are restricted for other purposes category is nonexpendable. These restricted net assets represent donor amounts that have conditional requirements to hold funds for a specific period or perpetually.

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

#### F. Capital Assets

##### Primary Government

(expressed in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental activities</i>				
Capital assets, not being depreciated:				
Construction in progress	\$ 547,048	\$ 104,214	\$ 159,458	\$ 491,804
Infrastructure (including construction in progress)	11,919,696	102,134	27,898	11,993,932
Land	304,203	3,315	520	306,998
Total capital assets, not being depreciated	<u>12,770,947</u>	<u>209,663</u>	<u>187,876</u>	<u>12,792,734</u>
Capital assets, being depreciated:				
Buildings and improvements	1,616,324	37,185	3,177	1,650,332
Equipment and furnishings	551,811	45,166	32,578	564,399
Intangible-software	75,403	2,709	0	78,112
Land improvements	135,116	13,442	547	148,011
Vehicles	92,766	13,474	11,528	94,712
Water rights	32,431	5,537	5,837	32,131
Total	<u>2,503,851</u>	<u>117,513</u>	<u>53,667</u>	<u>2,567,697</u>
Less accumulated depreciation for:				
Buildings and improvements	793,945	33,024	2,277	824,692
Equipment and furnishings	372,012	37,202	25,925	383,289
Intangible-software	67,371	3,663	0	71,034
Land improvements	68,642	3,189	59	71,772
Vehicles	67,790	9,849	8,646	68,993
Water rights	22,262	1,082	1,355	21,989
Total	<u>1,392,022</u>	<u>88,009</u>	<u>38,262</u>	<u>1,441,769</u>
Total capital assets, being depreciated, net	<u>1,111,829</u>	<u>29,504</u>	<u>15,405</u>	<u>1,125,928</u>
Governmental activity capital assets, net	<u>\$ 13,882,776</u>	<u>\$ 239,167</u>	<u>\$ 203,281</u>	<u>\$ 13,918,662</u>
<i>Business-type activities</i>				
Capital assets, being depreciated:				
Equipment and furnishings	\$ 1,724	\$ 4,098	\$ 0	5,822
Vehicles	888	111	199	800
Total	<u>2,612</u>	<u>4,209</u>	<u>199</u>	<u>6,622</u>
Less accumulated depreciation for:				
Equipment and furnishings	1,550	54	0	1,604
Vehicles	534	115	186	463
Total	<u>2,084</u>	<u>169</u>	<u>186</u>	<u>2,067</u>
Business-type activity capital assets, net	<u>\$ 528</u>	<u>\$ 4,040</u>	<u>\$ 13</u>	<u>\$ 4,555</u>

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

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

*Governmental activities*

General government	\$ 24,217
Human resources	7,471
Education	1,495
Public safety	19,956
Agriculture and natural resources	8,873
Highways and other transportation	24,891
Health and environment	<u>1,106</u>
Total depreciation expense – Government activities	<u><u>\$ 88,009</u></u>

*Business-Type activities*

Health care stabilization	\$ 2
Lottery	<u>167</u>
Total depreciation expense – Business-type activities	<u><u>\$ 169</u></u>

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

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#### Component Units

(expressed in thousands)

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<i>Information Network of Kansas, Inc.</i>					
Capital assets, being depreciated					
Equipment and furnishings	\$ 19	\$ 0	\$ 0	\$ 0	\$ 19
Less accumulated depreciation	15	0	1	1	15
Total capital assets, being depreciated, net	<u>\$ 4</u>	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 4</u>
<i>Kansas Development Finance Authority</i>					
Capital assets, being depreciated					
Buildings and improvements	\$ 586	\$ 0	\$ 0	\$ 0	\$ 586
Equipment and furnishings	325	0	2	15	312
Less accumulated depreciation	432	0	101	15	518
Total capital assets, being depreciated, net	<u>\$ 479</u>	<u>\$ 0</u>	<u>\$ (99)</u>	<u>\$ 0</u>	<u>\$ 380</u>
<i>Kansas Housing Resources Corporation</i>					
Capital assets, not being depreciated					
Assets in progress	\$ 7	\$ 0	\$ 26	\$ 7	\$ 26
Total capital assets, not being depreciated	<u>7</u>	<u>0</u>	<u>26</u>	<u>7</u>	<u>26</u>
Capital assets, being depreciated					
Buildings and improvements	244	0	0	0	244
Equipment and furnishings	1,257	0	0	0	1,257
Vehicles	40	0	19	0	59
Less accumulated depreciation	1,125	0	144	0	1,269
Total capital assets, being depreciated, net	<u>\$ 416</u>	<u>\$ 0</u>	<u>\$ (125)</u>	<u>\$ 0</u>	<u>\$ 291</u>
<i>Kansas Turnpike Association</i>					
Capital assets, not being depreciated					
Land	\$ 20,074	\$ 0	\$ 250	\$ 0	\$ 20,324
Infrastructure, including CIP	606,284	0	64,818	38,088	633,014
Total capital assets, not being depreciated	<u>626,358</u>	<u>0</u>	<u>65,068</u>	<u>38,088</u>	<u>653,338</u>
Capital assets, being depreciated					
Buildings and improvements	39,695	0	768	150	40,313
Equipment and furnishings	29,639	0	2,929	1,124	31,444
Less accumulated depreciation	32,553	0	4,102	892	35,763
Total capital assets being depreciated, net	<u>36,781</u>	<u>0</u>	<u>(405)</u>	<u>382</u>	<u>35,994</u>
Total capital assets, net	<u>\$ 663,139</u>	<u>\$ 0</u>	<u>\$ 64,663</u>	<u>\$ 38,470</u>	<u>\$ 689,332</u>

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### 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	\$ 187,274	\$ 0	\$ 161,002	\$ 184,638	\$ 163,638
Land	85,493	0	5,459	213	90,739
Total capital assets, not being depreciated	<u>272,767</u>	<u>0</u>	<u>166,461</u>	<u>184,851</u>	<u>254,377</u>
Capital assets, being depreciated					
Buildings and improvements	4,916,310	1,977	204,849	15,910	5,107,226
Land improvements	62,433	0	2,388	8	64,813
Equipment and furnishings	739,508	6,041	37,880	33,903	749,526
Intangible, software	34,880	3,101	1,595	7,923	31,653
Vehicles	63,962	291	5,068	4,173	65,148
Total capital assets, being depreciated	<u>5,817,093</u>	<u>11,410</u>	<u>251,780</u>	<u>61,917</u>	<u>6,018,366</u>
Less accumulated depreciation for:					
Buildings and improvements	1,746,979	1,459	153,952	7,226	1,895,164
Land improvements	30,212	0	2,272	1	32,483
Equipment and furnishings	532,060	3,543	47,492	30,154	552,941
Intangible, software	20,038	3,078	2,963	4,369	21,710
Vehicles	50,156	163	5,653	2,607	53,365
Totals	<u>2,379,445</u>	<u>8,243</u>	<u>212,332</u>	<u>44,357</u>	<u>2,555,663</u>
Total capital assets, being depreciated, net	<u>3,437,648</u>	<u>3,167</u>	<u>39,448</u>	<u>17,560</u>	<u>3,462,703</u>
University system capital assets, net	<u>\$ 3,710,415</u>	<u>\$ 3,167</u>	<u>\$ 205,909</u>	<u>\$ 202,411</u>	<u>\$3,717,080</u>
<i>All component units</i>					
Capital assets, not being depreciated					
Construction in progress	\$ 187,281	\$ 0	\$ 161,028	\$ 184,645	\$ 163,664
Land	105,567	0	5,709	213	111,063
Infrastructure, including CIP	606,284	0	64,818	38,088	633,014
Total capital assets, not being depreciated	<u>899,132</u>	<u>0</u>	<u>231,555</u>	<u>222,946</u>	<u>907,741</u>
Capital assets, being depreciated					
Buildings and improvements	4,956,835	1,977	205,617	16,060	5,148,369
Land improvements	62,433	0	2,388	8	64,813
Equipment and furnishings	770,748	6,041	40,811	35,042	782,558
Intangible, software	34,880	3,101	1,595	7,923	31,653
Vehicles	64,002	291	5,087	4,173	65,207
Total capital assets, being depreciated	<u>5,888,898</u>	<u>11,410</u>	<u>255,498</u>	<u>63,206</u>	<u>6,092,600</u>
Less accumulated depreciation for:					
Buildings and improvements	1,762,283	1,459	155,138	7,226	1,911,654
Land improvements	30,212	0	2,272	1	32,483
Equipment and furnishings	550,840	3,543	50,653	31,061	573,975
Intangible, software	20,038	3,078	2,963	4,369	21,710
Vehicles	50,197	163	5,654	2,608	53,406
Totals	<u>2,413,570</u>	<u>8,243</u>	<u>216,680</u>	<u>45,265</u>	<u>2,593,228</u>
Total capital assets, being depreciated, net	<u>3,475,328</u>	<u>3,167</u>	<u>38,818</u>	<u>17,941</u>	<u>3,499,372</u>
All component units capital assets, net	<u>\$ 4,374,460</u>	<u>\$ 3,167</u>	<u>\$ 270,373</u>	<u>\$ 240,887</u>	<u>\$4,407,113</u>

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#### *Construction Commitments*

The State has active construction projects as of June 30, 2019. The projects include road projects, dam repair, building remodeling and restorations. At year-end, the State's commitments with contractors are as follows (expressed in thousands):

Agency - Project	Spent to Date	Remaining Commitment	Funding Source
<b>Adjutant General</b>			
Ft. Leavenworth Mission Training Complex Barracks	3,640	14,161	Federal Funds
Ft. Leavenworth Readiness Center	1,296	25,676	Federal Funds
<b>Department of Transportation</b>			
Various roadway projects	453,720	515,896	Federal, State and Local Funds
<b>Kansas Wildlife, Parks &amp; Tourism</b>			
El Dorado Shooting Range Phase I	1,341	23	Federal Funds
El Dorado Shooting Range Phase II	1,063	1	Federal & State Funds
Leavenworth Spillway Repair	1,226	34	State Funds
Woodson State Fishing Lake Spillway Repair	1,804	44	State Funds
Flint Hills Trail Phase IV	9,963	109	Federal & State Funds
Clark State Fishing Lake Dam Repair	223	2,056	State Funds
<b>Judicial Branch</b>			
Computer Software	4,253	10,690	Fee Fund
<b>Component Units:</b>			
<b>Fort Hays State University</b>			
Art Building	10,571	16,503	General Fees - Tuition
Akers Building - New Boiler	2,469	1,531	Renovation & Restoration
ERP - Finance -HR System	2,700	3,750	General Fees - Tuition
<b>Emporia State University</b>			
Schallenkamp Hall & Abigail Morse Renovation	19,438	11,062	Bond Proceeds
<b>Pittsburg State University</b>			
Fine & Performing Arts Center	71,461	89	Private Funding
Heckert Wells New HVAC and Lab Hood Systems	4,502	8	State R&R
Weede Physical Education Building Renovation	4,734	0	Private Funding
Bicknell Sports Complex Phase II	1,886	201	Private Funding
<b>Kansas State University</b>			
Student Union Expansion	25,183	472	Bonds and Restricted Fee Fund
New Residence Hall and Dining Center	62,848	732	Bonds and Housing System Operation Fund
College of Architecture Renovation	62,212	644	Bonds and State General Fund
Chilled Water Expansion Project	49,184	240	Bonds and Restricted Fee Fund
Campus Infrastructure 12.5kv Improvements	2,620	186	Bonds
Hale Library Reconstruction	4,969	13,241	Bonds and State General Fund
Agronomy Education Center	605	848	Bonds and State General Fund
Veterinary Medicine MRI system	1,612	571	Restricted Fee Fund
Nuclear Reactor	867	433	Federal Fund

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Agency - Project	Spent to Date	Remaining Commitment	Funding Source
<b>Component Units:</b>			
<b>University of Kansas</b>			
District Chilled Water Plant	156	9,743	State Fund and University Funds
Bailey Hall HVAC Upgrades	48	4,652	State Fund and University Funds
Chalmers Hall HVAC Upgrades	761	7,728	State Fund and University Funds
Parking Improvements	8,412	8,489	University Parking Funds
Irving Hill Road Improvements	1,249	3,701	State Fund and University Funds
Jayhawker Tower B & C Renovation	0	20,230	Revenue Bonds, University Housing Funds
Oliver Residence Hall	0	28,000	Revenue Bonds, University Housing Funds
Kansas Memorial Union Renovation	0	7,480	Union Funds
<b>Wichita State University</b>			
NIAR Crash Test Lab	3,109	3,541	Federal and Restricted Fee Fund
NIAR ATLAS Project	153	1,130	Restricted Fee Fund
<b>Total</b>	<b>\$ 820,278</b>	<b>\$ 713,895</b>	

#### **Other Commitments**

As of June 30, 2019, the State, through the activities of the former Kansas Bioscience Authority, had agreed to \$2.1 million in approved unfunded commitments to Kansas bioscience companies and research institutions. Commitments to companies are generally contingent upon the grantee meeting various performance or other contingencies to achieve actual funding. Included in the outstanding approved unfunded commitments are \$0.14 million in special assessments payable which were incurred for construction of the Kansas Bioscience Park and Venture Accelerator facility.

In 2018, the State of Kansas entered into an agreement with CORECIVIC OF KANSAS, LLC for the construction of a new correctional facility located in Lansing, Kansas. Upon completion of the facility the State of Kansas will commence payments of a 20 year lease totaling approximately \$362.2 million, expected to begin in January 2020. The State of Kansas anticipates recording this transaction as a capital lease in its fiscal year ending June 30, 2020.

#### **Significant encumbrances at June 30, 2019 (amounts in thousands)**

Fund	Amount
General	\$ 45,696
Social Services	48,607
Education	12,046
Health and Environment	147,448
Transportation	636,259
Other Governmental Funds	216,557
<b>Total</b>	<b>\$ 1,106,613</b>

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.

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### III. Detailed Notes On All Funds

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

##### *Due from/to other funds*

Due from/to other funds represent interfund accounts receivable and payable. The total of due from/to other funds at June 30, 2019, is as follows (expressed in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 5,396
Social Services Fund	General Fund	17,750
	Non-major Governmental Funds	80
Health and Environment Fund	General Fund	20,500
Non-major Governmental Funds	General Fund	120,245
	Social Services Fund	107
	Non-major Governmental Funds	156
	Non-major Enterprise Funds	4,529
	Internal Service Funds	237
		<u>\$ 169,000</u>

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, 2019, were as follows (expressed in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Social Services Fund	General Fund	\$ 17,750
Health and Environment Fund	General Fund	20,500
Non-major Governmental Funds	General Fund	259,422
	Social Services Fund	61
	Non-major Governmental Funds	529
	Internal Service Funds	93
		<u>\$298,355</u>

The 2017 legislature passed, and the governor signed into law, Senate Substitute for Substitute House Bill 2052. Section 45(m) of House Bill 2052 which authorized internal borrowing from the Pooled Money Investment Board idle funds pool for deposit to the State General Fund. On June 27, 2017, the director of the budget certified an amount of \$198.4 million to be transferred. An additional \$118.8 million was certified to be transferred on July 3, 2017 for a total internal borrowing of \$317.2 million. These transactions were recorded as advances to and from in the impacted funds. Senate Bill 25 Section 172 of the 2019 session authorized the repayment of \$52.9 million, 1/6 of the amount transferred, to be repaid in 2019, leaving a balance of \$264.3 million. In addition, on or before June 30, 2020, ½ of the remaining amount, \$132.2 million, will be repaid and on or before June 30, 2021, the final amount of \$132.1 million will be repaid.

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The amounts payable from the General Fund and owed to the Social Services Fund, Health and Environment Fund and Non-major Government Funds mostly relate to the above transaction. The remaining amount payable to the Non-major Governmental Funds relate to expected claims from escheated property, see Note IV, Section C, 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.

#### *Transfers*

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

Fund	Net Transfers In	Net Transfers Out
General	\$ 517	\$ 0
Social Services	944,454	0
Health & Environment	0	933,670
Education	253,336	0
Transportation	0	539,799
Non-major Governmental	455,298	0
Unemployment Insurance	0	829
Health Care Stabilization	2,638	0
Non-major Enterprise	0	176,729
Internal Service Funds	0	5,216
Total	<u>\$ 1,656,243</u>	<u>\$ 1,656,243</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, 2019, and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/2018 Beginning Balance	Additions	Deletions	6/30/2019 Ending Balance
<i>Governmental Activities</i>				
Certificates of Indebtedness	\$ 0	\$ 600,000	\$ 600,000	\$ 0
Accrued receivables:				
Expanded Lottery Act Revenues Fund	0	86,723	86,723	0
Children's Initiatives Fund	0	29,323	29,323	0
Correctional Institutions' Building Fund	0	3,994	3,994	0
State Economic Development Initiatives Fund	0	31,880	31,880	0
Kansas Endowment for Youth Fund	0	190	190	0
Kansas Educational Building Fund	0	32,851	32,851	0
State Institutions Building Fund	0	16,488	16,488	0
Total short-term obligations	<u>\$ 0</u>	<u>\$ 801,449</u>	<u>\$ 801,449</u>	<u>\$ 0</u>

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### III. Detailed Notes On All Funds

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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 \$600 million was issued on July 2, 2018, and redeemed on June 3, 2019.

Per Senate Substitute for House Bill No. 2002, Section 66 of the 2017 Session, on July 2, 2018, 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 2019, a receivable was posted for \$86.7 million and was reduced to zero in June 2019.

Per Senate Substitute for House Bill No. 2002, Section 66 of the 2017 Session, on July 2, 2018, receivables are to be posted to the State Treasurer's receivables for the Children's Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2019 a receivable was posted for \$29.3 million and was reduced to zero in May 2019.

Per Senate Substitute for House Bill No. 2002, Section 66 of the 2017 Session, on July 2, 2018, 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 2019, a receivable was posted for \$4.0 million and was reduced to zero in January 2019.

Per Senate Substitute for House Bill No. 106, Section 51(b) of the 2017 Session, on July 2, 2018, 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 2019, a receivable was posted for \$31.9 million and was reduced to zero in January 2019.

Per Senate Substitute for House Bill No. 2002, Section 66 of the 2017 Session, on July 2, 2018, receivables are to be posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund by an amount certified by the director of budget which is to be 75 percent of the amount approved for expenditure during the fiscal year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2019, a receivable was posted for \$190,204 and was reduced to zero in May 2019.

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 State Building Fund. The receivable is reduced as the ad valorem taxes are received. In fiscal year 2019, \$32.9 million was posted to the Kansas Educational Building Fund and \$16.5 million to the State Institutions Building Funds. The receivables were reduced to zero in June 2019.

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### III. Detailed Notes On All Funds

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#### I. Long-term Obligations

A summary of long-term obligations at June 30, 2019, for the fiscal year then ended is as follows (expressed in thousands):

	Governmental Activities	Business-type Activities	Component Units	Total
Revenue bonds payable	\$ 4,475,048	\$ 189,009	\$ 894,094	\$ 5,558,151
Notes payable	10,685	0	0	10,685
Other component units of university system	0	0	729,963	729,963
Capital leases payable	139,206	0	66,233	205,439
Arbitrage rebate payable	1	40	20	61
Claims	92,814	296,058	0	388,872
Judgments	0	0	0	0
Special assessment payable	115	0	0	115
KPERS Employee liability	255,304	0	0	255,304
Compensated absences	111,381	109	88,648	200,138
Total OPEB liability	51,485	74	39,508	91,067
Net pension liability	1,891,987	6,076	217,080	2,115,143
Pollution remediation	76,320	0	0	76,320
Other	0	9,174	142,520	151,694
Total long-term obligations	<u>\$ 7,104,346</u>	<u>\$ 500,540</u>	<u>\$ 2,178,066</u>	<u>\$ 9,782,952</u>

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Long-term obligations at June 30, 2019, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2018 Beginning Balance	Additions	Deletions	6/30/2019 Ending Balance	Amounts Due In One Year
<b>Governmental Activities</b>									
<u>Revenue bonds payable:</u>									
KDFA series 2004 C	2004	3.43 - 5.50%	2034	\$ 500,000	\$ 378,300	\$ 0	\$ 15,515	\$ 362,785	\$ 16,345
KDFA series 2007 K-1, 2A, 2B, & 3	2008	4.00 - 5.25%	2028	59,455	5,900	0	2,885	3,015	3,015
KDFA series 2008 L-1, 2, & 3	2009	2.00 - 5.25%	2029	43,265	2,075	0	2,075	0	0
KDFA series 2009 A	2009	2.50 - 5.00%	2035	3,825	3,330	0	135	3,195	140
KDFA series 2009 B	2009	5.00%	2019	515	115	0	115	0	0
KDFA series 2009 A & 2009 B	2009	3.30 - 5.50%	2022	10,080	7,141	0	7,141	0	0
KDFA series 2009 F	2009	3.00 - 5.00%	2019	49,425	7,085	0	7,085	0	0
KDFA series 2009 M-1 & M-2	2010	3.00 - 6.31%	2035	89,765	65,525	0	3,455	62,070	2,650
KDFA series 2009 N	2010	3.88 - 5.80%	2025	10,050	7,025	0	850	6,175	895
KDFA series 2010 C	2010	5.00%	2020	52,755	13,800	0	6,730	7,070	7,070
KDFA series 2010 E-1 & E-2	2010	2.00 - 6.12%	2035	84,160	55,065	0	7,615	47,450	7,525
KDFA series 2010 F	2010	1.58 - 6.25%	2032	10,580	8,820	0	480	8,340	505
KDFA series 2010 O-2	2011	2.70 - 6.10%	2030	39,945	30,275	0	2,090	28,185	2,155
KDFA series 2011 B	2012	2.00 - 4.13%	2031	53,780	38,605	0	2,350	36,255	2,465
KDFA series 2011 K	2012	3.00 - 5.00%	2023	109,135	89,155	0	6,195	82,960	13,965
KDFA series 2013 A-1, 2 & 3	2014	4.00 - 5.00%	2033	71,885	56,200	0	3,815	52,385	3,990
KDFA Series 2013 B	2014	3.00 - 5.00%	2024	40,555	18,820	0	5,660	13,160	5,880
KDFA Series 2015 A	2015	3.20 - 5.00%	2035	230,475	219,005	0	11,405	207,600	18,025
KDFA Series 2015 G	2015	4.84 - 5.00%	2035	203,585	196,335	0	7,600	188,735	7,980
KDFA Series 2015 H	2016	1.44 - 4.927%	2045	1,005,180	966,550	0	20,710	945,840	21,175
KDFA Series 2016 H	2017	2.00 - 5.0%	2029	51,500	51,165	0	1,010	50,155	3,940
KDOT series 2004 A	2004	4.50 - 5.50%	2019	250,000	39,460	0	39,460	0	0
KDOT series 2004 C*	2005	Variable	2025	147,000	147,000	0	0	147,000	0
KDOT series 2009 A	2010	2.25 - 5.00%	2021	176,680	69,680	0	19,630	50,050	27,050
KDOT series 2010 A	2011	4.60%	2036	325,000	325,000	0	0	325,000	0
KDOT series 2012 B	2013	5.00%	2023	144,885	144,885	0	0	144,885	31,000
KDOT series 2012 C	2013	4.00 - 5.00%	2033	200,000	178,400	0	7,600	170,800	7,800
KDOT series 2014 A	2015	5.00%	2031	250,000	250,000	0	0	250,000	0
KDOT series 2014 B	2015	Variable	2020	212,875	98,211	0	49,946	48,265	48,265
KDOT series 2015 A	2016	2.75 - 5.00%	2025	190,875	190,875	0	0	190,875	0
KDOT series 2015 B	2016	5.00%	2036	400,000	400,000	0	0	400,000	0
KDOT series 2017 A	2018	5.00%	2038	200,000	200,000	0	0	200,000	1,000
KDOT series 2018 A	2019	5.00%	2038	173,035	0	173,035	0	173,035	650
				5,390,265	4,263,802	173,035	231,552	4,205,285	233,485
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	279,919	26,962	37,118	269,763	0
Total revenue bonds payable				\$ 10,780,530	4,543,721	199,997	268,670	4,475,048	233,485
<u>Notes payable:</u>									
Water supply storage in federal reservoirs				29,189	11,932	0	1,247	10,685	790
Total notes payable				\$ 29,189	11,932	0	1,247	10,685	790
Arbitrage rebate payable					23	0	22	1	0
Capital leases payable					136,728	12,403	9,925	139,206	10,054
Claims					93,548	392,415	393,149	92,814	35,077
Judgments					17,432	0	17,432	0	0
Special assessment payable					2,341	0	2,226	115	11
KPERS Employee liability					0	256,784	1,480	255,304	5,965
Compensated absences					109,249	54,096	51,964	111,381	60,915
Total OPEB liability					55,638	11,608	15,761	51,485	0
Net pension liability					2,021,444	143,261	272,718	1,891,987	0
Pollution remediation					91,863	0	15,543	76,320	14,873
Total governmental activities					\$ 7,083,919	\$ 1,070,564	\$ 1,050,137	\$ 7,104,346	\$ 361,170

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	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2018 Beginning Balance	Additions	Deletions	6/30/2019 Ending Balance	Amounts Due In One Year
<b>Business-type Activities</b>									
Revenue bonds payable:									
KDFA series 2010 SRF 1.2 & 3 (CW & DW)	2011	1.68 - 5.95%	2030	\$ 194,865	\$ 153,875	\$ 0	\$ 23,160	\$ 130,715	\$ 26,485
KDFA series 2011 SRF DW 2	2011	2.00-4.20%	2031	49,880	49,880	0	49,880	0	0
KDFA series 2008 G	2009	4.60 - 5.05%	2023	14,200	340	0	340	0	0
KDFA series 2018 SRF-1	2018	2.16%	2019	5,600	5,600	0	5,600	0	0
KDFA series 2019 SRF-1	2019	5.00%	2031	47,445	0	47,445	0	47,445	5,935
Plus deferred amounts:									
Net unamortized premium (discount)				0	4,104	7,729	984	10,849	2,523
Total revenue bonds payable				<u>\$ 311,990</u>	<u>213,799</u>	<u>55,174</u>	<u>79,964</u>	<u>189,009</u>	<u>34,943</u>
Arbitrage rebate payable									
Claims and judgments					56	40	56	40	0
Compensated absences					279,871	16,187	0	296,058	42,769
Other					104	92	87	109	89
Total OPEB liability					10,409	0	1,235	9,174	3
Net pension liability					73	25	24	74	0
Total business-type activities					<u>\$ 6,460</u>	<u>847</u>	<u>1,231</u>	<u>6,076</u>	<u>0</u>
					<u>\$ 510,772</u>	<u>\$ 72,365</u>	<u>\$ 82,597</u>	<u>\$ 500,540</u>	<u>\$ 77,804</u>
<b>Component Units</b>									
Revenue bonds payable:									
KDFA series 2001 W-1	2002	3.00 - 5.00%	2022	\$ 1,720	\$ 490	\$ 0	\$ 115	\$ 375	\$ 120
KDFA series 2002 H	2003	2.50 - 4.70%	2022	3,765	990	0	230	760	240
KDFA series 2005 D	2005	3.79 - 5.18%	2022	30,160	5,425	0	1,270	4,155	1,335
KDFA series 2008 D	2008	5.10%	2038	1,600	1,600	0	0	1,600	0
KDFA series 2008 L	2009	2.00 - 5.25%	2029	21,070	975	0	975	0	0
KDFA series 2009 G	2009	2.50 - 4.75%	2024	825	380	0	55	325	60
KDFA series 2009 H-1 & H-2	2009	2.50 - 7.30%	2035	13,460	11,730	0	475	11,255	495
KDFA series 2009 J-1 & J-2	2009	2.50 - 7.00 %	2030	3,880	3,130	0	205	2,925	215
KDFA series 2009 K-1 & K-2	2010	2.63 - 5.63%	2040	6,140	5,405	0	145	5,260	150
KDFA series 2009 M-1 & M-2	2010	3.00 - 6.31%	2030	27,150	18,350	0	1,495	16,855	1,570
KDFA series 2010 A	2010	2.00 - 4.05%	2030	23,700	16,755	0	1,205	15,550	1,255
KDFA series 2010 B	2010	2.50 - 3.75%	2027	21,650	13,270	0	1,320	11,950	1,385
KDFA series 2010 G-1 & G-2	2010	2.00 - 6.60%	2040	20,050	18,990	0	555	18,435	575
KDFA series 2010 J	2010	0.75 - 4.45%	2030	14,765	9,955	0	670	9,285	695
KDFA series 2010 K-1 & K-2	2010	2.00 - 6.20%	2035	15,050	8,870	0	750	8,120	775
KDFA series 2010 M-1 & M-2	2010	2.00 - 5.10%	2026	14,865	12,225	0	1,375	10,850	1,415
KDFA series 2010 P-1 & P-2	2011	2.00 - 5.00%	2031	15,930	11,255	0	740	10,515	755
KDFA series 2010 U-1 & U-2	2011	1.80 - 6.20%	2029	25,180	13,320	0	1,145	12,175	1,150
KDFA series 2011 C	2011	2.00 - 4.50%	2036	13,450	10,720	0	430	10,290	440
KDFA series 2011 D-1, 2 & 3	2011	2.00 - 4.40%	2024	9,465	3,780	0	650	3,130	660
KDFA series 2011 G	2012	0.50 - 4.13%	2041	16,300	13,350	0	400	12,950	410
KDFA series 2012 A	2012	3.00 - 5.00%	2024	27,610	14,680	0	2,550	12,130	2,675
KDFA series 2012 D	2012	2.00 - 4.50%	2029	43,230	37,520	0	2,575	34,945	3,235
KDFA series 2012 F	2013	2.00 - 5.00%	2033	17,205	13,950	0	720	13,230	760
KDFA series 2012 H	2012	2.00 - 5.00%	2034	35,970	30,440	0	1,415	29,025	1,485
KDFA series 2014 A-1 & 2	2014	3.00 - 4.25%	2035	35,175	30,950	0	1,510	29,440	1,555
KDFA series 2014 B	2014	0.50%	2019	2,423	489	0	489	0	0
KDFA series 2014 C-1, 2, 3, 4 & 5	2014	3.00 - 5.00%	2039	56,655	51,560	0	2,050	49,510	2,155
KDFA series 2014 D-1, 2, 3 & 4	2014	3.00 - 5.00%	2035	133,550	121,985	0	4,435	117,550	4,655
KDFA series 2013 G-1 & 2	2014	4.00 - 5.00%	2038	77,335	69,040	0	2,880	66,160	2,315
KDFA series 2015 B-1, 2 & 3	2015	3.00 - 5.00%	2037	61,865	55,755	0	2,005	53,750	2,105
KDFA series 2016 A	2016	2.00 - 4.00%	2040	97,815	91,610	0	3,345	88,265	3,445
KDFA series 2016 B-1, 2 & 3	2016	2.00 - 4.00%	2041	31,115	29,315	0	1,195	28,120	1,230
KDFA series 2016 C	2016	2.00 - 4.00%	2041	45,330	44,050	0	1,310	42,740	1,335
Series 2015 K	2016	0.61%	2021	1,500	1,006	0	249	757	251
2015 M FCIP	2016	0.75%	2023	2,136	1,537	0	303	1,234	305
KDFA series 2016 J	2017	2.00 - 5.00%	2036	9,245	8,840	0	265	8,575	275
KDFA series 2017 A	2017	3.00 - 5.00%	2042	67,510	63,465	0	2,985	60,480	3,130
KDFA series 2017 B	2017	2.52%	2032	2,884	2,884	0	174	2,710	179
KDFA series 2017 D	2018	3.00 - 5.50%	2038	36,075	35,815	0	695	35,120	1,825
KDFA series 2017 E	2018	1.97%	2025	8,100	7,600	0	1,025	6,575	1,045
Plus deferred amounts:									
Net unamortized premium (discount)				0	36,969	13,742	3,693	47,018	0
Total revenue bonds payable				<u>\$ 1,092,903</u>	<u>930,425</u>	<u>13,742</u>	<u>50,073</u>	<u>894,094</u>	<u>47,660</u>
Other component units of university system									
Arbitrage rebate payable					752,267	12,396	34,700	729,963	22,195
Capital leases					20	0	0	20	0
Compensated absences					70,145	0	3,912	66,233	5,536
Other					85,404	72,210	68,966	88,648	71,066
Total OPEB liability					170,568	62,335	90,383	142,520	10,746
Net pension liability					40,022	11,065	11,579	39,508	0
Total component units					<u>246,569</u>	<u>12,901</u>	<u>42,390</u>	<u>217,080</u>	<u>0</u>
					<u>\$ 2,295,420</u>	<u>\$ 184,649</u>	<u>\$ 302,003</u>	<u>\$ 2,178,066</u>	<u>\$ 157,203</u>

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The following table presents annual debt service requirements for those long-term debts outstanding, including bonds payable on demand, at June 30, 2019, which have scheduled debt service amounts (expressed in thousands):

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
Revenue bonds:						
2020	\$ 233,485	\$ 178,266	\$ 32,420	\$ 9,415	\$ 47,659	\$ 33,459
2021	237,905	157,607	29,245	7,427	48,378	31,356
2022	247,760	147,767	24,815	5,965	49,396	29,258
2023	257,060	138,727	14,755	4,777	51,089	27,100
2024	209,140	130,137	15,990	4,064	50,973	24,995
2025-2029	1,094,805	530,979	44,435	11,807	233,074	95,287
2030-2034	1,065,710	316,948	16,500	1,156	190,507	55,135
2035-2039	533,795	129,890	0	0	135,235	22,378
2040-2044	264,625	55,395	0	0	40,766	3,554
2045-2049	61,000	3,005	0	0	0	0
Unamortized premium	269,763	0	10,849	0	47,018	0
Totals	<u>4,475,048</u>	<u>1,788,721</u>	<u>189,009</u>	<u>44,611</u>	<u>894,094</u>	<u>322,522</u>
Notes payable:						
2020	790	413	0	0	0	0
2021	820	377	0	0	0	0
2022	851	347	0	0	0	0
2023	883	316	0	0	0	0
2024	917	284	0	0	0	0
2025-2029	4,796	887	0	0	0	0
2030-2034	1,628	96	0	0	0	0
Totals	<u>10,685</u>	<u>2,720</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
KPERS Employee liability						
2020	5,965	19,835	0	0	0	0
2021	6,435	19,365	0	0	0	0
2022	6,942	18,858	0	0	0	0
2023	7,489	18,311	0	0	0	0
2024	8,079	17,721	0	0	0	0
2025-2029	51,002	77,998	0	0	0	0
2030-2034	74,521	54,479	0	0	0	0
2035-2039	94,871	21,125	0	0	0	0
Totals	<u>255,304</u>	<u>247,692</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital leases payable	139,206	47,965	0	0	66,233	51,278
Long-term debt without scheduled						
Debt service:						
Arbitrage rebate payable	1	0	40	0	20	0
Claims and judgments	92,814	0	296,058	0	0	0
Special Assessments Payable	115	0	0	0	0	0
Compensated absences	111,381	0	109	0	88,648	0
Other post employment benefits	51,485	0	74	0	39,508	0
Net pension liability	1,891,987	0	6,076	0	217,080	0
Pollution remediation	76,320	0	0	0	0	0
Component units of university system	0	0	0	0	729,963	0
Other	0	0	9,174	0	142,520	0
Total long-term obligations	<u>\$ 7,104,346</u>	<u>\$ 2,087,098</u>	<u>\$ 500,540</u>	<u>\$ 44,611</u>	<u>\$ 2,178,066</u>	<u>\$ 373,800</u>

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Included in the debt service requirements to maturity table above are variable rate debt maturities for the Kansas Department of Transportation. For those variable rate bonds the following table represents the aggregate debt service requirements and net receipts/payments on associated hedging derivative instruments as of June 30, 2019. 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. However, these rates will vary. This will require interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments to also vary.

*(expressed in thousands)*

Fiscal Year Ended June 30	Principal	Interest	Hedging Derivative Instruments (Net)	Total
2020	\$ 48,265	\$ 3,275	\$ 2,136	\$ 53,676
2021	0	3,097	1,684	4,781
2022	32,010	2,565	1,550	36,125
2023	33,315	1,887	1,154	36,356
2024	34,675	1,167	761	36,603
2025-2028	47,000	179	353	47,532
Total	<u>\$ 195,265</u>	<u>\$ 12,170</u>	<u>\$ 7,638</u>	<u>\$ 215,073</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 three 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 twelve 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. Please reference Note III Section I, Long-term Obligations, above for KDOT revenue bonds and future principal and interest payments.

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### III. Detailed Notes On All Funds

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The coupon interest rate on outstanding fixed rate bonds varies from 3.00 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 1.72 percent to 2.26 percent on the weekly adjustable bonds.

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

Sales tax limited obligation bonds (STAR bonds) have been issued for various local governments throughout the state. Pursuant to issuance of the STAR bonds, the State and local governments have entered into Redevelopment District Tax Distribution Agreements. The agreements provide that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally from the State's and the local governments' respective share of sales taxes generated within the related Districts. These bonds are special limited obligations of the State, where neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by the State. Accordingly, such STAR bonds are not included in the State's June 30, 2019 balance sheet. The State's portion of the STAR bonds at June 30, 2019 total \$347.3 million.

#### **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 KDFA, 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 KDFA or the State. Accordingly, such special obligation bonds are not included in KDFA's June 30, 2019, balance sheet. KDFA's special obligation bonds at June 30, 2019, total \$3.1 billion.

Private activity bonds are special limited obligations of KDFA 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 KDFA's June 30, 2019, balance sheet. KDFA's private activity bonds at June 30, 2019, total \$1.4 billion.

#### **Notes Payable**

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

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal Government over the past 43 years for water supply storage capacity in large Federal multipurpose lakes under the provisions of the 1958 Federal Water Supply Act. Seven 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, 2019, 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

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### III. Detailed Notes On All Funds

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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, 2019 are as follows (expressed in thousands):

<u>Fiscal Year</u>		
2020	\$	7,703
2021		6,719
2022		5,858
2023		5,444
2024		4,707
2025-2029		16,946
2030-2034		11,982
2035-2039		<u>8,718</u>
Total future minimum lease payments	\$	<u>68,077</u>
Rent expenditures/expenses for operating leases for the year ended June 30, 2019	\$	<u>8,393</u>

#### 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, 2019 (expressed in thousands):

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 10,054	\$ 5,966
2021	10,214	5,540
2022	10,362	5,101
2023	9,610	4,662
2024	9,229	4,280
2025-2029	49,746	15,586
2030-2034	34,035	5,564
2035-2039	4,216	1,150
2040-2045	<u>1,740</u>	<u>116</u>
<b>Total</b>	<u>\$ 139,206</u>	<u>\$ 47,965</u>

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Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2019, include the following (expressed in thousands):

	Governmental Activities
Land (non-depreciable)	\$ 16,615
Buildings	151,318
Equipment	8,257
Less: Accumulated depreciation	(39,830)
Total	<u>\$ 136,360</u>

#### **KPERS Employee Liability**

The 2017 Kansas Legislature passed Senate Substitute for Substitute for House Bill 2052 which authorized a decrease of \$64.1 million of the amount appropriated for the fiscal year ended June 30, 2017, for payment of the employer contribution for eligible employers in Section 37 of the bill. Section 43 of House Bill 2052 directs payment of the delayed employer contribution to be made in level annual amounts of \$6.4 million at an interest rate of 7.75% over 20 years beginning in fiscal year 2018. 2017 House Bill 2002, Section 108, provides the appropriation to the Kansas Department of Education for payment of the fiscal year 2019 amount due in fiscal year 2019. As of June 30, 2019, the unpaid balance is \$61.3 million.

2017 Senate Bill 19, Section 2, included the state general fund appropriation for the Kansas Department of Education that was reduced by \$194.0 for the fiscal year 2019 KPERS School employer contributions. Senate Substitute for House Bill 2002, Section 232, stipulates that repayment of the reduced contributions is to be amortized over twenty years at a level dollar amount commencing in fiscal year 2020. The level dollar amount was computed to be \$19.4 million per year at an interest rate of 8.0%. House Substitute for Senate Bill 25, Section 90 provides the appropriation authority to Kansas Department of Education for payment of \$19.4 million in fiscal year 2020.

#### **Master Lease Purchase Program**

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

#### ***Defeasance of Debt***

##### **Primary Government**

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2019, and changes for the fiscal year then ended are as follows (expressed in thousands):

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Bond Issue	6/30/2018 Beginning Balance	Current Year Defeased	Payments	6/30/2019 Ending Balance
<b>Governmental Activities</b>				
KDFA Series 2008L	\$ 25,565	\$ 0	\$ 25,565	\$ 0
KDOT Highway Revenue	200,000	0	200,000	0
KDOT 2009 TR	11,805	0	11,805	0
Total governmental activities	<u>\$ 237,370</u>	<u>\$ 0</u>	<u>\$ 237,370</u>	<u>\$ 0</u>

Bond Issue	6/30/2018 Beginning Balance	Current Year Defeased	Payments	6/30/2019 Ending Balance
<b>Business-type Activities</b>				
KDFA 2005 II	\$ 9,655	\$ 0	\$ 9,655	\$ 0
Total business-type activities	<u>\$ 9,655</u>	<u>\$ 0</u>	<u>\$ 9,655</u>	<u>\$ 0</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, 2019, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/2018 Beginning Balance	Current Year Defeased	Payments	6/30/2019 Ending Balance
<b>Business-type Activities</b>				
KDFA 2005 II	\$ 9,655	\$ 0	\$ 9,655	\$ 0
Total business-type activities	<u>\$ 9,655</u>	<u>\$ 0</u>	<u>\$ 9,655</u>	<u>\$ 0</u>

#### Arbitrage Rebate Payable

Estimated arbitrage rebate payables have been calculated and liabilities recorded of \$1 thousand for Governmental Activities, \$40 thousand for Business-type Activities, and \$20 thousand for Component Units.

#### Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2019 financial statements are as follows debit (credit) (expressed in thousands):

	Change in Fair Value		Fair Value at June 30, 2019		Notional
	Classification	Amount	Classification	Amount	
<b>Governmental activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	\$ (1,384)	Debt	\$ (6,675)	\$ 170,210
Investment derivative instruments:					
Pay-fixed interest rate swaps	Investment revenue	(621)	Investment	(6,836)	75,000

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### III. Detailed Notes On All Funds

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

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

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

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

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

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

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with no reference to tax-exempt interest rates.

The following table provides a summary of the basic terms of the swap agreements as of June 30, 2019 (expressed in thousands):

Associated KDOT Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Rating
					3.164% Contractual; 0.8192% GASB 53				
* Series 2014 B	\$ 200,000	\$ 61,380	10/23/2002	9/1/2019	At-the-Market	67% of USD-LIBOR	\$ (51)	Goldman Sachs Bank USA	A1/A+/A
					3.164% Contractual; 0.8183% GASB 53				
* Series 2014 B	112,139	36,863	3/1/2012	9/1/2019	At-the-Market	67% of USD-LIBOR	(30)	The Bank of New York Mellon	Aa2/AA-/AA
						63.5% of USD-LIBOR + 0.29%		Goldman Sachs	
* Series 2004 C	147,000	72,000	11/23/2004	9/1/2024	3.571%		(6,594)	Bank USA	A1/A+/A
								Goldman Sachs	
**Series 2004 C	75,000	75,000	7/1/2007	9/1/2024	3.571%	62.329% of 10 Year CMS	(6,836)	Bank USA	A1/A+/A
							Total Fair Value \$	(13,511)	

\* - Considered fair value hedge

\*\* - Considered investment derivative

#### KDOT derivative instruments detailed discussion

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

*Terms, fair values, and credit risk.* The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2019, are shown above. KDOT's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in the associated bonds payable.

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

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

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

*KDOT Series 2004C Swaps* - In connection with the issuance of \$147 million of variable-rate KDOT Series 2004B and 2004C Highway Revenue Bonds, on November 12, 2004, KDOT competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a \$147 million 20-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.571 percent and receives 63.5 percent of LIBOR plus

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### III. Detailed Notes On All Funds

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29 basis points. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

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

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

*Credit risk.* As of June 30, 2019, KDOT has no credit risk exposure on the swap transactions. This is due to the swaps having negative mark-to-market values, meaning the counterparties are exposed to KDOT in the amount of the derivatives’ mark-to-market values. However, should interest rates change and the mark-to-market 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 mark-to-market 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 mark-to-market value, KDOT would be liable to the counterparty for a payment equal to the swap’s mark-to-market value.

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### III. Detailed Notes On All Funds

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#### J. Revisions to Beginning Net Position

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

Beginning fund balance was restated which resulted in a decrease of \$39.11 million to restricted fund balance, a \$20.61 increase to unavailable revenue and an \$18.5 million decrease to accounts receivable. The adjustments to revenue and unavailable revenue were a result of amounts that were not received within the State's period of availability subsequent to June 30, 2018 and should not have been recorded as revenue for the year ended June 30, 2018. The adjustment to accounts receivable was a correction of an error as the amount should have been written off as uncollectible for the year ended June 30, 2018. The state considers revenues reported in the governmental funds to be available if the revenues are due at year-end and collected within sixty days thereafter. The Kansas Department of Health and Environment Medicaid Drug Rebate Program revenue is considered to be available if collected within ninety days thereafter.

The component unit beginning net position was increased by a net of approximately \$17 million to reflect a change in the entity. A revision was made to include Wichita State University's component unit, Wichita State University campus of applied sciences and technology. In accordance with K.S.A. 74-32,459, effective for the State's 2019 fiscal year, the Wichita State University campus of applied sciences and technology, formerly authorized and designated as a technical college, became affiliated with Wichita State University resulting in an increase of \$18.1 million in net position. Per GASB 62, this is considered a change in reporting entity and is not a correction of an error. The table below provides a summary of the net position breakout for this revision (expressed in thousands):

**Net Position:**

Net investment in capital assets	\$ 3,385
Restricted, unexpendable	900
Restricted, expendable	857
Unrestricted	12,974
Total net position	<u>\$ 18,116</u>

Additionally, a revision was made to include a decrease to restricted, expendable beginning net position in the amount of \$1 million for the University of Kansas' adoption of GASB 83, *Certain Asset Retirement Obligations*.

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## IV. Other Information

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### A. Tax Abatements

#### ***Local Municipalities***

Local municipalities within the State of Kansas have entered into various tax abatement agreements to encourage economic development impacting the State's tax revenue. Kansas statutes provide a process for municipalities to abate property tax on qualifying property. GASB 77 also requires disclosure information about tax abatements entered into by other governments affecting revenues of the State. These agreements are disclosed individually and the State has set a threshold of one million dollars or above for disclosure purposes.

Following are the current tax abatement programs affecting State revenues that have been entered into by local municipalities within the State of Kansas as of June 30, 2019:

Other government tax abatement programs affecting the State of Kansas revenues entered into as of June 30, 2019					
Name of government	Tax being abated	Dollar amount of taxes abated for FY 2019	Name of abatement	Dollar amount(s) received from or due from other governments in association with (and offsetting) abated taxes	Information not reported due to legal prohibition
Brown County	Ad Valorem Property Tax	\$5.2 million	Economic Development	N/A	N/A
Brown County	Ad Valorem Property Tax	\$2.6 million	IRB	N/A	N/A
Johnson County	Ad Valorem Property Tax	\$4.4 million	IRB	N/A	N/A
McPherson County	Ad Valorem Property Tax	\$53.4 million	IRB	N/A	N/A
McPherson County	Ad Valorem Property Tax	\$22.9 million	Economic Development	N/A	N/A
Montgomery County	Ad Valorem Property Tax	\$11.7 million	IRB	N/A	N/A
Montgomery County	Ad Valorem Property Tax	\$4.0 million	Economic Development	N/A	N/A

#### ***STAR Bonds***

Per State statutes K.S.A. 12-17,160 through 12-17,179, sales tax limited obligation bonds (STAR bonds) have been issued for various local governments throughout the state to promote, stimulate and develop the general and economic welfare of the state of Kansas and its communities and to assist in the development and redevelopment of eligible areas within and without a city thereby promoting the general welfare of the citizens of the state. Pursuant to issuance of the STAR bonds, the State and local governments have entered into Redevelopment District Tax Distribution Agreements. The agreements provide that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally from the State's and local governments' respective share of sales taxes generated within the related Districts. Recipients of the agreement make commitments to promote economic development by engaging in qualified activities as outlined in K.S.A. 12-17,162. Eligibility for one or more projects may be undertaken by a city or county within an established STAR bond project district per the rules and guidelines established in K.S.A. 12-17,166. The State's portion of foregone sales taxes for fiscal 2019 was \$33.2 million.

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## IV. Other Information

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### B. 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 (five of the nine medical health plans options, prescription drug and dental), State employee workers' compensation, long-term disability, tort liability, and personal and real property losses up to the applicable deductibles (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles with \$500,000 deductibles, and a statewide commercial policy on personal and real property with single limit of \$5,000,000 (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 five of the nine medical health plan options is provided by The Health Benefits Administration Clearing Fund for all active employees, as well as for the post-employment populations (retirees). Risk is managed by the performance of experience studies throughout the year. The liability for unpaid claims is the plan reimbursement for services rendered or prescriptions received where the payment to the provider, the member, or the claims administrator has not occurred. These liabilities are estimated by analyzing the prior payment patterns for the same coverage or medical option and are recorded with the cash reserves to pay these claims in the accounting services fund.

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, 2019, there were no material claims incurred but unpaid.

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

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

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The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2019 (expressed in thousands):

	Claims Liability Beginning balance	Plus: Current Year Claims and Changes Estimate	Less: Claim Payments	Claims Liability Ending balance	Non- Current - Liability	Current Liability
<b>Current Fiscal Year</b>						
State Self-Insurance Fund	\$ 62,524	\$ 11,414	\$ (14,750)	\$ 59,188	\$ 49,427	\$ 9,761
Health and Dental Care Claims	27,994	365,847	(368,849)	24,992	80	24,913
Post Employment Health and Dental Claims	729	9,213	(9,538)	404	1	403
Total	<u>\$ 91,247</u>	<u>\$386,474</u>	<u>\$ (393,137)</u>	<u>\$ 84,584</u>	<u>\$ 49,508</u>	<u>\$ 35,077</u>
<b>Prior Fiscal Year</b>						
State Self-Insurance Fund	\$ 66,505	\$ 10,905	\$ (14,886)	\$ 62,524	\$ 51,992	\$ 10,532
Health and Dental Care Claims	28,918	380,218	(381,142)	27,994	294	27,700
Post Employment Health and Dental Claims	1,077	12,660	(13,008)	729	4	725
Total	<u>\$ 96,500</u>	<u>\$403,783</u>	<u>\$ (409,036)</u>	<u>\$ 91,247</u>	<u>\$ 52,290</u>	<u>\$ 38,957</u>

**Notes:**

1. Claims liability ending balance is based on Actuary IBNR modeling estimates using claims lag data through June 30, 2019.
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 2% expense load and 3.5% margin.
4. Non-current liability represents the remaining IBNR reserve for the prior fiscal year.

### C. Contingencies and Commitments

#### **Litigation**

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

*Bicknell v. KDOR*, This is an individual income tax case pending before the Kansas Court of Appeals in which Kansas Department of Revenue (KDOR) is seeking to overturn a decision by the District Court of Crawford County. The taxpayer had filed suit in that court seeking to overturn a decision of the Board of Tax Appeals in which the Board had upheld a decision of the Department of Revenue that the taxpayer was a resident of the state of Kansas for tax years 2005 and 2006 and therefore subject to Kansas individual income tax. The Department had assessed the taxpayer after it determined that the taxpayer was a resident of Kansas for those years, which were the two tax years involved in that particular audit period. The taxpayer claimed that he was a resident of Florida and not Kansas during that audit period, and therefore not subject to Kansas individual income tax.

The Court of Tax Appeals upheld the Department's assessment, and the taxpayer appealed to the Kansas Court of Appeals. The Kansas Court of Appeals vacated the decision of the Court of Tax Appeals (whose name was later changed to the Board of Tax Appeals) and remanded the case back to the Board for further findings. As stated

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above, the Board of Tax Appeals upheld the assessment, and the taxpayer then appealed that decision to the District Court of Crawford County, where he prevailed. Following a decision by the Kansas Court of Appeals, the matter is likely to be appealed to the Kansas Supreme Court.

The taxpayer had remitted \$48.5 million in tax, interest and penalty. If the taxpayer ultimately prevails in this matter, he would be entitled to a refund of that amount, and would possibly be entitled to interest on that amount as well. Currently, the tax and interest refund total would be approximately \$60.0 million. The taxpayer's chances of success are reasonably possible.

*CGI Contracts*, The Kansas Department of Revenue (KDOR) entered into two contracts with CGI, the first on February 15, 2017 for software deliverables, and the second on February 19, 2018 for technical services that outsourced the Department's Tax IT operations to CGI. Both contracts were entered into using the prior authorization process rather than the competitive bidding process.

On May 16, 2019 the Department exercised a contractual provision contained in each of the two contracts and terminated them for convenience. Alternatively, the Department could have chosen to terminate both contracts for cause as CGI has failed to fulfill their obligations under both contracts. So far, no litigation has been filed in this matter, but that may change. If litigation ensues, the Department may seek to recover some or all of the approximately \$28.0 million that it has paid CGI to date, plus damages and costs. Alternatively, CGI may sue the Department in an attempt to enforce the contracts or to recover the remaining amounts that were to be paid over the life of the contracts (approximately \$87.0 million). The Department feels that it is in a strong position to prevail in any such litigation. CGI's chances of success in any litigation that it may bring are remote.

*Kansas SAFE Act, Kansas Secretary of State*, The State is currently involved in two cases that challenge the Kansas SAFE Act. The cases are currently on appeal. The district court has issued injunctions against parts of the Kansas SAFE Act in both cases. The State continues to vigorously contest the merits of both cases. The amount of the liability, if any, is unknown at this time.

### ***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 \$198.8 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.

### **D. 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.

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### *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 2019 pollution remediation liability is estimated at \$46.51 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 estimated \$17.81 million in liabilities for the Superfund Program over the next 10 years for known pending remedial action and O&M. The State currently does not have any current state match liabilities associated with existing contracts for expenses incurred prior to state fiscal year 2020.

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## IV. Other Information

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### *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 133 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. Historically, the State Water Plan (SWP) – Contamination Remediation Fund was the primary source of funding allocated to address environmental contamination issues at these orphaned sites. Kansas passed legislation in 2015 that created the Environmental Stewardship Fund (ESF). The ESF will also be used to address sites in the Orphan Sites Program. 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 and Environmental Stewardship Fund will be the primary source of funding to provide the 10 percent State cost share and perform O&M requirements for NPL sites as well as to address environmental contamination issues identified at orphan sites. The annual budget for the SWP fund contains funding for both agency costs, payments to EPA for state cost share and contractual cost. It is difficult to predict what the future costs for the State Water Plan will be, however, the State has recorded a liability for \$0.84 million which is the amount known to be budgeted in fiscal year 2020 for this program.

### *State Fee Funded Programs*

KDHE obtains State and Federal funds for 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 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.

To date, 2,270 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.

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 underground petroleum storage tank and to permit 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.

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The annual budget for the UST fund contains funding for both agency costs and contractual cost which include funding for reimbursements of applicants and the direct payment of contractors who perform both emergency response activities and corrective actions at the sites. The exact amount of future costs is unknown. The State has recorded a liability of \$9.3 million for UST fund activities which represents the amount budgeted for fiscal year 2020. A similar reimbursement fund has been created for Aboveground Petroleum Storage Tanks (AST). To date, 203 sites have been approved to receive reimbursement of approved costs under the AST fund identified in K.S.A. 65-34,129.

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 above ground petroleum storage tank and to permit 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 annual budget for the AST fund contains funding for both agency costs and contractual cost which include funding for reimbursements of applicants and the direct payment of contractors who perform both emergency response activities and corrective actions at the sites. The exact amount of future costs is unknown. The State has recorded a liability of \$1.30 million for AST fund activities which represents the amount budgeted for fiscal year 2020.

### ***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 (KDTF) is a State-led corrective action program to provide funding for implementation of the Kansas Drycleaner Environmental Response Act. Money in the KDTF is expended for direct costs for administration and enforcement of the Kansas Drycleaner Environmental Response Act and corrective action at contaminated retail dry cleaning facilities.

There are currently 177 sites approved for corrective action under the KDTF. The corrective action at these sites is performed based on a site prioritization system and the agency is not liable for costs of corrective action in excess of the \$5 million cap at each site or in excess of the funding available to the program. The annual budget for the KDTF contains funding for agency and contractual cost. An estimate of future costs is unknown, however, the State has recorded a liability of \$0.61 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***

A chemical waste landfill was created with approval of the U.S. Atomic Energy Commission and utilized from the mid-1960's to 1987 as a burying ground for tritium, carbon-14 and other short-lived radioactive elements. The university also disposed of some chemicals at the site from 1979 to 1983. The Kansas Board of Regents approved the plan to clean up the site, which commenced in FY2011 and was completed as of July 2012. Monitoring groundwater, sampling and reporting will continue as mandated by KDHE.

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

Seven monitoring wells have been installed and a quarterly sampling schedule is in effect related to the removal of diesel and gasoline underground storage tanks at the Ashland Bottoms Agronomy farm in Riley County. All remediation costs are covered by the State through the KDHE Petroleum Storage Tank Trust Fund, less a \$4,000 deductible which has been paid by the University.

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### E. Other Post-Employment Benefits

*Plan Description.* The State participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The Plan provides long-term disability benefits and life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-4927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

*Benefits provided:*

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

*Long-term disability benefit:* Monthly benefit is 60 percent of the member's monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65<sup>th</sup> birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of living increase.

*Group life waiver of premium benefit:* Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150 percent of the greater of the member's annual rate of compensation at the time of disability of the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100 percent of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance plan.

*Members covered by benefit terms.* At June 30, 2019, the following members were covered by the benefit terms:

	Primary Government		Component Units
	Employer	Nonemployer	
Inactive employees or beneficiaries currently receiving benefit payments	446	100	13,240
Active employees	17,648	12,129	3,819
	18,094	12,229	17,059

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### Total OPEB Liability

At June 30, 2019, the State reported a total OPEB liability as follows (in thousands):

Total OPEB liability	Primary Government		Component Units
	Employer	Nonemployer	
	\$ 40,364	\$ 11,195	\$ 33,292

The total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018.

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

Price inflation	2.75 percent
Payroll growth	3 percent
Salary increases, including inflation	3.50 to 10 percent, including price inflation
Discount Rate	3.87 percent
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2018.

The actuarial assumptions used in the June 30, 2018 valuation were based on actuarial experience study for the period July 1, 2014 – June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

### Changes in the Total OPEB Liability

	Total OPEB Liability		
	Primary Government		Component Units
	Employer	Nonemployer	
<b>Balance at fiscal year-end 6/30/18</b>	<b>\$ 43,755</b>	<b>\$ 11,956</b>	<b>\$ 33,476</b>
<b>Changes for the year:</b>			
Service cost	3,711	1,039	6,374
Interest	1,617	435	1,379
Effect of economic/demographic gains or losses	(3,614)	(395)	(4,904)
Effect of assumptions changes or inputs	(470)	(127)	(356)
Benefit payments	(4,635)	(1,713)	(2,677)
<b>Net changes</b>	<b>(3,391)</b>	<b>(761)</b>	<b>(184)</b>
<b>Balance at fiscal year-end 6/30/19</b>	<b>\$ 40,364</b>	<b>\$ 11,195</b>	<b>\$ 33,292</b>

*Changes of assumptions.* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 3.58 percent on June 30, 2017 to 3.87 percent on June 30, 2018.

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*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
<b>Primary Government:</b>			
Employer's total OPEB liability	\$ 41,969	\$ 40,364	\$ 38,764
Nonemployer's total OPEB liability	\$ 11,632	\$ 11,195	\$ 10,765
<b>Component Unit:</b>			
Component Unit's total OPEB liability	\$ 34,451	\$ 33,292	\$ 32,014

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the State recognized OPEB expense as follows (in thousands):

	<u>Primary Government</u>		<u>Component Units</u>
	<u>Employer</u>	<u>Nonemployer</u>	
OPEB expense	\$ 4,772	\$ 1,384	\$ 7,122

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Primary Government					
	Employer		Nonemployer		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 2,533	\$ 0	\$ 354	\$ 444	\$ 4,841
Changes in assumptions	0	2,159	0	394	0	993
Benefit payments subsequent to the measurement date	5,257	0	1,713	0	2,677	0
Total	\$ 5,257	\$ 4,692	\$ 1,713	\$ 748	\$ 3,121	\$ 5,834

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$9,647 consist of payments made to KPERS for benefits and administrative costs, and will be recognized as a reduction in the total OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year ended June 30:	Primary Government		Component Units
	Employer	Nonemployer	
2020	\$ (555)	\$ (90)	\$ (630)
2021	(555)	(90)	(630)
2022	(2)	(90)	(630)
2023	(556)	(90)	(630)
2024	(556)	(90)	(630)
Thereafter	(1,915)	(298)	(2,242)
	<u>\$ (4,139)</u>	<u>\$ (748)</u>	<u>\$ (5,392)</u>

Summary of Component Unit OPEB Plans

Certain component units have their own individual OPEB plans. Details on these plans can be found in their separately issued financial statements by contact information located in Note I. As of June 30, 2019, the combined component unit OPEB plans total OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense associated with these plans are summarized below:

	2019
Total OPEB liability	\$ 39,508
Deferred outflows of resources	\$ 3,605
Deferred inflows of resources	\$ 5,834
OPEB expense	\$ 7,525

**F. Employee Retirement Systems and Pension Plans**

***Special Funding Situation***

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

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

*Plan description:* The State participates in KPERS, a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS’ financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at <https://www.kpers.org/annualreport2018.pdf> or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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## IV. Other Information

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*Benefits provided.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points" (Police and Firemen's normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 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, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

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

The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 years with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

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.

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6 percent of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15 percent of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00 percent contribution rate for the Death and Disability Program) and the statutory contribution rates for Fiscal Year 2018 are as follows:

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	<u>Actuarial employer rate</u>	<u>Statutory employer capped rate</u>
State employees	9.62%	12.01%
School employees	16.38	12.01
State/School employees (combined rate)	14.89	12.01
Local government employees	8.39	8.39
Police and Firemen	20.09	20.09
Judges	15.89	15.89

The actuarially determined employer contribution rate (not including the one percent contribution rate for the Death and Disability Program) and the statutory contribution rates for Fiscal Year 2019 are as follows:

	<u>Actuarial employer rate</u>	<u>Statutory employer capped rate</u>
State employees	8.28%	13.21%
School employees	14.59	13.21
State/School employees (combined rate)	13.23	13.21
Local government employees	8.89	8.89
Police and Firemen	20.05	20.05
Judges	14.69	14.68

Contributions to the pension plan from the State were as follows (in thousands):

	<u>Primary Government</u>		<u>Component</u>
Year Ended June 30:	<u>Employer</u>	<u>Nonemployer</u>	<u>Units</u>
2019	\$ 122,627	\$ 68,116	\$ 20,326
2018	109,001	60,231	19,466

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

At June 30, 2019, the State reported a liability for its proportionate share of the KPERS' collective net pension liability as follows (in thousands):

	<u>Primary Government</u>		<u>Component</u>
	<u>Employer</u>	<u>Nonemployer</u>	<u>Units</u>
Net pension liability	\$ 1,211,979	\$ 686,084	\$ 217,080

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The collective net pension liability was measured by KPERS as of June 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The State's proportion of the collective net pension liability was based on the ratio of the State's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the respective subgroup within KPERS for the fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the State's proportion and increase (decrease) from its proportion measured as of June 30, 2017 were as follows:

	<u>Proportion as of June 30, 2018</u>	<u>Increase (decrease) in proportion from June 30, 2017</u>
<b>Primary Government</b>		
<b>Employer:</b>		
State/School group	17.053%	(0.923%)
KP&F	8.176	(0.569)
Judges	100.000	0.000
<b>Nonemployer</b>	10.517	(0.121)
<b>Component Units</b>		
State/School group	2.884	(0.334)
KP&F	1.552	(0.017)
Local group	1.007	(0.072)

For the year ended June 30, 2019, the State recognized pension expense as follows (in thousands):

	<u>Primary Government</u>		<u>Component</u>
	<u>Employer</u>	<u>Nonemployer</u>	<u>Units</u>
Pension expense	\$ 64,867	\$ 47,726	\$ 6,515

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Primary Government</u>					
	<u>Employer</u>		<u>Nonemployer</u>		<u>Component Units</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,806	\$ 53,581	\$ 0	\$ 29,783	\$ 963	\$ 8,633
Net difference between projected and actual earnings on pension plan investments	22,957	0	11,769	0	3,944	0
Changes in proportionate share	14,290	87,274	16,113	12,669	5,419	34,256
Changes in assumptions	52,223	2,180	25,817	593	8,473	272
Contributions subsequent to measurement date	122,627	0	68,116	0	20,326	0
Total	<u>\$ 216,903</u>	<u>\$ 143,035</u>	<u>\$ 121,815</u>	<u>\$ 43,045</u>	<u>\$ 39,125</u>	<u>\$ 43,161</u>

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## IV. Other Information

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The \$211,069 reported as deferred outflows of resources related to pensions resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Primary Government		Component
	Employer	Nonemployer	Units
2019	\$ 5,223	\$ 15,300	\$ (3,505)
2020	(3,365)	8,699	(4,455)
2021	(33,393)	(9,998)	(10,004)
2022	(13,821)	(2,670)	(5,252)
2023	(3,403)	(677)	(1,146)
	<u>\$ (48,759)</u>	<u>\$ 10,654</u>	<u>\$ (24,362)</u>

*Actuarial assumptions.* The total pension liability for KPERS in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 percent
Wage inflation	3.50 percent
Salary increases, including wage increases	3.50 to 12.00 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	7.75 percent

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for the three year period beginning January 1, 2013.

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study were as follows:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.5 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.85%
Fixed income	13	1.25
Yield driven	8	6.55
Real return	11	1.71
Real estate	11	5.05
Alternatives	8	9.85
Short-term investments	2	(0.25)
Total	<u>100%</u>	

*Discount rate.* The discount rate used by KPERS to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State/School employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for the State fiscal year 2018 was 1.2 percent. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the State's proportionate share of the collective net pension liability to changes in the discount rate.* The following presents the State's proportionate share of the collective net pension liability calculated using the discount rate of 7.75 percent, as well as what the State's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<b>Primary Government:</b>			
Employer's proportionate share of the collective net pension liability	\$ 1,648,829	\$ 1,211,979	\$ 842,397
Nonemployer's proportionate share of the collective net pension liability	923,971	686,084	484,867
<b>Component Unit:</b>			
Component Unit's proportionate share of the collective net pension liability	295,203	217,080	151,059

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

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## IV. Other Information

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### ***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 2019, employees contributed approximately \$50.68 million. During fiscal year 2019, the 8.5 percent employer contribution totaled approximately \$78.67 million, representing covered wages of approximately \$926 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 6 percent for Tier I, Tier II and III members. The employer rate is 13.21 percent.

### **G. 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 2019 expenditures from these appropriations amounted to \$794.1 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.

### **H. Subsequent Events**

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

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

*Certificate of Indebtedness* – On July 1, 2019, the Pooled Money Investment Board (PMIB) issued a \$275 million Certificate of Indebtedness per K.S.A. 75-3725a. See Note III, Section H, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

*Accrued Receivables for Children's Initiatives Fund* – In July 2019, receivables were posted to the State Treasurer's receivables for the Children's Initiatives Fund in the amount of \$21.6 million per House Substitute for Senate Bill No. 25, Section 62, Session of 2018. See Note III, Section H, Short-term Obligations, for additional information.

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## IV. Other Information

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*Accrued Receivables for Economic Development Initiatives Fund* – In July 2019, receivables were posted to the State Treasurer’s receivables for the Economic Development Initiatives Fund in the amount of \$31.9 million per House Substitute for Senate Bill No. 25, Section 62, Session 2018. See Note III, Section H, Short-term Obligations, for additional information.

*Accrued Receivables for Correctional Institutions’ Building Fund* – In July 2019, receivables were posted to the State Treasurer’s receivables for the Correctional Institutions’ Building Fund in the amount of \$4.0 million per House Substitute for Senate Bill No. 25, Section 62, Session 2018. See Note III, Section H, Short-term Obligations, for additional information.

*Accrued Receivables for Kansas Endowment for Youth Fund* – In July 2019, receivables were posted to the State Treasurer’s receivables for the Kansas Endowment for Youth Fund in the amount of \$0.19 million per House Substitute for Senate Bill No. 25, Section 62, Session 2018. See Note III, Section H, Short-term Obligations for additional information.

*Accrued Receivables for Expanded Lottery Act Revenues Fund* – In July 2019, receivables were posted to the State Treasurer’s receivables for the Expanded Lottery Act Revenues Fund in the amount of \$88.7 million per House Substitute for Senate Bill No. 25, Section 62, Session 2018. See Note III, Section H, Short-term Obligations for additional information.

*Accrued Receivables for Ad Valorem Taxes* – In July 2019, receivables were posted to the State Treasurer’s receivables in the amount of \$38.4 million for the Kansas Educational Building Fund and \$19.0 million for the State Institutions Building Fund per K.S.A. 76-6b11. See Note III Section H, Short-term Obligations, for additional information.

*Revenue Bonds* – In August 2019, the Kansas Development Finance Authority issued its Series 2019A bonds in the amount of \$8.8 million for the Kansas State University Foundation for the purpose of constructing new laboratory facilities that will be occupied by the Kansas Department of Agriculture. Lease payments by the Kansas Department of Agriculture will be made in amounts sufficient to pay the debt service on the bonds. The bonds were issued with interest rates ranging from 2.0% to 3.0% and a maturity date of October 2049.

In August 2019, the Kansas Development Finance Authority issued its Series 2019C bonds in the amount of \$31.2 million for Kansas State University for the purpose of renovating the Derby Center Dining Center and for refunding Kansas Development Finance Authority Series 2009K-1 and Series 2011G for economic savings. The bonds were issued with interest rates ranging from 3.0% to 5.0% and a maturity date of May 1, 2044.

In August 2019, the Kansas Development Finance Authority issued its Series 2019F bonds in the amount of \$69.0 million for the Department of Administration for the purpose of refunding Kansas Development Finance Authority Series 2009A and Series 2009M for economic savings. The bonds were issued with interest rates ranging from 3.0% to 5.0% and a maturity date of November 1, 2034.

In August 2019, the Kansas Development Finance Authority issued its Series 2019G bonds in the amount of \$5.5 million for the Department of Administration for the purpose of refunding Kansas Development Finance Authority taxable Series 2009N for economic savings. The bonds were issued with interest rates ranging from 2.0% to 2.15% and a maturity date of November 1, 2024.

In September 2019, the Kansas Development Finance Authority issued its Series 2019H bonds in the amount of \$23.3 million for Kansas State University Olathe Innovation Campus for the purpose of refunding Kansas Development Finance Authority Series 2009L for economic savings. The bonds were issued with interest rates ranging from 2.0% to 5.0% and a maturity date of September 1, 2039.

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## IV. Other Information

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### I. Economic Condition

The Consensus Estimating Group met on November 7, 2019 to revise State General Fund revenue estimates for fiscal years 2020 and 2021.

For fiscal year 2020, the estimate was increased by \$220.4 million, or 3.0 percent, above the previous estimate made in April 2019 and subsequently adjusted for legislation enacted during the 2019 Legislative Session.

For fiscal year 2021, it is estimated that revenues will increase by \$305.5 million, or 4.1 percent, above the estimate made in April 2019 and subsequently adjusted for legislation enacted during the 2019 Legislative Session.

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

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

## **Budgetary Information**

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

On or before October 1 of each year, agencies are required to submit annual budget estimates for the next fiscal year or biennial budget estimates for the next fiscal year and the ensuing fiscal year to the Division of the Budget, in accordance with K.S.A. 75-3717. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However, in the case of the regular legislative session immediately following the election of a governor who was elected to the Office of Governor for the first time, that governor must submit the budget report to the legislature on or before the 21<sup>st</sup> calendar day of that regular session.

The State maintains budgetary restrictions and controls, imposed through annual appropriations and limitations, approved by the Legislature. Agency, fund, and budget unit usually establish the level of budgetary control in the central accounting system. Budgetary control is maintained by mechanisms in the accounting system that prevent expenditures and encumbrances in excess of appropriations or limitations and prevent expenditures in excess of 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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**Required Supplementary Information**  
June 30, 2019

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and other financing sources:</b>				
Property tax	\$ 12,100	\$ 12,300	\$ 1	\$ (12,299)
Income and inheritance tax	3,728,170	4,061,000	4,241,759	180,759
State sales tax	2,361,427	2,330,000	2,335,436	5,436
Consumer's and retailer's compensating use tax	405,000	422,000	431,967	9,967
Tobacco and liquor taxes	228,861	229,800	236,808	7,008
Severance taxes	36,300	41,500	41,696	196
Insurance premiums taxes	163,000	173,000	163,283	(9,717)
Other taxes	9,700	10,800	13,049	2,249
Operating grants	0	0	0	0
Investment earnings	20,000	50,000	27,421	(22,579)
Transfers	(7,800)	(147,700)	(211,546)	(63,846)
Charges for services, other revenues and financing sources	46,588	48,500	57,848	9,348
Total revenues and other financing sources	<u>7,003,346</u>	<u>7,231,200</u>	<u>7,337,722</u>	<u>106,522</u>
<b>Expenditures and other financing uses:</b>				
Current:				
General government	373,221	377,662	377,662	0
Human resources	1,142,901	1,187,278	1,187,278	0
Education	4,382,051	4,351,696	4,351,696	0
Public safety	410,944	411,215	411,215	0
Agriculture and natural resources	11,592	11,759	11,759	0
Health and environment	825,359	769,439	769,439	0
Total expenditures and other financing uses	<u>7,146,068</u>	<u>7,109,049</u>	<u>7,109,049</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(142,722)</u>	<u>122,151</u>	<u>228,673</u>	<u>\$ 106,522</u>
Fund balances, beginning of year	18,196	324,576	(229,349)	
Fund balances, end of year	<u>\$ (124,526)</u>	<u>\$ 446,727</u>	<u>\$ (676)</u>	

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

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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, 2019**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ 228,673
Current year encumbrances are reported as expenditures for budgetary reporting purposes	37,330
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(23,699)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(55,659)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>202,157</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 388,802</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
Social Services  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and other financing sources:</b>				
Tobacco and liquor taxes	\$ 3,607	\$ 3,607	\$ 3,656	\$ 49
Operating grants	425,986	425,500	651,140	225,640
Investment earnings	128	128	361	233
Transfers	958,106	995,347	941,732	(53,615)
Charges for services, other revenues and financing sources	112,509	104,985	107,713	2,728
Total revenues and other financing sources	<u>1,500,336</u>	<u>1,529,567</u>	<u>1,704,602</u>	<u>175,035</u>
<b>Expenditures and other financing uses:</b>				
Current:				
Human resources	<u>1,468,848</u>	<u>1,695,087</u>	<u>1,695,087</u>	<u>0</u>
Total expenditures and other financing uses	<u>1,468,848</u>	<u>1,695,087</u>	<u>1,695,087</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 31,488</u>	<u>\$ (165,520)</u>	<u>\$ 9,515</u>	<u>\$ 175,035</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

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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, 2019  
(expressed in thousands)**

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ 9,515
Current year encumbrances are reported as expenditures for budgetary reporting purposes	40,859
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(25,810)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(41,650)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>30,479</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 13,393</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
Health and Environment  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues and Other Financing Sources:</b>				
Insurance premiums taxes	\$ 500	\$ 500	\$ 212,797	\$ 212,297
Other taxes	0	0	1,548	1,548
Operating grants	1,594,630	1,600,335	2,347,337	747,002
Investment earnings	14	14	1,003	989
Transfers	7,978	7,978	(934,571)	(942,549)
Charges for services, other revenues & financing sources	580,959	596,306	437,964	(158,342)
Total revenues and other financing sources	<u>2,184,081</u>	<u>2,205,133</u>	<u>2,066,078</u>	<u>(139,055)</u>
<b>Expenditures and Other Financing Uses:</b>				
Current:				
Health and environment	<u>2,089,686</u>	<u>2,040,509</u>	<u>2,040,509</u>	<u>0</u>
Total expenditures and other financing uses	<u>2,089,686</u>	<u>2,040,509</u>	<u>2,040,509</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 94,395</u>	<u>\$ 164,624</u>	<u>\$ 25,569</u>	<u>\$ (139,055)</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

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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, 2019**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ 25,569
Current year encumbrances are reported as expenditures for budgetary reporting purposes	102,468
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(52,785)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(48,137)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>29,740</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 56,855</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
Education**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and Other Financing Sources:</b>				
Property tax	\$ 669,862	\$ 678,562	\$ 678,998	\$ 436
Severance taxes	9,069	9,233	9,233	0
Operating grants	502,236	502,236	482,234	(20,002)
Investment earnings	5	5	7	2
Transfers	253,505	256,656	252,803	(3,853)
Charges for services, other revenues & financing sources	61,135	64,335	66,789	2,454
Total revenues and other financing sources	<u>1,495,812</u>	<u>1,511,027</u>	<u>1,490,064</u>	<u>(20,963)</u>
<b>Expenditures and Other Financing Uses:</b>				
Current:				
Education	<u>1,491,952</u>	<u>1,491,199</u>	<u>1,491,199</u>	<u>0</u>
Total expenditures and other financing uses	<u>1,491,952</u>	<u>1,491,199</u>	<u>1,491,199</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 3,860</u>	<u>\$ 19,828</u>	<u>\$ (1,135)</u>	<u>\$ (20,963)</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Governmental Funds for *Education***  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ (1,135)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	10,715
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(7,107)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(2,351)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>400</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 522</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
Transportation Fund  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues:</b>				
Motor fuel taxes	\$ 300,746	\$ 306,787	\$ 305,605	\$ (1,182)
Vehicle registrations and permits	214,802	218,874	223,682	4,808
Intergovernmental	409,342	409,609	433,494	23,885
Sales and use taxes	519,357	530,341	533,548	3,207
Investment earnings	1,917	7,716	9,116	1,400
Other	4,927	4,808	5,780	972
Transfers from other state funds	1,279	1,055	51,226	50,171
Total revenues	<u>1,452,370</u>	<u>1,479,190</u>	<u>1,562,451</u>	<u>83,261</u>
<b>Expenditures, with legal limits:</b>				
Current operating:				
Maintenance	143,176	145,930	139,166	(6,764)
Construction	63,365	64,112	57,535	(6,577)
Local support	7,181	1,769	1,727	(42)
Transportation planning and modal support	64	13,189	10,611	(2,578)
Administration	55,772	48,682	40,057	(8,625)
Expenditures with legal limits	<u>269,558</u>	<u>273,682</u>	<u>249,096</u>	<u>(24,586)</u>
<b>Expenditures, without legal limits:</b>				
Current operating:				
Maintenance	450	450	690	240
Construction	474,726	377,125	457,977	80,852
Local support	54,473	30,000	24,231	(5,769)
Transportation planning and modal support	0	27,512	23,069	(4,443)
Administration	1,133	1,048	305	(743)
Transfers to other state funds	531,857	473,062	473,872	810
Expenditures without legal limits	<u>1,062,639</u>	<u>909,197</u>	<u>980,144</u>	<u>70,947</u>
Total expenditures	<u>1,332,197</u>	<u>1,182,879</u>	<u>1,229,240</u>	<u>46,361</u>
Excess of revenues over expenditures	<u>120,173</u>	<u>296,311</u>	<u>333,211</u>	<u>36,900</u>
<b>Other financing sources (uses):</b>				
Transfers-in	0	250,000	130,741	(119,259)
Transfers-out	(232,263)	(249,469)	(247,894)	1,575
Total other financing sources (uses)	<u>(232,263)</u>	<u>531</u>	<u>(117,153)</u>	<u>(117,684)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ (112,090)</u>	<u>\$ 296,842</u>	<u>\$ 216,058</u>	<u>\$ (80,784)</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

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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, 2019**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ 216,058
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	9,294
Current year encumbrances are reported as expenditures for budgetary reporting purposes	115,787
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	<u>(125,900)</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 215,239</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. Federal regulations 23 CFR 490 and 23 CFR 515 are used to report pavement condition.

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), percent cracking (number of transverse cracked slabs per total slabs in concrete or percent of the wheelpath area with longitudinal or fatigue type cracking in asphalt surfaces), and faulting in concrete or rutting in asphalt. Each factor is converted to a Good, Fair, Poor (GFP) designation. For instance, the International Roughness Index values for each 0.1 mile are used to assign that mile's roughness GFP based on <95 in/mile, 95-170 in/mile or >170 in/mile. Federal criteria are also used to generate GFP for cracking, rutting, and faulting on each 0.1 mile of highway pavement. Federal criteria are also used to generate GFP for cracking, rutting, and faulting on each 0.1 mile of highway pavement. Each 0.1 mile segment's ratings for the factors are combined by requiring that all three must be "Good" for an overall rating of "Good" or if any two are "Poor" the overall rating is "Poor". Every other combination becomes "Fair".

KDOT has targets 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 our pavement at levels above our minimum acceptable condition requires a pavement management strategy that accounts for life-cycle costs. KDOT has defined the minimum acceptable condition level as having at least 60 percent of the Interstate miles in "Good" and at least 50 percent of the Non-interstate miles in "Good". The table on the following page compares the minimum acceptable condition level with the actual condition for the current and prior years. Prior to fiscal year 2018, Required Supplementary Information pages were calculated using a different method. The actual condition levels for fiscal year 2016 and 2017 were converted to the current Federal methodology, as noted on the following page.

Data collected in Spring and Summer 2019 is still being processed to produce the Federal method's condition measures. It is consistent with Federal reporting regulations since data collected in calendar year 2019 is reported in April of the following year for Interstates and June for Non-interstates. Since 2019 data is not available and the table was updated to show what the Federal method conditions would have been in prior years, the 2016 row was retained to maintain three years in the series. KDOT anticipates that the 2019 numbers will continue to meet or exceed the minimum acceptable condition levels.

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition Level*	Actual Condition Level*	Minimum Acceptable Condition Level*	Actual Condition Level*
2016**	≥ 60	72.0	≥ 50	67.2
2017**	≥ 60	70.9	≥ 50	66.4
2018	≥ 60	64.3	≥ 50	59.8
2019	≥ 60	N/A	≥ 50	N/A

\* Percent of miles in “Good”

N/A – Not Available

\*\* - Prior years were converted to the current Federal methodology as noted in the prior paragraph.

KDOT’s target is to continually maintain and improve the condition of the State Highway System. To achieve this target 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 was estimated that annual preservation and replacement expenditures must exceed \$92 million in fiscal year 2019. To maintain the Non-interstate Highways at or above the stated minimum condition level, it was estimated that annual preservation and replacement expenditures must exceed \$265 million in fiscal year 2019. 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 project expenditures for preservation and some capacity and modernization costs that improve the roadway surface. 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).

Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition Level	Actual Expenses	Minimum Acceptable Condition Level	Actual Expenses
2015	93,000	144,777	231,000	423,375
2016	97,000	173,099	241,000	391,530
2017	83,000	137,753	242,000	332,824
2018	87,000	35,529	253,000	230,637
2019	92,000	29,463	265,000	238,410

### Bridges

Federal law (23 CFR 650) requires that each bridge be inspected at least every 24 months. Each major structural bridge component (deck, superstructure, and substructure or the overall culvert) is evaluated during detailed bridge inspections. A condition rating value which ranges from 0 (failed) to 9 (excellent) is assigned to each component. All bridge condition data is compiled in the field by the inspectors, reviewed in the office, and then entered into a bridge management system.

The Performance Measures are the percent of state-owned bridge deck area in “Good” and “Poor” Condition, with the minimum condition rating of each bridge being defined as follows:

- Good Condition: 7, 8 or 9
- Fair Condition: 5 or 6
- Deteriorated Condition: 0, 1, 2, 3 or 4

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

The table below compares the actual percentage of state-owned bridge deck area in “Good” and “Poor” condition to KDOT’s Performance Measures for the current and prior years. KDOT’s Performance Measure targets are to have more than 70% of state-owned bridge deck area in “Good” condition and less than 3% of state-owned bridge deck area in “Poor” condition.

Current State Bridge Performance Measures				
Fiscal Year	Minimum Percentage of “Good” Deck Area	Actual Percentage of “Good” Deck Area	Minimum Percentage of “Poor” Deck Area	Actual Percentage of “Poor” Deck Area
2017	>70	76	<5	1
2018	>70	75	<3	1
2019	>70	72	<3	1

KDOT’s target is to continually improve the condition of the State’s bridge system. To achieve this target 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 better than the stated acceptable percentages of bridge deck area in “Good” and “Poor” condition, it is estimated that annual preservation and replacement expenditures must be approximately \$85 million for fiscal year 2019.

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

Fiscal Year	Estimated Expenditures Needed to Maintain the System at the Minimum Acceptable Percentages	Actual Expenses
2015	\$81,000	\$129,420
2016	85,000	124,954
2017	77,000	100,122
2018	81,000	56,463
2019	85,000	76,931

*Note: the estimates in this table are to maintain the bridges at the minimum percentage of “good” deck area.*

State of Kansas  
**Required Supplementary Information**  
June 30, 2019

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**Schedule of Changes in the State's  
Death & Disability Total OPEB Liability and Related Ratios  
Last Two Fiscal Years\***

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Measurement Date	2019 June 30, 2018	2018 June 30, 2017
<b>Primary Government: Employer</b>		
<b>Total OPEB liability</b>		
Service cost	\$ 3,711	\$ 3,971
Interest	1,617	1,312
Effect of economic/demographic gains or losses	(3,614)	0
Effect of assumptions changes or inputs	(470)	(1,299)
Benefit payments	(4,635)	(4,609)
<b>Net change in total OPEB liability</b>	<b>(3,391)</b>	<b>(625)</b>
<b>Total OPEB liability - beginning</b>	<b>43,755</b>	<b>44,380</b>
<b>Total OPEB liability - ending</b>	<b>\$ 40,364</b>	<b>\$ 43,755</b>
<b>Covered payroll</b>	<b>\$ 871,681</b>	<b>\$ 884,494</b>

<b>Total OPEB liability as a percentage of covered payroll</b>	4.63%	4.95%
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**Primary Government: Nonemployer**

<b>Total OPEB liability</b>		
Service cost	\$ 1,040	\$ 1,102
Interest	435	360
Effect of economic/demographic gains or losses	(395)	0
Effect of assumptions changes or inputs	(127)	(353)
Benefit payments	(1,713)	(1,375)
<b>Net change in total OPEB liability</b>	<b>(760)</b>	<b>(266)</b>
<b>Total OPEB liability - beginning</b>	<b>11,956</b>	<b>12,222</b>
<b>Total OPEB liability - ending</b>	<b>\$ 11,196</b>	<b>\$ 11,956</b>

**Component Units**

<b>Total OPEB liability</b>		
Service cost	\$ 6,374	\$ 6,525
Interest	1,379	994
Effect of economic/demographic gains or losses	(4,904)	0
Effect of assumptions changes or inputs	(356)	(848)
Benefit payments	(2,677)	(2,988)
<b>Net change in total OPEB liability</b>	<b>(184)</b>	<b>3,683</b>
<b>Total OPEB liability - beginning</b>	<b>33,476</b>	<b>29,793</b>
<b>Total OPEB liability - ending</b>	<b>\$ 33,292</b>	<b>\$ 33,476</b>
<b>Covered payroll</b>	<b>\$ 167,017</b>	<b>\$ 167,017</b>

<b>Total OPEB liability as a percentage of covered payroll</b>	19.93%	20.04%
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\* GASB 75 requires presentation of ten years. As of June 30, 2019, only two years of information is available.

*Changes of assumptions.* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period:

June 30, 2018: 3.87%  
June 30, 2017: 3.58%  
June 30, 2016: 2.85%

State of Kansas  
Required Supplementary Information  
June 30, 2018

**Schedule of the State's Proportionate Share of the Net Pension Liability**  
**Kansas Pension Retirement Plan**  
**Last 6 Years\***

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<b>Primary Government: Employer</b>						
Proportion of the net pension liability						
State/School employees	17.053%	17.976%	18.384%	18.702%	18.323%	18.936%
Police and Firemen	8.176%	8.745%	7.805%	7.446%	7.451%	7.90%
Judges	100%	100%	100%	100%	100%	100%
Proportionate share of the collective net pension liability	\$ 1,211,979	\$ 1,313,129	\$ 1,329,325	\$ 1,364,406	\$ 1,234,936	\$ 1,469,597
Covered payroll	\$ 871,681	\$ 884,494	\$ 839,583	\$ 858,466	\$ 859,799	\$ 876,152
Proportionate share of the collective net pension liability as a percentage of its covered payroll	139.04%	148.46%	158.33%	158.94%	143.63%	167.73%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%
<b>Primary Government: Nonemployer</b>						
State's proportion of the net pension liability of the special funding group	97.485%	96.545%	96.710%	96.390%	100.000%	100.000%
State's proportionate share of the collective net pension liability	\$ 686,084	\$ 714,775	\$ 723,745	\$ 720,205	\$ 676,508	\$ 774,047
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%
<b>Component Units</b>						
Proportion of the net pension liability						
State/School employees	2.884%	3.218%	3.410%	3.516%	3.407%	3.587%
Police and Firemen	1.552%	1.568%	1.434%	1.345%	1.215%	1.775%
Local	1.007%	1.079%	1.082%	1.123%	1.169%	1.279%
Proportionate share of the collective net pension liability	\$ 217,080	\$ 246,569	\$ 259,191	\$ 268,020	\$ 240,024	\$ 288,521
Covered payroll	\$ 167,017	\$ 176,609	\$ 174,256	\$ 199,807	\$ 153,190	\$ 187,276
Proportionate share of the collective net pension liability as a percentage of its covered payroll	129.97%	139.61%	148.74%	134.14%	156.68%	154.06%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

\* GASB 68 requires a presentation of 10 years. As of June 30, 2019 only six years of information is available

Note: Information on this schedule is measured as of the measurement date.

State of Kansas  
**Required Supplementary Information**  
June 30, 2018

**Schedule of State Contributions**  
**Kansas Pension Retirement Plan**  
**Last 6 Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Primary Government: Employer</b>						
Contractually required contribution	\$ 122,627	\$ 109,001	\$ 103,241	\$ 102,593	\$ 94,083	\$ 84,107
Contributions in relation to the contractually required contribution	<u>(122,627)</u>	<u>(109,001)</u>	<u>(103,241)</u>	<u>(222,790)</u>	<u>(94,083)</u>	<u>(84,107)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (120,197)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll	\$ 900,487	\$ 871,681	\$ 884,494	\$ 839,583	\$ 858,466	\$ 859,799
Contributions as a percentage of covered payroll	13.62%	12.50%	11.67%	12.22%	10.96%	9.78%
<b>Primary Government: Nonemployer</b>						
Contractually required contribution	\$ 68,116	\$ 60,231	\$ 52,748	\$ 50,323	\$ 45,182	\$ 47,738
Contributions in relation to the contractually required contribution	<u>(68,116)</u>	<u>(60,231)</u>	<u>(52,748)</u>	<u>(165,443)</u>	<u>(45,182)</u>	<u>(47,738)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (115,120)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Component Units</b>						
Contractually required contribution	\$ 20,326	\$ 19,466	\$ 18,861	\$ 19,062	\$ 18,256	\$ 17,974
Contributions in relation to the contractually required contribution	<u>(20,326)</u>	<u>(19,466)</u>	<u>(18,861)</u>	<u>(19,062)</u>	<u>(18,256)</u>	<u>(17,974)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll	\$ 160,988	\$ 167,017	\$ 176,609	\$ 174,256	\$ 199,807	\$ 153,190
Contributions as a percentage of covered payroll	12.63%	11.66%	10.68%	10.94%	9.14%	11.73%

\* GASB 68 requires a presentation of 10 years. As of June 30, 2019 only six years of information is available

Note: Covered payroll is measured as of the fiscal year end, the most recent of which is June 30, 2019

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*Changes in benefit terms for KPERS.* In the state fiscal year 2014, the KP&F group had a change in benefit terms. The Legislature increased this group's employee contributions to 7.15 percent and eliminated the reduction of employee contributions to 2.0 percent after 32 years of service. In addition, the maximum retirement benefit increased to 90 percent of final average salary (reached at 36 years of service). Before this change the maximum retirement benefit was limited to 80 percent of final average salary (reached at 32 years of service).

Effective January 1, 2014, KPERS 1 member's employee contribution rate increased to 5.0 percent and then on January 1, 2015, increase to 6.0 percent, with an increase in benefit multiplier to 1.85 percent for future years of service. For KPERS 2 members retired after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85 percent multiplier for all years of service.

January 1, 2015, the KPERS 3 cash balance plan became effective. Members enrolled in this plan are ones first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

For the state fiscal year 2017, the KP&F group had a change in benefit terms. The Legislature changed the duty-related death benefit for KP&F members to the greater of 50% of Final Average Salary and member's accrued retirement benefit under the 100% joint and survivor option, payable to the member's spouse. Including any benefits that may be due to child beneficiaries, the total monthly benefits may not exceed 90% of the member's Final Average Salary. Prior to this bill, the duty-related spousal death benefit for KP&F member was 50% of the Final Average Salary, and the maximum available to the family was 75% of the member's Final Average Salary.

For the state fiscal year 2017, the Legislature changed the working after retirement rules for members who retire on or after January 1, 2018. The key changes to the working after retirement rules were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, remove the earnings limitation for all retirees and establish a single-employer contribution schedule for all retirees.

*Changes in assumptions for KPERS.* As a result of the experience study completed in November 2016, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2016 and include:

- The price inflation assumption was lowered from 3.00% to 2.75%.
- The investment return assumption was lowered from 8.00% to 7.75%.
- The general wage growth assumption was lowered from 4.00% to 3.50%.
- The payroll growth assumption was lowered from 4.00% to 3.00%.

Changes from the November 2016 experience study that impacted individual groups are listed below:

**KPERS:**

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table, with adjustments to better fit the observed experience for the various KPERS groups. The most recent mortality improvement scale, MP-2016, is used to anticipate future mortality improvements in the valuation process through the next experience study.
- The active member mortality assumption was modified to also be based on the RP-2014 Employee Mortality Table with adjustments.
- The retirement rates for the select period (when first eligible for unreduced benefits under Rule of 85) were increased, but all other retirement rates were decreased.
- Disability rates were decreased for all three groups
- The termination of employment assumption was increased for all three groups
- The interest crediting rate assumption for KPERS 3 members was lowered from 6.50% to 6.25%.

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KP&F:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table with 1-year age set forward and the MP-2016, is used to anticipate future mortality improvements.
- The mortality assumption for disabled members was changed to the RP-2014 Disabled Lives Table (generational using MP-2016) with a 1-year age set forward.
- The active member mortality assumption was modified to the RP-2014 Employee Mortality Table with a 1-year age set forward with a 90% scaling factor.
- The retirement rates for Tier 1 were lowered and the ultimate assumed retirement age was changed from 63 to 65 for Tier 2.
- The termination of employment rates for Tier 2 were increased to better match the observed experience.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**Listing of Non-Major Governmental Funds**

**Special Revenue Funds**

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

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

**Capital Projects Funds**

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

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

### **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  
Labor  
Bond and Interest  
Highway Debt Service

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**Combining Balance Sheet - Non-major Governmental Funds**  
**June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General
<b>ASSETS</b>				
Cash and cash equivalents	\$ 80,271	\$ 17,954	\$ 0	\$ 0
Investments	14,916	0	0	0
Receivables, net	12,827	1,451	0	12,551
Due from other funds	2,760	2,659	12,934	0
Inventories	85	1,522	0	0
Advances to other funds	1,500	2,500	12,934	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<b>\$ 112,359</b>	<b>\$ 26,086</b>	<b>\$ 25,868</b>	<b>\$ 12,551</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 11,670	\$ 1,269	\$ 2,648	\$ 4,972
Due to other funds	0	0	0	5,396
Advances from other funds	0	0	0	0
Unearned revenue	2,064	0	0	0
<b>Total liabilities</b>	<b>13,734</b>	<b>1,269</b>	<b>2,648</b>	<b>10,368</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
Unavailable revenue - other	7,204	202	0	6,894
<b>Total deferred inflows of resources</b>	<b>7,204</b>	<b>202</b>	<b>0</b>	<b>6,894</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	85	1,522	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	66,577	0	0	0
Human Resources	3,574	0	23,220	0
Education	3	0	0	0
Public Safety	7,673	23,093	0	0
Agriculture and natural resources	13,509	0	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	(4,711)
<b>Total fund balance</b>	<b>91,421</b>	<b>24,615</b>	<b>23,220</b>	<b>(4,711)</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 112,359</b>	<b>\$ 26,086</b>	<b>\$ 25,868</b>	<b>\$ 12,551</b>

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**Combining Balance Sheet - Non-major Governmental Funds - Continued**  
**June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			
	Agriculture	Attorney General	Administration	Highway Patrol
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,280	\$ 25,103	\$ 7,824	\$ 31,668
Investments	0	0	0	0
Receivables, net	1,659	1,015	84	52
Due from other funds	2,000	2,500	0	1,500
Inventories	0	0	1,800	327
Advances to other funds	2,000	2,500	0	1,500
Restricted cash and cash equivalents	0	0	16	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 20,939</u>	<u>\$ 31,118</u>	<u>\$ 9,724</u>	<u>\$ 35,047</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 2,415	\$ 1,454	\$ 507	\$ 3,808
Due to other funds	236	0	0	0
Advances from other funds	529	0	0	0
Unearned revenue	0	0	0	0
<b>Total liabilities</b>	<u>3,180</u>	<u>1,454</u>	<u>507</u>	<u>3,808</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
Unavailable revenue - other	0	0	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	0	0	1,800	327
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	0	22,624	7,417	0
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	7,040	0	30,912
Agriculture and natural resources	17,759	0	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
<b>Total fund balance</b>	<u>17,759</u>	<u>29,664</u>	<u>9,217</u>	<u>31,239</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 20,939</u>	<u>\$ 31,118</u>	<u>\$ 9,724</u>	<u>\$ 35,047</u>

State of Kansas  
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**Combining Balance Sheet - Non-major Governmental Funds - Continued**  
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*(expressed in thousands)*

	Special Revenue Funds			
	Historical Society	Labor	Commerce	Insurance
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,157	\$ 16,809	\$ 38,897	\$ 10,608
Investments	0	0	7,119	0
Receivables, net	232	2,006	1,098	0
Due from other funds	0	7,500	15,178	5,000
Inventories	0	0	60	0
Advances to other funds	0	7,500	12,468	5,000
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	819	0
<b>Total assets</b>	<u>\$ 6,389</u>	<u>\$ 33,815</u>	<u>\$ 75,639</u>	<u>\$ 20,608</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 201	\$ 1,453	\$ 4,749	\$ 811
Due to other funds	0	0	0	0
Advances from other funds	0	0	0	0
Unearned revenue	0	0	0	0
<b>Total liabilities</b>	<u>201</u>	<u>1,453</u>	<u>4,749</u>	<u>811</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
Unavailable revenue - other	0	440	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>440</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	0	0	60	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	0	0	70,830	19,797
Human Resources	0	31,922	0	0
Education	6,188	0	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
<b>Total fund balance</b>	<u>6,188</u>	<u>31,922</u>	<u>70,890</u>	<u>19,797</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 6,389</u>	<u>\$ 33,815</u>	<u>\$ 75,639</u>	<u>\$ 20,608</u>

State of Kansas  
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**Combining Balance Sheet - Non-major Governmental Funds - Continued**  
**June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			
	Judicial	State Library	Revenue	Secretary of State
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,979	\$ 1,008	\$ 22,512	\$ 11,929
Investments	0	0	0	0
Receivables, net	226	0	3	0
Due from other funds	9,390	0	1,500	0
Inventories	0	0	0	0
Advances to other funds	9,390	0	1,500	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 28,985</u>	<u>\$ 1,008</u>	<u>\$ 25,515</u>	<u>\$ 11,929</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 2,108	\$ 5	\$ 10,063	\$ 125
Due to other funds	0	0	0	0
Advances from other funds	0	0	0	0
Unearned revenue	0	0	0	0
<b>Total liabilities</b>	<u>2,108</u>	<u>5</u>	<u>10,063</u>	<u>125</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
Unavailable revenue - other	0	0	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	26,877	0	15,452	11,804
Human Resources	0	0	0	0
Education	0	1,003	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
<b>Total fund balance</b>	<u>26,877</u>	<u>1,003</u>	<u>15,452</u>	<u>11,804</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 28,985</u>	<u>\$ 1,008</u>	<u>\$ 25,515</u>	<u>\$ 11,929</u>

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**Combining Balance Sheet - Non-major Governmental Funds - Continued**  
**June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Treasurer	Wildlife, Parks and Tourism	Executive	Legislative
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,729	\$ 47,122	\$ 3,265	\$ 145
Investments	0	0	0	0
Receivables, net	3	3,006	0	0
Due from other funds	26,282	5,000	0	0
Inventories	0	0	0	0
Advances to other funds	165,505	5,000	0	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<b>\$ 195,519</b>	<b>\$ 60,128</b>	<b>\$ 3,265</b>	<b>\$ 145</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 191,853	\$ 6,991	\$ 26	\$ 0
Due to other funds	0	0	0	0
Advances from other funds	0	0	0	0
Unearned revenue	0	0	0	0
<b>Total liabilities</b>	<b>191,853</b>	<b>6,991</b>	<b>26</b>	<b>0</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	0
Unavailable revenue - other	0	1,575	0	0
<b>Total deferred inflows of resources</b>	<b>0</b>	<b>1,575</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	3,666	0	3,239	145
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	51,562	0	0
Highways and other transportation	0	0	0	0
Unassigned	0	0	0	0
<b>Total fund balance</b>	<b>3,666</b>	<b>51,562</b>	<b>3,239</b>	<b>145</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 195,519</b>	<b>\$ 60,128</b>	<b>\$ 3,265</b>	<b>\$ 145</b>

State of Kansas  
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**Combining Balance Sheet - Non-major Governmental Funds - Continued**

**June 30, 2019**

*(expressed in thousands)*

	Special Revenue Funds			Capital Projects Funds
	Transportation-Special Revenue	State Water Plan	Peace Officer Training	Transportation-Capital Projects
<b>ASSETS</b>				
Cash and cash equivalents	\$ 56,629	\$ 3	\$ 1,375	\$ 0
Investments	0	0	0	0
Receivables, net	6,219	2,726	0	111
Due from other funds	0	4,745	0	0
Inventories	0	0	0	0
Advances to other funds	0	4,745	0	0
Restricted cash and cash equivalents	0	0	0	71,781
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 62,848</u>	<u>\$ 12,219</u>	<u>\$ 1,375</u>	<u>\$ 71,892</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 2,396	\$ 1,136	\$ 21	\$ 0
Due to other funds	0	0	0	0
Advances from other funds	0	0	0	0
Unearned revenue	0	0	0	0
<b>Total liabilities</b>	<u>2,396</u>	<u>1,136</u>	<u>21</u>	<u>0</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	118	0	0
Unavailable revenue - other	0	0	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>118</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	0	0	0	0
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	0	1,354	0
Agriculture and natural resources	0	10,965	0	0
Highways and other transportation	60,452	0	0	71,892
Unassigned	0	0	0	0
<b>Total fund balance</b>	<u>60,452</u>	<u>10,965</u>	<u>1,354</u>	<u>71,892</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 62,848</u>	<u>\$ 12,219</u>	<u>\$ 1,375</u>	<u>\$ 71,892</u>

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**Combining Balance Sheet - Non-major Governmental Funds - Continued**  
**June 30, 2019**  
*(expressed in thousands)*

	Capital Projects Funds		Debt Service Funds
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,146	\$ 341	\$ 2,620
Investments	0	0	0
Receivables, net	0	0	7,848
Due from other funds	25,699	0	627
Inventories	0	0	0
Advances to other funds	25,380	0	683
Restricted cash and cash equivalents	0	4	0
Restricted investments	0	0	0
<b>Total assets</b>	<u>\$ 55,225</u>	<u>\$ 345</u>	<u>\$ 11,778</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	\$ 1,784	\$ 0	\$ 3
Due to other funds	0	0	0
Advances from other funds	0	0	0
Unearned revenue	0	0	0
<b>Total liabilities</b>	<u>1,784</u>	<u>0</u>	<u>3</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	0	0	0
Unavailable revenue - other	0	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventories	0	0	0
Restricted for:			
Capital Projects	53,441	345	0
Debt Service	0	0	11,775
General government	0	0	0
Human Resources	0	0	0
Education	0	0	0
Public Safety	0	0	0
Agriculture and natural resources	0	0	0
Highways and other transportation	0	0	0
Unassigned	0	0	0
<b>Total fund balance</b>	<u>53,441</u>	<u>345</u>	<u>11,775</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 55,225</u>	<u>\$ 345</u>	<u>\$ 11,778</u>

State of Kansas  
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**Combining Balance Sheet - Non-major Governmental Funds - Continued**  
**June 30, 2019**  
*(expressed in thousands)*

	Debt Service Funds		
	Corrections	Pooled Funds	Armories
<b>ASSETS</b>			
Cash and cash equivalents	\$ 0	\$ 0	\$ 0
Investments	0	0	0
Receivables, net	0	0	0
Due from other funds	0	0	0
Inventories	0	0	0
Advances to other funds	0	0	0
Restricted cash and cash equivalents	7	0	1
Restricted investments	0	0	0
<b>Total assets</b>	<u>\$ 7</u>	<u>\$ 0</u>	<u>\$ 1</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	\$ 0	\$ 0	\$ 0
Due to other funds	0	0	0
Advances from other funds	0	0	0
Unearned revenue	0	0	0
<b>Total liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	0	0	0
Unavailable revenue - other	0	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventories	0	0	0
Restricted for:			
Capital Projects	0	0	0
Debt Service	7	0	1
General government	0	0	0
Human Resources	0	0	0
Education	0	0	0
Public Safety	0	0	0
Agriculture and natural resources	0	0	0
Highways and other transportation	0	0	0
Unassigned	0	0	0
<b>Total fund balance</b>	<u>7</u>	<u>0</u>	<u>1</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 7</u>	<u>\$ 0</u>	<u>\$ 1</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Balance Sheet - Non-major Governmental Funds - Concluded**  
**June 30, 2019**  
*(expressed in thousands)*

	Debt Service Funds			
	Labor	Bond and Interest	Highway Debt Service	Total Non-major Governmental
<b>ASSETS</b>				
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 415,374
Investments	0	0	0	22,035
Receivables, net	0	0	431	53,548
Due from other funds	0	0	0	125,274
Inventories	0	0	0	3,794
Advances to other funds	0	0	0	260,105
Restricted cash and cash equivalents	0	2,118	129,539	203,466
Restricted investments	0	0	0	819
<b>Total assets</b>	<u>\$ 0</u>	<u>\$ 2,118</u>	<u>\$ 129,970</u>	<u>\$ 1,084,415</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 0	\$ 67	\$ 0	\$ 252,535
Due to other funds	0	0	0	5,632
Advances from other funds	0	0	0	529
Unearned revenue	0	0	0	2,064
<b>Total liabilities</b>	<u>0</u>	<u>67</u>	<u>0</u>	<u>260,760</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	0	0	0	118
Unavailable revenue - other	0	0	0	16,315
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,433</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	0	0	0	3,794
Restricted for:				
Capital Projects	0	0	0	53,786
Debt Service	0	2,051	129,970	143,804
General government	0	0	0	248,428
Human Resources	0	0	0	58,716
Education	0	0	0	7,194
Public Safety	0	0	0	70,072
Agriculture and natural resources	0	0	0	93,795
Highways and other transportation	0	0	0	132,344
Unassigned	0	0	0	(4,711)
<b>Total fund balance</b>	<u>0</u>	<u>2,051</u>	<u>129,970</u>	<u>807,222</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 0</u>	<u>\$ 2,118</u>	<u>\$ 129,970</u>	<u>\$ 1,084,415</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Non-major Governmental Funds  
For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Regulatory Boards and Commission	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	313	0	0	0
Gross receipts tax	7,343	0	0	0
Charges for services	158,063	18,996	55,989	1,904
Operating grants	2,392	1,025	0	53,827
Capital grants	97	0	0	0
Investment earnings (loss)	952	119	465	2
Other revenues	3,943	2,726	0	0
<b>Total revenues</b>	<u>173,103</u>	<u>22,866</u>	<u>56,454</u>	<u>55,733</u>
<b>Expenditures:</b>				
Current:				
General government	125,125	0	0	0
Human resources	19,888	0	10,720	0
Education	0	0	32,185	0
Public safety	7,984	24,240	0	63,554
Agriculture and natural resources	8,590	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	6,936	0
Debt service:				
Principal	1,269	83	0	0
Interest	478	65	0	0
<b>Total expenditures</b>	<u>163,334</u>	<u>24,388</u>	<u>49,841</u>	<u>63,554</u>
<b>Excess of revenues over (under) expenditures</b>	<u>9,769</u>	<u>(1,522)</u>	<u>6,613</u>	<u>(7,821)</u>
<b>Other financing sources (uses):</b>				
Sale of assets	0	0	0	0
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Transfers, net	(567)	4,976	(1,712)	1,414
<b>Total other financing sources (uses)</b>	<u>(567)</u>	<u>4,976</u>	<u>(1,712)</u>	<u>1,414</u>
<b>Net change in fund balances</b>	<u>9,202</u>	<u>3,454</u>	<u>4,901</u>	<u>(6,407)</u>
<b>Fund balances, beginning of year</b>	85,714	21,253	18,319	1,696
Revisions to beginning fund balances	(3,495)	(92)	0	0
Fund balances, beginning of year (restated)	<u>82,219</u>	<u>21,161</u>	<u>18,319</u>	<u>1,696</u>
<b>Fund balances, end of year</b>	<u>\$ 91,421</u>	<u>\$ 24,615</u>	<u>\$ 23,220</u>	<u>\$ (4,711)</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Non-major Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			
	Agriculture	Attorney General	Administration	Highway Patrol
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	1,000	0	2,938
Gross receipts tax	0	0	0	0
Charges for services	24,457	17,864	2,907	19,882
Operating grants	11,478	6,773	455	13,157
Capital grants	0	0	0	0
Investment earnings (loss)	9	57	80	53
Other revenues	1,175	5,899	21,652	139
<b>Total revenues</b>	<b>37,119</b>	<b>31,593</b>	<b>25,094</b>	<b>36,169</b>
<b>Expenditures:</b>				
Current:				
General government	0	18,067	23,560	0
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	16,387	0	90,702
Agriculture and natural resources	33,794	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	335	0	36,225	73
Interest	402	0	63,900	0
<b>Total expenditures</b>	<b>34,531</b>	<b>34,454</b>	<b>123,685</b>	<b>90,775</b>
<b>Excess of revenues over (under) expenditures</b>	<b>2,588</b>	<b>(2,861)</b>	<b>(98,591)</b>	<b>(54,606)</b>
<b>Other financing sources (uses):</b>				
Sale of assets	0	0	0	0
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	921
Premium on issuance of debt	0	0	0	0
Transfers, net	1,202	5,258	100,835	57,094
<b>Total other financing sources (uses)</b>	<b>1,202</b>	<b>5,258</b>	<b>100,835</b>	<b>58,015</b>
<b>Net change in fund balances</b>	<b>3,790</b>	<b>2,397</b>	<b>2,244</b>	<b>3,409</b>
<b>Fund balances, beginning of year</b>	<b>13,969</b>	<b>27,267</b>	<b>6,973</b>	<b>27,830</b>
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	13,969	27,267	6,973	27,830
<b>Fund balances, end of year</b>	<b>\$ 17,759</b>	<b>\$ 29,664</b>	<b>\$ 9,217</b>	<b>\$ 31,239</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Non-major Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			
	Historical Society	Labor	Commerce	Insurance
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	22,742	0
Sales and excise tax	975	0	0	0
Gross receipts tax	0	0	59	15,625
Charges for services	749	4,127	543	33,312
Operating grants	1,270	20,503	41,378	0
Capital grants	0	0	0	0
Investment earnings (loss)	36	0	(5,678)	0
Other revenues	16	10,273	3,243	24
<b>Total revenues</b>	<u>3,046</u>	<u>34,903</u>	<u>62,287</u>	<u>48,961</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	66,482	25,393
Human resources	0	37,449	0	0
Education	2,524	0	4,377	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	29,377	0
Interest	0	0	4,574	0
<b>Total expenditures</b>	<u>2,524</u>	<u>37,449</u>	<u>104,810</u>	<u>25,393</u>
<b>Excess of revenues over (under) expenditures</b>	<u>522</u>	<u>(2,546)</u>	<u>(42,523)</u>	<u>23,568</u>
<b>Other financing sources (uses):</b>				
Sale of assets	0	0	0	0
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Transfers, net	6	109	25,436	(17,013)
<b>Total other financing sources (uses)</b>	<u>6</u>	<u>109</u>	<u>25,436</u>	<u>(17,013)</u>
<b>Net change in fund balances</b>	<u>528</u>	<u>(2,437)</u>	<u>(17,087)</u>	<u>6,555</u>
<b>Fund balances, beginning of year</b>	5,660	34,359	87,977	13,242
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>5,660</u>	<u>34,359</u>	<u>87,977</u>	<u>13,242</u>
<b>Fund balances, end of year</b>	<u>\$ 6,188</u>	<u>\$ 31,922</u>	<u>\$ 70,890</u>	<u>\$ 19,797</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Non-major Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			
	Judicial	State Library	Revenue	Secretary of State
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	4,458	0
Gross receipts tax	0	0	295	0
Charges for services	36,086	0	28,454	4,358
Operating grants	469	2,029	0	4,384
Capital grants	0	0	0	0
Investment earnings (loss)	64	0	0	101
Other revenues	1,202	32	286	0
<b>Total revenues</b>	<b>37,821</b>	<b>2,061</b>	<b>33,493</b>	<b>8,843</b>
<b>Expenditures:</b>				
Current:				
General government	38,172	0	97,702	3,413
Human resources	0	0	0	0
Education	0	1,989	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	313	0
Interest	0	0	745	0
<b>Total expenditures</b>	<b>38,172</b>	<b>1,989</b>	<b>98,760</b>	<b>3,413</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(351)</b>	<b>72</b>	<b>(65,267)</b>	<b>5,430</b>
<b>Other financing sources (uses):</b>				
Sale of assets	0	0	0	0
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Transfers, net	223	0	67,949	0
<b>Total other financing sources (uses)</b>	<b>223</b>	<b>0</b>	<b>67,949</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>(128)</b>	<b>72</b>	<b>2,682</b>	<b>5,430</b>
<b>Fund balances, beginning of year</b>	<b>27,005</b>	<b>931</b>	<b>12,770</b>	<b>6,374</b>
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	27,005	931	12,770	6,374
<b>Fund balances, end of year</b>	<b>\$ 26,877</b>	<b>\$ 1,003</b>	<b>\$ 15,452</b>	<b>\$ 11,804</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Non-major Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Treasurer	Wildlife, Parks and Tourism	Executive	Legislative
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	1,013	0	0
Gross receipts tax	0	0	0	0
Charges for services	554	45,629	0	41
Operating grants	0	21,288	21,776	0
Capital grants	0	0	0	0
Investment earnings (loss)	4,174	378	34	0
Other revenues	30,254	136	123	0
<b>Total revenues</b>	<b>34,982</b>	<b>68,444</b>	<b>21,933</b>	<b>41</b>
<b>Expenditures:</b>				
Current:				
General government	30,661	0	18,571	1
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	78,200	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	75	0	0
Interest	0	66	0	0
<b>Total expenditures</b>	<b>30,661</b>	<b>78,341</b>	<b>18,571</b>	<b>1</b>
<b>Excess of revenues over (under) expenditures</b>	<b>4,321</b>	<b>(9,897)</b>	<b>3,362</b>	<b>40</b>
<b>Other financing sources (uses):</b>				
Sale of assets	0	0	0	0
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Transfers, net	(3,450)	10,262	(655)	0
<b>Total other financing sources (uses)</b>	<b>(3,450)</b>	<b>10,262</b>	<b>(655)</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>871</b>	<b>365</b>	<b>2,707</b>	<b>40</b>
<b>Fund balances, beginning of year</b>	<b>2,795</b>	<b>51,692</b>	<b>532</b>	<b>105</b>
Revisions to beginning fund balances	0	(495)	0	0
Fund balances, beginning of year (restated)	2,795	51,197	532	105
<b>Fund balances, end of year</b>	<b>\$ 3,666</b>	<b>\$ 51,562</b>	<b>\$ 3,239</b>	<b>\$ 145</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Non-major Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Special Revenue Funds			Capital Projects Funds
	Transportation- Special Revenue	State Water Plan	Peace Officer Training	Transportation-Capital Projects
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	2,996	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	5,213	807	0
Operating grants	4,807	0	0	0
Capital grants	0	0	0	0
Investment earnings (loss)	420	8	0	1,928
Other revenues	2,716	5,727	158	0
<b>Total revenues</b>	<u>7,943</u>	<u>13,944</u>	<u>965</u>	<u>1,928</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	0	0
Human resources	0	0	0	0
Education	0	27	0	0
Public safety	0	0	769	0
Agriculture and natural resources	0	10,073	0	0
Highways and other transportation	25,690	0	0	0
Health and environment	0	1,796	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<u>25,690</u>	<u>11,896</u>	<u>769</u>	<u>0</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(17,747)</u>	<u>2,048</u>	<u>196</u>	<u>1,928</u>
<b>Other financing sources (uses):</b>				
Sale of assets	1,982	0	0	0
Issuance of bonds	0	0	0	173,035
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	26,962
Transfers, net	21,000	2,021	0	(130,033)
<b>Total other financing sources (uses)</b>	<u>22,982</u>	<u>2,021</u>	<u>0</u>	<u>69,964</u>
<b>Net change in fund balances</b>	<u>5,235</u>	<u>4,069</u>	<u>196</u>	<u>71,892</u>
<b>Fund balances, beginning of year</b>	55,217	6,896	1,158	0
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>55,217</u>	<u>6,896</u>	<u>1,158</u>	<u>0</u>
<b>Fund balances, end of year</b>	<u>\$ 60,452</u>	<u>\$ 10,965</u>	<u>\$ 1,354</u>	<u>\$ 71,892</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Non-major Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Capital Projects Funds		Debt Service Funds
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program
<b>Revenues:</b>			
Property tax	\$ 60,411	\$ 0	\$ 0
Income and inheritance tax	0	0	0
Sales and excise tax	0	0	0
Gross receipts tax	0	0	0
Charges for services	3	0	0
Operating grants	0	0	0
Capital grants	0	0	0
Investment earnings (loss)	0	0	35
Other revenues	169	0	121
<b>Total revenues</b>	<u>60,583</u>	<u>0</u>	<u>156</u>
<b>Expenditures:</b>			
Current:			
General government	311	19	0
Human resources	4,171	0	0
Education	44,959	0	0
Public safety	5,330	0	0
Agriculture and natural resources	0	0	0
Highways and other transportation	0	0	0
Health and environment	0	0	0
Debt service:			
Principal	0	7,420	3,204
Interest	0	3,141	357
<b>Total expenditures</b>	<u>54,771</u>	<u>10,580</u>	<u>3,561</u>
<b>Excess of revenues over (under) expenditures</b>	<u>5,812</u>	<u>(10,580)</u>	<u>(3,405)</u>
<b>Other financing sources (uses):</b>			
Sale of assets	0	0	0
Issuance of bonds	0	0	0
Issuance of capital leases	0	0	840
Premium on issuance of debt	0	0	0
Transfers, net	(6,209)	10,556	0
<b>Total other financing sources (uses)</b>	<u>(6,209)</u>	<u>10,556</u>	<u>840</u>
<b>Net change in fund balances</b>	<u>(397)</u>	<u>(24)</u>	<u>(2,565)</u>
<b>Fund balances, beginning of year</b>	53,838	369	14,340
Revisions to beginning fund balances	0	0	0
Fund balances, beginning of year (restated)	<u>53,838</u>	<u>369</u>	<u>14,340</u>
<b>Fund balances, end of year</b>	<u>\$ 53,441</u>	<u>\$ 345</u>	<u>\$ 11,775</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Non-major Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Debt Service Funds		
	Corrections	Pooled Funds	Armories
<b>Revenues:</b>			
Property tax	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0
Sales and excise tax	0	0	0
Gross receipts tax	0	0	0
Charges for services	0	0	0
Operating grants	0	0	0
Capital grants	0	0	0
Investment earnings (loss)	1	3	0
Other revenues	0	0	0
<b>Total revenues</b>	<u>1</u>	<u>3</u>	<u>0</u>
<b>Expenditures:</b>			
Current:			
General government	0	0	0
Human resources	0	0	0
Education	0	0	0
Public safety	0	0	0
Agriculture and natural resources	0	0	0
Highways and other transportation	0	0	0
Health and environment	0	0	0
Debt service:			
Principal	4,700	9,180	905
Interest	437	5,958	166
<b>Total expenditures</b>	<u>5,137</u>	<u>15,138</u>	<u>1,071</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(5,136)</u>	<u>(15,135)</u>	<u>(1,071)</u>
<b>Other financing sources (uses):</b>			
Sale of assets	0	0	0
Issuance of bonds	0	0	0
Issuance of capital leases	0	0	0
Premium on issuance of debt	0	0	0
Transfers, net	5,136	15,135	1,031
<b>Total other financing sources (uses)</b>	<u>5,136</u>	<u>15,135</u>	<u>1,031</u>
<b>Net change in fund balances</b>	<u>0</u>	<u>0</u>	<u>(40)</u>
<b>Fund balances, beginning of year</b>	7	0	41
Revisions to beginning fund balances	0	0	0
Fund balances, beginning of year (restated)	<u>7</u>	<u>0</u>	<u>41</u>
<b>Fund balances, end of year</b>	<u>\$ 7</u>	<u>\$ 0</u>	<u>\$ 1</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Non-major Governmental Funds - Concluded**  
**For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Debt Service Funds			
	Labor	Bond and Interest	Highway Debt Service	Total Non-major Governmental
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 60,411
Income and inheritance tax	0	0	0	22,742
Sales and excise tax	0	0	0	13,693
Gross receipts tax	0	0	0	23,322
Charges for services	0	0	0	459,938
Operating grants	0	0	0	207,011
Capital grants	0	0	0	97
Investment earnings (loss)	0	49	1,433	4,723
Other revenues	0	0	0	90,014
<b>Total revenues</b>	<u>0</u>	<u>49</u>	<u>1,433</u>	<u>881,951</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	0	447,477
Human resources	230	0	0	72,458
Education	0	0	0	86,061
Public safety	0	0	0	208,966
Agriculture and natural resources	0	720	0	131,377
Highways and other transportation	0	0	0	25,690
Health and environment	0	0	0	8,732
Debt service:				
Principal	0	29,260	116,635	239,054
Interest	45	26,891	93,987	201,212
<b>Total expenditures</b>	<u>275</u>	<u>56,871</u>	<u>210,622</u>	<u>1,421,027</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(275)</u>	<u>(56,822)</u>	<u>(209,189)</u>	<u>(539,076)</u>
<b>Other financing sources (uses):</b>				
Sale of assets	0	0	0	1,982
Issuance of bonds	0	0	0	173,035
Issuance of capital leases	0	0	0	1,761
Premium on issuance of debt	0	0	0	26,962
Transfers, net	275	56,101	228,918	455,298
<b>Total other financing sources (uses)</b>	<u>275</u>	<u>56,101</u>	<u>228,918</u>	<u>659,038</u>
<b>Net change in fund balances</b>	<u>0</u>	<u>(721)</u>	<u>19,729</u>	<u>119,962</u>
<b>Fund balances, beginning of year</b>	0	2,772	110,241	691,342
Revisions to beginning fund balances	0	0	0	(4,082)
Fund balances, beginning of year (restated)	0	2,772	110,241	687,260
<b>Fund balances, end of year</b>	<u>\$ 0</u>	<u>\$ 2,051</u>	<u>\$ 129,970</u>	<u>\$ 807,222</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, 2019

**Combining Statement of Net Position - Non-major Proprietary Funds**

**June 30, 2019**

*(expressed in thousands)*

	Business-Type Activities					Total
	Workers Compensation	Lottery	Intergovern- mental Transfer Program	Transporta- tion Revolving Fund	Communication Systems Revolving Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 7,965	\$ 9,771	\$ 201	\$ 447	\$ 3,631	\$ 22,015
Restricted cash and cash equivalents	0	0	0	0	136	136
Receivables,net	0	13,386	0	2,338	280	16,004
Inventories	0	1,923	0	0	0	1,923
Total current assets	7,965	25,080	201	2,785	4,047	40,078
Noncurrent assets:						
Investments	0	0	0	0	0	0
Receivables, net	0	0	0	14,735	295	15,030
Capital assets (net of accumulated depreciation)	0	4,552	0	0	0	4,552
Total noncurrent assets	0	4,552	0	14,735	295	19,582
Total assets	7,965	29,632	201	17,520	4,342	59,660
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows - pensions	0	1,231	0	0	0	1,231
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 17	\$ 22,367	\$ 0	\$ 0	\$ 0	\$ 22,384
Due to other funds	0	4,529	0	0	0	4,529
Short-term compensated absences	9	0	0	0	0	9
Short-term portion of long-term liabilities	7,896	0	0	0	0	7,896
Total current liabilities	7,922	26,896	0	0	0	34,818
Noncurrent liabilities:						
Compensated absences	2	0	0	0	0	2
Claims and judgments	28,060	0	0	0	0	28,060
Bonds, notes and loans payable	0	0	0	0	0	0
Unearned lease revenue	0	0	0	0	403	403
Arbitrage rebate payable	0	0	0	0	0	0
Net pension liability	0	6,076	0	0	0	6,076
Total OPEB liability	0	74	0	0	0	74
Total noncurrent liabilities	28,062	6,150	0	0	403	34,615
Total liabilities	35,984	33,046	0	0	403	69,433
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - pensions	0	490	0	0	0	490
Deferred inflows - OPEB	0	21	0	0	0	21
Total deferred inflows of resources	0	511	0	0	0	511
<b>NET POSITION</b>						
Net investment in capital assets	0	4,552	0	0	0	4,552
Restricted for:						
Debt service	0	0	0	0	136	136
Unrestricted	(28,019)	(7,246)	201	17,520	3,803	(13,741)
Total net position	\$ (28,019)	\$ (2,694)	\$ 201	\$ 17,520	\$ 3,939	\$ (9,053)

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Non-major Proprietary Funds  
For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Business-Type Activities					Total
	Workers Compensa- tion	Lottery	Intergovern- mental Transfer Program	Transporta- tion Revolving Fund	Communica- tion Systems Revolving Fund	
<b>Operating revenues:</b>						
Charges for services	\$ 586	\$ 706,310	\$ 0	\$ 42	\$ 180	\$ 707,118
Other revenue	104	4,791	49	613	0	5,557
<b>Total operating revenues</b>	<u>690</u>	<u>711,101</u>	<u>49</u>	<u>655</u>	<u>180</u>	<u>712,675</u>
<b>Operating expenses:</b>						
Personal services	217	6,269	0	0	0	6,486
Supplies and services	1,029	326,156	0	0	9	327,194
Lottery prize awards	0	172,677	0	0	0	172,677
Depreciation	0	165	2	0	0	167
Insurance claims and expenses	1,286	0	0	0	0	1,286
Other expenses	1,424	13,133	0	0	0	14,557
<b>Total operating expenses</b>	<u>3,956</u>	<u>518,400</u>	<u>2</u>	<u>0</u>	<u>9</u>	<u>522,367</u>
<b>Operating income (loss)</b>	<u>(3,266)</u>	<u>192,701</u>	<u>47</u>	<u>655</u>	<u>171</u>	<u>190,308</u>
<b>Nonoperating revenues (expenses):</b>						
Investment earnings	0	0	50	49	56	155
Interest expense	0	0	0	0	(4)	(4)
Other revenues (expenses)	0	(12,329)	0	56	0	(12,273)
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>(12,329)</u>	<u>50</u>	<u>105</u>	<u>52</u>	<u>(12,122)</u>
<b>Net income (loss)</b>	<u>(3,266)</u>	<u>180,372</u>	<u>97</u>	<u>760</u>	<u>223</u>	<u>178,186</u>
Transfers in	0	0	0	0	339	339
Transfers out	0	(173,997)	0	(3,071)	0	(177,068)
Change in net position	<u>(3,266)</u>	<u>6,375</u>	<u>97</u>	<u>(2,311)</u>	<u>562</u>	<u>1,457</u>
Net position - beginning	<u>(24,753)</u>	<u>(9,069)</u>	<u>104</u>	<u>19,831</u>	<u>3,377</u>	<u>(10,510)</u>
<b>Net position - ending</b>	<u>\$ (28,019)</u>	<u>\$ (2,694)</u>	<u>\$ 201</u>	<u>\$ 17,520</u>	<u>\$ 3,939</u>	<u>\$ (9,053)</u>

**Listing of Internal Service Funds**

**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  
Wildlife  
Personnel Services  
GIS Services

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Net Position - Internal Service Funds**

**June 30, 2019**

(expressed in thousands)

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance	Architectural Services
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 3,499	\$ 14,607	\$ 492	\$ 15,215	\$ 139	\$ 10,098	\$ 1,574
Cash and cash equivalents, restricted	0	47,102	0	0	0	0	0
Receivables, net	159	9	0	1,932	0	0	0
Inventories	0	0	1,162	9,407	0	0	0
Total current assets	3,658	61,718	1,654	26,554	139	10,098	1,574
Noncurrent assets:							
Capital assets not being depreciated	0	0	0	0	0	5,646	0
Capital assets (net of accumulated depreciation)	1,176	0	237	3,193	0	46,727	282
Total noncurrent assets	1,176	0	237	3,193	0	52,373	282
<b>Total assets</b>	<b>4,834</b>	<b>61,718</b>	<b>1,891</b>	<b>29,747</b>	<b>139</b>	<b>62,471</b>	<b>1,856</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and other liabilities	317	246	25	2,556	3	1,520	81
Due to other funds	0	0	0	237	0	0	0
Short-term compensated absences	108	288	0	431	0	319	71
Short-term portion of long-term liabilities	0	25,316	0	0	0	2,284	0
Total current liabilities	425	25,850	25	3,224	3	4,123	152
Noncurrent liabilities:							
Compensated absences	25	67	0	100	0	74	16
Claims and judgments	0	81	0	0	0	0	0
Bonds, notes and loans payable	0	0	0	0	0	32,222	0
Advances from other funds	0	0	0	93	0	0	0
Total noncurrent liabilities	25	148	0	193	0	32,296	16
<b>Total liabilities</b>	<b>450</b>	<b>25,998</b>	<b>25</b>	<b>3,417</b>	<b>3</b>	<b>36,419</b>	<b>168</b>
<b>NET POSITION</b>							
Net investment in capital assets	1,176	0	237	3,193	0	17,867	282
Unrestricted	3,208	35,720	1,629	23,137	136	8,185	1,406
<b>Total net position</b>	<b>\$ 4,384</b>	<b>\$ 35,720</b>	<b>\$ 1,866</b>	<b>\$ 26,330</b>	<b>\$ 136</b>	<b>\$ 26,052</b>	<b>\$ 1,688</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Net Position - Internal Service Funds - Concluded**

**June 30, 2019**

(expressed in thousands)

	State Workers Compensation	Capitol Security	Wildlife	Personnel Services	GIS Services	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 23,415	\$ 246	\$ 176	\$ 33	\$ 1,621	\$ 71,115
Cash and cash equivalents, restricted	0	0	0	0	0	47,102
Receivables, net	0	0	0	0	0	2,100
Inventories	0	0	0	0	0	10,569
Total current assets	23,415	246	176	33	1,621	130,886
Noncurrent assets:						
Infrastructure	0	0	0	0	0	5,646
Capital assets (net of accumulated depreciation)	0	0	7	0	0	51,622
Total noncurrent assets	0	0	7	0	0	57,268
<b>Total assets</b>	<b>23,415</b>	<b>246</b>	<b>183</b>	<b>33</b>	<b>1,621</b>	<b>188,154</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	116	17	0	0	0	4,881
Due to other funds	0	0	0	0	0	237
Short-term compensated absences	64	9	0	0	0	1,290
Short-term portion of long-term liabilities	9,761	0	0	0	0	37,361
Total current liabilities	9,941	26	0	0	0	43,769
Noncurrent liabilities:						
Compensated absences	15	2	0	0	0	299
Claims and judgements	49,427	0	0	0	0	49,508
Bonds, notes and loans payable	0	0	0	0	0	32,222
Advances from other funds	0	0	0	0	0	93
Total noncurrent liabilities	49,442	2	0	0	0	82,122
<b>Total liabilities</b>	<b>59,383</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125,891</b>
<b>NET POSITION</b>						
Net investment in capital assets	0	0	7	0	0	22,762
Unrestricted	(35,968)	218	176	33	1,621	39,501
<b>Total net position</b>	<b>\$ (35,968)</b>	<b>\$ 218</b>	<b>\$ 183</b>	<b>\$ 33</b>	<b>\$ 1,621</b>	<b>\$ 62,263</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Internal Service Funds  
For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance	Architectural Services
<b>Operating revenues:</b>							
Charges for services	\$ 10,350	\$ 12,129	\$ 104	\$ 41,400	\$ 161	\$ 22,775	\$ 1,107
Other revenue	0	23,072	1,428	0	0	113	0
<b>Total operating revenues</b>	<u>10,350</u>	<u>35,201</u>	<u>1,532</u>	<u>41,400</u>	<u>161</u>	<u>22,888</u>	<u>1,107</u>
<b>Operating expenses:</b>							
Salaries and wages	2,130	5,264	0	7,313	0	7,769	1,383
Supplies and services	7,396	5,356	518	17,595	46	8,359	499
Depreciation	163	2,537	35	6,775	0	2,651	38
Insurance claims and expenses	0	0	0	0	0	0	0
Other expenses	2	4	0	4,073	0	0	0
<b>Total operating expenses</b>	<u>9,691</u>	<u>13,161</u>	<u>553</u>	<u>35,756</u>	<u>46</u>	<u>18,779</u>	<u>1,920</u>
<b>Operating income (loss)</b>	<u>659</u>	<u>22,040</u>	<u>979</u>	<u>5,644</u>	<u>115</u>	<u>4,109</u>	<u>(813)</u>
<b>Nonoperating revenues (expenses):</b>							
Investment earnings	0	0	0	0	0	0	0
Interest expense	0	0	0	0	0	(1,631)	0
Other expenses	0	(143)	0	0	0	(2)	0
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>(143)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,633)</u>	<u>0</u>
<b>Net income (loss)</b>	<u>659</u>	<u>21,897</u>	<u>979</u>	<u>5,644</u>	<u>115</u>	<u>2,476</u>	<u>(813)</u>
Transfers in	28	1,161	0	0	0	7	0
Transfers out	(188)	(77)	(1,073)	(401)	0	(4,195)	(67)
<b>Change in net position</b>	<u>499</u>	<u>22,981</u>	<u>(94)</u>	<u>5,243</u>	<u>115</u>	<u>(1,712)</u>	<u>(880)</u>
Net position - beginning	<u>3,885</u>	<u>12,739</u>	<u>1,960</u>	<u>21,087</u>	<u>21</u>	<u>27,764</u>	<u>2,568</u>
<b>Net position - ending</b>	<u>\$ 4,384</u>	<u>\$ 35,720</u>	<u>\$ 1,866</u>	<u>\$ 26,330</u>	<u>\$ 136</u>	<u>\$ 26,052</u>	<u>\$ 1,688</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2019

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Internal Service Funds - Concluded  
For the Fiscal Year Ended June 30, 2019**  
*(expressed in thousands)*

	State Workers Compensation	Capitol Security	Wildlife	Personnel Services	GIS Services	Total
<b>Operating revenues:</b>						
Charges for services	\$ 0	\$ 0	\$ 25	\$ 19	\$ 434	\$ 88,504
Other revenue	21,733	0	0	0	501	46,847
<b>Total operating revenues</b>	<u>21,733</u>	<u>0</u>	<u>25</u>	<u>19</u>	<u>935</u>	<u>135,351</u>
<b>Operating expenses:</b>						
Salaries and wages	1,436	472	0	0	0	25,767
Supplies and services	1,678	51	0	28	466	41,992
Depreciation	0	0	1	0	0	12,200
Insurance claims and expenses	14,407	0	0	0	0	14,407
Other expenses	0	182	0	0	0	4,261
<b>Total operating expenses</b>	<u>17,521</u>	<u>705</u>	<u>1</u>	<u>28</u>	<u>466</u>	<u>98,627</u>
<b>Operating income (loss)</b>	<u>4,212</u>	<u>(705)</u>	<u>24</u>	<u>(9)</u>	<u>469</u>	<u>36,724</u>
<b>Nonoperating revenues (expenses):</b>						
Investment earnings	349	0	0	0	0	349
Interest expense	0	0	0	0	0	(1,631)
Other expenses	(328)	0	0	0	0	(473)
<b>Total nonoperating revenues (expenses)</b>	<u>21</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,755)</u>
<b>Net income (loss)</b>	<u>4,233</u>	<u>(705)</u>	<u>24</u>	<u>(9)</u>	<u>469</u>	<u>34,969</u>
Transfers in	0	0	0	0	0	1,196
Transfers out	0	0	0	0	(411)	(6,412)
<b>Change in net position</b>	<u>4,233</u>	<u>(705)</u>	<u>24</u>	<u>(9)</u>	<u>58</u>	<u>29,753</u>
Net position - beginning	<u>(40,201)</u>	<u>923</u>	<u>159</u>	<u>42</u>	<u>1,563</u>	<u>32,510</u>
<b>Net position - ending</b>	<u>\$ (35,968)</u>	<u>\$ 218</u>	<u>\$ 183</u>	<u>\$ 33</u>	<u>\$ 1,621</u>	<u>\$ 62,263</u>

**STATISTICAL  
SECTION**

State of Kansas  
**Statistical Section**  
June 30, 2019

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These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	165
These schedules contain information to help the reader assess the state's most significant revenue source, the income and sales taxes.	
<b>Debt Capacity</b>	166
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	167
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	
<b>Operating Information</b>	169
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	

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

State of Kansas  
Statistical Section  
June 30, 2019

**Financial Trends**  
**Net Position by Fund Type**  
**Last Ten Fiscal Years**  
*(expressed in thousands)*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 9,601,110	\$ 9,219,935	\$ 9,279,477	\$ 9,323,734	\$ 9,791,994	\$ 9,664,367	\$ 9,683,734	\$ 10,103,755	\$ 10,188,970	\$ 10,262,233
Restricted	209,443	869,678	920,031	1,162,509	1,238,216	1,110,905	1,123,007	952,208	1,269,556	1,642,511
Unrestricted	155,995	122,947	286,900	512,524	(45,468)	(2,041,601)	(3,127,429)	(3,205,914)	(2,617,412)	(2,069,123)
Total governmental activities net position	<u>\$ 9,966,548</u>	<u>\$ 10,212,560</u>	<u>\$ 10,486,408</u>	<u>\$ 10,998,767</u>	<u>\$ 10,984,742</u>	<u>\$ 8,733,671</u>	<u>\$ 7,679,312</u>	<u>\$ 7,850,049</u>	<u>\$ 8,841,114</u>	<u>\$ 9,835,621</u>
Business-type activities										
Net investment in capital assets	\$ 8,351	\$ 6,194	\$ 54,273	\$ 43,844	\$ 299	\$ 320	\$ 675	\$ 580	\$ 528	\$ 4,555
Restricted	433,809	466,317	474,957	496,714	536,957	1,021,260	1,168,392	1,264,332	1,395,748	1,599,217
Unrestricted	118,772	90,826	171,381	215,568	331,144	(6,523)	(8,024)	(8,839)	(11,033)	(13,741)
Total business-type activities net position	<u>\$ 560,932</u>	<u>\$ 563,337</u>	<u>\$ 700,611</u>	<u>\$ 756,126</u>	<u>\$ 868,400</u>	<u>\$ 1,015,057</u>	<u>\$ 1,161,043</u>	<u>\$ 1,256,073</u>	<u>\$ 1,385,243</u>	<u>\$ 1,590,031</u>
Primary government										
Net investment in capital assets	\$ 9,609,461	\$ 9,226,129	\$ 9,333,750	\$ 9,367,578	\$ 9,792,293	\$ 9,664,687	\$ 9,684,409	\$ 10,104,335	\$ 10,189,498	\$ 10,266,788
Restricted	643,252	1,335,995	1,394,988	1,659,223	1,775,173	2,132,165	2,291,399	2,216,540	2,665,304	3,241,728
Unrestricted	274,767	213,773	458,281	728,092	285,676	(2,048,124)	(3,135,453)	(3,214,753)	(2,628,445)	(2,082,864)
Total primary government net position	<u>\$ 10,527,480</u>	<u>\$ 10,775,897</u>	<u>\$ 11,187,019</u>	<u>\$ 11,754,893</u>	<u>\$ 11,853,142</u>	<u>\$ 9,748,728</u>	<u>\$ 8,840,355</u>	<u>\$ 9,106,122</u>	<u>\$ 10,226,357</u>	<u>\$ 11,425,652</u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 851,373	\$ 1,084,268	\$ 1,199,474	\$ 822,456	\$ 778,620	\$ 898,782	\$ 729,837	\$ 678,024	\$ 799,293	\$ 738,005
Human resources	3,785,792	4,053,711	2,736,768	2,702,954	2,614,673	2,660,656	2,648,404	2,683,036	2,800,874	2,970,240
Education	5,028,780	5,091,475	5,014,709	5,130,332	5,209,211	5,364,450	6,095,595	5,410,778	5,754,793	6,146,720
Public safety	786,682	711,734	589,676	610,878	589,939	576,079	582,235	573,067	608,472	613,587
Agriculture and natural resources	109,672	105,710	120,242	124,244	122,995	119,297	131,105	133,706	144,841	136,345
Highways and other transportation	516,629	885,153	1,006,995	928,140	863,577	887,297	824,742	729,852	625,195	749,537
Health and environment	232,955	258,964	1,425,544	2,129,953	2,285,022	2,358,837	2,566,146	2,593,728	2,725,566	2,824,494
Interest expense	144,125	144,443	152,361	139,500	138,718	123,273	146,939	179,304	172,560	200,355
Total governmental activities expenses	<u>11,456,008</u>	<u>12,335,458</u>	<u>12,245,769</u>	<u>12,588,457</u>	<u>12,602,755</u>	<u>12,988,671</u>	<u>13,725,003</u>	<u>12,981,495</u>	<u>13,631,594</u>	<u>14,379,283</u>
Business-type activities:										
Water pollution and safety	33,366	44,780	59,646	36,301	26,955	26,434	28,036	30,608	16,003	16,321
Health care stabilization	30,347	30,286	6,442	37,160	29,729	88,338	38,675	38,878	41,576	52,468
Employment security	1,381,286	971,158	736,736	527,345	369,720	292,794	239,649	194,032	163,254	132,918
Workers' compensation	4,540	5,217	4,718	3,723	6,734	6,946	3,725	3,710	5,502	3,956
Lottery	184,080	199,015	335,018	465,555	444,796	459,748	475,860	473,074	496,065	518,400
Intergovernmental transfer program	139	170	695	0	1,271	80	346	267	219	2
Transportation revolving loans	4,561	3,429	3,488	3,908	2,883	2,052	1,182	812	47	9
Total business-type activities expenses	<u>1,638,319</u>	<u>1,254,055</u>	<u>1,146,743</u>	<u>1,073,992</u>	<u>882,088</u>	<u>876,392</u>	<u>787,473</u>	<u>741,381</u>	<u>722,666</u>	<u>724,074</u>
Total primary government expenses	<u>\$ 13,094,327</u>	<u>\$ 13,589,513</u>	<u>\$ 13,392,512</u>	<u>\$ 13,662,449</u>	<u>\$ 13,484,843</u>	<u>\$ 13,865,063</u>	<u>\$ 14,512,476</u>	<u>\$ 13,722,876</u>	<u>\$ 14,354,260</u>	<u>\$ 15,103,357</u>
<b>Program Revenues</b>										
Governmental activities:										
General government	\$ 344,150	\$ 342,849	\$ 446,341	\$ 327,902	\$ 379,499	\$ 356,922	\$ 357,970	\$ 369,458	\$ 353,800	\$ 401,430
Human resources	2,839,446	2,988,161	983,660	1,003,914	933,347	829,528	847,019	837,023	839,476	816,232
Education	747,276	692,079	484,634	488,135	480,375	484,378	477,369	487,926	484,530	492,063
Public safety	350,512	312,685	175,242	173,663	142,821	115,526	127,485	128,689	133,543	133,095
Agriculture and natural resources	74,804	80,324	92,906	103,625	90,502	96,057	105,772	106,658	127,643	121,811
Highways and other transportation	690,597	850,859	672,116	639,443	730,609	618,334	574,560	643,674	622,867	675,790
Health and environment	159,009	190,052	1,939,093	1,911,061	2,115,889	2,135,875	2,258,274	2,299,910	2,347,914	2,511,826
Total governmental activities revenues	<u>5,205,794</u>	<u>5,457,009</u>	<u>4,793,992</u>	<u>4,647,743</u>	<u>4,873,042</u>	<u>4,636,620</u>	<u>4,748,449</u>	<u>4,873,338</u>	<u>4,909,773</u>	<u>5,152,247</u>
Business-type activities:										
Water pollution and safety	67,258	46,056	36,902	51,651	64,757	51,531	33,847	36,523	34,879	41,375
Health care stabilization	26,719	31,570	29,350	27,027	25,348	27,372	27,575	28,463	28,121	26,441
Employment security	310,145	401,477	435,729	422,553	409,368	426,989	345,567	262,321	283,318	285,224
Workers' compensation	3,148	9,004	4,932	1,779	5,016	7,613	3,647	3,756	2,583	586
Lottery	258,494	273,995	499,479	610,317	598,731	615,051	636,389	629,148	673,457	706,310
Intergovernmental transfer program	0	0	0	0	0	0	0	0	50	42
Transportation revolving fund	674	730	815	2,214	497	326	308	281	224	180
Total business-type activities revenues	<u>666,438</u>	<u>762,832</u>	<u>1,007,207</u>	<u>1,115,541</u>	<u>1,103,717</u>	<u>1,128,882</u>	<u>1,047,333</u>	<u>960,492</u>	<u>1,022,632</u>	<u>1,060,158</u>
Total primary government revenues	<u>\$ 5,872,232</u>	<u>\$ 6,219,841</u>	<u>\$ 5,801,199</u>	<u>\$ 5,763,284</u>	<u>\$ 5,976,759</u>	<u>\$ 5,765,502</u>	<u>\$ 5,795,782</u>	<u>\$ 5,833,830</u>	<u>\$ 5,932,405</u>	<u>\$ 6,212,405</u>
<b>Net (Expense) Revenue</b>										
Government activities	\$ (6,250,214)	\$ (6,878,449)	\$ (7,451,777)	\$ (7,940,714)	\$ (7,729,713)	\$ (8,352,051)	\$ (8,976,554)	\$ (8,108,157)	\$ (8,721,821)	\$ (9,227,036)
Business-type activities	(971,881)	(491,223)	(139,536)	41,549	221,629	252,490	259,860	219,111	299,966	336,084
Total primary net (expense) revenue	<u>\$ (7,222,095)</u>	<u>\$ (7,369,672)</u>	<u>\$ (7,591,313)</u>	<u>\$ (7,899,165)</u>	<u>\$ (7,508,084)</u>	<u>\$ (8,099,561)</u>	<u>\$ (8,716,694)</u>	<u>\$ (7,889,046)</u>	<u>\$ (8,421,855)</u>	<u>\$ (8,890,952)</u>

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**Financial Trends**  
**Revenues and Other Changes in Net Position**  
**Last Ten Fiscal Years**  
*(Expressed in thousands)*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Taxes										
Property tax	\$ 625,862	\$ 610,463	\$ 626,121	\$ 641,553	\$ 623,983	\$ 644,964	\$ 646,985	\$ 669,275	\$ 698,404	\$ 739,403
Income and inheritance tax	2,562,404	3,033,559	3,203,760	3,382,048	2,610,490	2,864,790	2,633,381	2,719,177	3,996,581	4,387,339
Sales and excise tax	2,764,218	3,289,025	3,424,419	3,510,478	3,599,390	3,607,478	3,758,095	3,810,037	3,901,264	3,920,659
Gross receipts tax	139,813	161,280	163,862	177,215	198,479	215,145	299,421	311,858	407,329	400,594
Investment earnings	30,229	48,684	(19,548)	58,671	42,199	7,805	15,855	23,896	32,232	52,635
Other revenue	278,082	237,319	313,929	489,719	402,911	474,171	484,227	540,855	521,597	545,993
Transfers	81,784	69,530	122,855	165,514	171,891	164,266	169,929	160,358	206,487	174,920
Total governmental activities revenues	6,482,392	7,449,860	7,835,398	8,425,198	7,649,343	7,978,619	8,007,893	8,235,456	9,763,894	10,221,543
Business-type activities: <sup>1</sup>										
Investment earnings	32,033	39,149	21,265	6,298	12,681	14,731	29,373	14,769	17,862	44,699
Other revenue	809,001	524,020	378,400	188,955	96,708	49,973	26,682	21,508	17,885	(1,075)
Transfers	(81,784)	(69,530)	(122,855)	(165,514)	(171,891)	(164,266)	(169,929)	(160,358)	(206,487)	(174,920)
Total business-type activities revenues	759,250	493,639	276,810	29,739	(62,502)	(99,562)	(113,874)	(124,081)	(170,740)	(131,296)
Total primary government revenues	\$ 7,241,642	\$ 7,943,499	\$ 8,112,208	\$ 8,454,937	\$ 7,586,841	\$ 7,879,057	\$ 7,894,019	\$ 8,111,375	\$ 9,593,154	\$ 10,090,247
<b>Change in Net Position</b>										
Governmental activities	\$ 232,178	\$ 571,411	\$ 383,621	\$ 484,484	\$ (80,370)	\$ (373,432)	\$ (968,661)	\$ 127,299	\$ 1,042,073	\$ 994,507
Business-type activities	(212,631)	2,416	137,274	71,288	159,127	152,928	145,986	95,030	129,226	204,788
Total primary government	\$ 19,547	\$ 573,827	\$ 520,895	\$ 555,772	\$ 78,757	\$ (220,504)	\$ (822,675)	\$ 222,329	\$ 1,171,299	\$ 1,199,295

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

	<u>2010</u>
General Fund	
Reserved	\$ 29,680
Unreserved	<u>(278,000)</u>
Total general fund	<u>\$ (248,320)</u>
Transportation Fund	
Reserved	\$ 781,308
Unreserved	<u>(524,154)</u>
Total transportation fund	<u>\$ 257,154</u>
Transportation - Capital Projects Fund	
Reserved	\$ 0
Unreserved	<u>(664,315)</u>
Total transportation - capital projects fund	<u>\$ (664,315)</u>
Health Policy Authority Fund	
Reserved	\$ 5,204
Unreserved	<u>4,312</u>
Total health policy authority fund	<u>\$ 9,516</u>
All Other Governmental Funds	
Reserved reported in:	
Reserved for debt service	\$ 209,443
Reserved for encumbrances	199,753
Reserved for advances to other funds	73,581
Unreserved	<u>326,572</u>
Total all other governmental funds	<u>\$ 809,349</u>

In FY 2011, the State implemented GASB Statement No. 54; presentation is not comparable to prior years.

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**Financial Trends**

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Fund</b>									
Nonspendable:									
Inventory	\$ 6,620	\$ 7,593	\$ 7,446	\$ 7,851	\$ 5,308	\$ 4,754	\$ 4,154	\$ 4,958	\$ 5,274
Unassigned	(182,683)	207,530	390,890	(5,376)	(285,048)	(509,152)	(518,746)	59,068	447,554
Total General Fund	<u>\$ (176,063)</u>	<u>\$ 215,123</u>	<u>\$ 398,336</u>	<u>\$ 2,475</u>	<u>\$ (279,740)</u>	<u>\$ (504,398)</u>	<u>\$ (514,592)</u>	<u>\$ 64,026</u>	<u>\$ 452,828</u>
<b>Social Services Fund</b>									
Nonspendable:									
Inventory	\$ 0	\$ 0	\$ 0	\$ 23	\$ 1,346	\$ 1,320	\$ 1,404	\$ 307	\$ 234
Restricted for:									
Human resources	56,200	56,773	61,041	58,794	22,029	55,090	50,526	64,640	66,371
Total Social Services Fund	<u>\$ 56,200</u>	<u>\$ 56,773</u>	<u>\$ 61,041</u>	<u>\$ 58,817</u>	<u>\$ 23,375</u>	<u>\$ 56,410</u>	<u>\$ 51,930</u>	<u>\$ 64,947</u>	<u>\$ 66,605</u>
<b>Health and Environment Fund<sup>1</sup></b>									
Restricted for:									
Health and Environment	\$ 0	\$ 101,844	\$ 138,777	\$ 187,268	\$ 198,181	\$ 186,382	\$ 102,385	\$ 104,438	\$ 137,996
Total Health and Environment Fund	<u>\$ 0</u>	<u>\$ 101,844</u>	<u>\$ 138,777</u>	<u>\$ 187,268</u>	<u>\$ 198,181</u>	<u>\$ 186,382</u>	<u>\$ 102,385</u>	<u>\$ 104,438</u>	<u>\$ 137,996</u>
<b>Education Fund<sup>2</sup></b>									
Restricted for:									
Education	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,568	\$ 5,688	\$ 10,434	\$ 8,097	\$ 8,619
Total Education Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,568</u>	<u>\$ 5,688</u>	<u>\$ 10,434</u>	<u>\$ 8,097</u>	<u>\$ 8,619</u>
<b>Transportation Fund</b>									
Nonspendable:									
Inventory	\$ 23,968	\$ 24,940	\$ 24,363	\$ 23,983	\$ 23,465	\$ 24,598	\$ 25,615	\$ 24,266	\$ 23,095
Long-term receivable	0	0	0	0	1,495	9,721	8,597	7,572	6,348
Prepaid Insurance	0	0	0	1,096	391	27	0	0	0
Restricted for:									
Highways and other transportation	248,808	102,629	292,903	432,854	387,128	423,250	203,607	457,590	674,053
Total Transportation Fund	<u>\$ 272,776</u>	<u>\$ 127,569</u>	<u>\$ 317,266</u>	<u>\$ 457,933</u>	<u>\$ 412,479</u>	<u>\$ 457,596</u>	<u>\$ 237,819</u>	<u>\$ 489,428</u>	<u>\$ 703,496</u>
<b>Transportation-Capital Projects Fund<sup>3</sup></b>									
Unassigned	\$ (379,464)	\$ (504,312)	\$ (321,812)	\$ (383,215)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Transportation - Capital Projects Fund	<u>\$ (379,464)</u>	<u>\$ (504,312)</u>	<u>\$ (321,812)</u>	<u>\$ (383,215)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Health Policy Authority<sup>1</sup></b>									
Unassigned	\$ (16,319)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Health Policy Authority Fund	<u>\$ (16,319)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>All Other Governmental Funds</b>									
Nonspendable:									
Long-Term Receivables	\$ 0	\$ 6,275	\$ 4,487	\$ 4,153	\$ 4,085	\$ 4,493	\$ 0	\$ 0	\$ 0
Inventory	0	4	0	3,613	4,121	3,254	3,408	4,281	3,794
Restricted for:									
Capital projects	33,134	67,654	52,789	43,137	44,972	39,338	42,666	54,207	53,786
Debt Service	101,204	82,836	60,756	59,912	158,784	154,852	125,371	127,401	143,804
General government	243,636	350,578	355,907	309,541	221,805	190,921	227,228	235,985	248,428
Human resources	22,574	24,698	34,929	51,847	51,649	35,123	40,078	56,614	58,716
Education	8,959	15,669	17,837	16,255	7,531	7,032	7,106	6,595	7,194
Public safety	40,305	44,056	61,931	68,200	67,616	69,307	77,103	71,910	70,072
Agriculture and natural resources	47,663	53,988	56,521	41,306	62,678	67,970	68,108	79,132	93,795
Highways and other transportation	25,902	19,306	19,348	29,014	35,748	42,906	48,874	55,217	132,344
Health and environment	41,293	0	0	0	0	0	0	0	0
Assigned to:									
Debt Service	106,038	113,867	109,231	121,317	0	0	0	0	0
Unassigned	0	0	0	0	(147,000)	(147,004)	0	0	(4,711)
Total All Other Governmental Funds	<u>\$ 670,708</u>	<u>\$ 778,931</u>	<u>\$ 773,736</u>	<u>\$ 748,295</u>	<u>\$ 511,989</u>	<u>\$ 468,192</u>	<u>\$ 639,942</u>	<u>\$ 691,342</u>	<u>\$ 807,222</u>

**Note:** Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB

Statement 54 but prior years were not restated.

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

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

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

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**Financial Trends**

**Changes in Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

(expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 6,207,094	\$ 7,032,605	\$ 7,474,894	\$ 7,637,721	\$ 7,144,913	\$ 7,269,247	\$ 7,373,018	\$ 7,518,125	\$ 8,904,737	\$ 9,326,991
Charges for services	704,012	752,092	758,369	871,562	922,162	829,508	871,358	892,647	921,792	931,421
Intergovernmental (operating and capital grants)	4,486,248	4,723,639	3,955,974	3,780,418	3,955,175	3,807,458	3,867,624	3,983,564	3,958,728	4,184,075
Investment earnings	29,636	42,170	9,394	31,200	47,697	8,689	19,127	20,207	29,588	52,908
Other revenues (includes extraordinary items)	260,349	213,449	319,926	435,276	382,441	464,638	432,119	520,482	507,340	493,038
Total revenues	11,687,339	12,763,955	12,518,557	12,756,177	12,452,388	12,379,540	12,563,246	12,935,025	14,322,185	14,988,433
<b>Expenditures</b>										
General government	991,136	1,052,688	1,120,050	668,180	743,637	895,287	961,724	656,778	682,412	867,297
Human resources	3,777,533	4,040,706	2,741,155	2,697,933	2,632,279	2,678,419	2,657,162	2,689,000	2,786,742	2,981,296
Education	5,026,615	5,090,986	5,015,177	5,132,786	5,207,568	5,363,336	6,097,651	5,409,503	5,755,270	5,888,957
Public safety	779,411	720,548	614,237	631,164	635,851	583,720	642,870	573,356	598,532	615,749
Agriculture and natural resources	108,018	114,677	124,041	130,156	128,294	131,411	132,893	136,421	145,712	142,213
Highways and other transportation	988,028	1,022,332	1,101,841	1,042,855	1,026,126	1,158,149	1,123,268	1,002,043	765,556	791,171
Health and environment	233,173	259,139	1,426,387	2,134,837	2,286,017	2,359,955	2,565,616	2,587,752	2,723,561	2,828,041
Debt service:										
Principal	190,938	187,832	204,455	238,498	222,209	170,094	199,563	211,470	226,792	244,316
Interest	141,200	153,293	146,679	140,544	139,887	135,803	183,145	206,814	203,537	229,138
Total expenditures	12,236,052	12,642,201	12,494,022	12,816,953	13,021,868	13,476,174	14,563,892	13,473,137	13,888,114	14,588,178
Excess of revenues over (under) expenditures	(548,713)	121,754	24,535	(60,776)	(569,480)	(1,096,634)	(2,000,646)	(538,112)	434,071	400,255
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds	561,972	370,053	178,448	554,016	59,963	705,645	1,421,780	147,000	200,000	173,035
Issuance of notes payable	0	0	0	0	0	3,858	0	0	0	0
Issuance of capital leases	0	0	0	0	11,777	12,550	66,961	9,944	8,038	12,403
Premium on issuance of debt	0	0	0	0	5,644	83,565	122,880	51,500	42,212	26,962
Issuance of refunding bonds	0	0	0	0	58,550	191,290	190,875	5,890	0	0
Premium on issuance of refunding debt	0	0	0	0	7,909	32,882	0	0	0	0
Payment to refunded bonds escrow agent	0	0	0	0	(53,095)	(223,238)	(223,778)	(30,298)	0	0
Transfers, net	86,169	75,071	129,104	170,825	177,054	161,739	181,453	166,526	211,387	180,136
Other financing sources (uses)	0	0	0	(100,489)	0	0	0	0	0	1,982
Extraordinary items	(87,359)	0	0	0	0	0	0	0	0	0
Total other financing sources (uses)	560,782	445,124	307,552	624,352	267,802	968,291	1,760,171	350,562	461,637	394,518
Net change in fund balances	\$ 12,069	\$ 566,878	\$ 332,087	\$ 563,576	\$ (301,678)	\$ (128,343)	\$ (240,475)	\$ (187,550)	\$ 895,708	\$ 794,773
Debt service as a percentage of noncapital expenditures	2.71%	2.70%	2.81%	3.02%	2.85%	2.35%	2.71%	3.19%	3.18%	3.28%

State of Kansas  
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June 30, 2019

**Revenue Capacity**  
**Personal Income by Industry, Last Ten Calendar Years**  
*(expressed in thousands)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Private Earning</b>										
Agricultural, Forestry, Fishing and Hunting	\$ 304,439	\$ 317,562	\$ 476,468	\$ 424,247	\$ 509,533	\$ 566,214	\$ 704,803	\$ 459,943	\$ 427,448	\$ 526,194
Mining	1,549,581	1,119,291	1,312,659	2,450,391	2,363,628	2,250,743	2,367,335	1,969,502	1,227,827	1,596,513
Utilities	865,694	880,301	1,019,849	1,072,857	1,038,267	1,035,120	963,811	892,628	854,969	916,780
Construction	3,988,070	4,192,919	4,295,913	4,584,441	4,927,057	5,155,475	5,316,772	5,386,163	5,667,795	5,877,665
Manufacturing	11,899,007	11,217,913	12,245,199	12,858,450	12,975,820	12,586,349	12,716,447	12,139,158	12,460,616	13,021,664
Wholesale trade	4,436,794	4,549,753	4,622,713	4,804,592	4,893,810	5,129,704	5,111,042	5,075,305	5,092,875	5,316,181
Retail trade	4,540,800	4,893,380	5,070,180	5,137,811	5,276,719	5,306,422	5,511,376	5,584,989	5,492,437	5,572,337
Transportation and warehousing	2,850,770	2,824,582	3,035,855	3,383,190	3,471,380	3,527,677	3,628,316	4,304,914	4,951,775	5,632,640
Information	3,102,540	2,362,177	2,282,041	2,393,542	2,442,177	2,579,813	1,669,187	1,951,470	2,836,196	3,439,311
Finance and insurance	4,232,883	4,512,022	4,847,908	5,012,431	5,362,230	5,520,793	5,747,020	5,749,575	6,259,213	6,400,498
Real estate and rental and leasing	874,085	976,563	965,612	1,040,947	1,244,046	1,258,576	1,368,350	3,075,124	3,281,897	3,928,362
Professional, scientific, and technical services	5,252,448	5,294,398	5,437,098	5,606,490	5,966,214	6,190,944	6,638,906	7,255,278	7,446,156	7,698,632
Management of companies and enterprises	1,182,450	1,503,770	1,384,309	1,474,957	1,624,865	1,979,648	3,373,787	2,842,291	2,472,038	2,892,415
Administrative and waste management services	2,925,202	3,163,367	3,511,110	3,702,063	3,939,882	4,002,036	3,937,420	3,835,490	4,072,608	4,335,055
Educational services	658,248	684,460	720,020	761,842	785,353	823,275	860,898	839,841	882,978	908,191
Health care and social assistance	8,503,526	8,893,444	9,226,828	9,466,219	9,667,124	9,832,906	10,244,837	10,706,593	11,180,382	11,504,842
Arts, entertainment, and recreation	318,636	338,025	356,520	424,011	461,991	481,064	489,989	486,506	581,530	608,089
Accommodation and food services	2,018,859	2,114,290	2,158,100	2,318,669	2,364,565	2,496,760	2,659,544	2,776,777	2,718,521	2,811,075
Other services, except public administration	2,905,835	2,986,984	3,151,597	3,199,920	3,377,835	3,464,098	3,536,207	3,411,910	3,807,073	3,955,406
<b>Government</b>										
Federal, civilian	2,321,229	2,560,832	2,628,836	2,344,005	2,250,015	2,275,401	2,368,551	2,382,658	2,435,334	2,537,806
Military	3,143,234	3,490,732	3,739,591	2,886,228	2,761,891	2,712,249	2,609,762	2,510,669	2,484,301	2,521,941
State and local	10,770,093	10,799,866	10,961,004	11,282,155	11,309,364	11,633,575	11,695,808	12,278,513	12,416,135	12,838,865

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

State of Kansas  
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**Debt Capacity**  
**Long Term Obligations**  
**Last Ten Fiscal Years**  
*(Expressed in thousands)*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Government Activities</b>										
Revenue bonds payable (includes demand bonds)	\$ 2,861,825	\$ 3,077,604	\$ 3,066,913	\$ 2,726,723	\$ 2,681,470	\$ 3,292,111	\$ 4,603,952	\$ 4,554,120	\$ 4,543,721	\$ 4,475,048
Sales tax limited obligation	208,425	225,548	192,045	139,662	105,033	0	0	0	0	0
Note payable	25,843	20,031	18,399	63,100	15,350	18,093	17,047	13,722	11,932	10,685
Capital leases payable	138,821	129,089	114,926	97,515	91,027	80,809	137,708	138,422	136,728	139,206
Arbitrage rebate payable	400	827	136	136	190	184	237	23	23	1
Claims and judgements	87,216	88,797	88,501	102,385	154,457	148,976	119,145	117,482	110,980	92,814
Special assessment payable	0	0	0	0	0	0	0	2,342	2,341	115
KPERS Employee liability	0	0	0	0	0	0	0	0	0	255,304
Compensated absences	129,921	126,241	120,131	118,656	120,831	113,015	112,219	109,073	109,249	111,381
Other post employment benefits	36,270	47,188	51,998	55,079	58,631	59,504	4,266	0	55,638	51,485
Net pension liability	0	0	0	0	0	1,750,877	2,078,136	2,046,598	2,021,444	1,891,987
Pollution remediation	70,936	73,660	69,152	63,575	65,678	48,747	63,053	78,256	91,863	76,320
Total governmental activities	3,559,657	3,788,985	3,722,201	3,366,831	3,292,667	5,512,316	7,135,763	7,060,038	7,083,919	7,104,346
<b>Business-Type Activities</b>										
Revenue bonds payable	749,001	767,878	620,153	474,771	452,317	407,056	327,577	238,594	213,799	189,009
Note payable	0	0	0	0	0	0	0	0	0	0
Arbitrage rebate payable	1,254	173	176	196	190	237	340	295	56	40
Unemployment benefits loan	88,159	170,821	4,602	50,209	0	0	0	0	0	0
Claims and judgements	215,402	221,160	199,234	200,180	198,631	258,093	263,484	271,907	279,873	296,058
Compensated absences	68	73	68	75	89	92	92	95	105	109
Other post employment benefits	224	300	343	378	412	424	26	0	73	74
Net pension liability	0	0	0	0	0	5,520	6,475	6,472	6,459	6,076
Other	17,697	17,597	17,093	12,992	11,965	11,680	11,732	11,222	10,407	9,174
Total business-type activities	1,071,805	1,178,002	841,669	738,801	663,604	683,102	609,726	528,585	510,772	500,540
<b>Component Units</b>										
Revenue bonds payable	700,808	691,971	667,137	619,256	809,260	825,775	941,839	939,823	930,425	894,094
Note payable	0	0	0	0	0	0	0	0	0	0
Other component units of university system	174,530	217,034	263,592	262,421	333,000	406,927	790,803	750,454	752,267	729,963
Capital leases payable	14,568	13,616	11,761	11,991	9,380	7,752	6,500	7,125	70,145	66,233
Arbitrage rebate payable	98	51	46	49	51	404	29	39	20	20
Compensated absences	65,691	69,101	73,516	68,897	78,918	78,459	84,423	79,588	85,404	88,648
Other post employment benefits	30,404	41,794	48,078	56,415	64,993	71,015	1,816	508	40,023	39,508
Net pension liability	0	0	0	0	0	240,024	268,020	259,191	246,569	217,080
Pollution remediation	4,000	3,700	1,200	0	0	0	0	0	0	0
Other	110,928	61,395	54,711	48,676	252,759	221,062	208,246	184,423	170,567	142,520
Total component units	1,101,027	1,098,662	1,120,041	1,067,705	1,548,361	1,851,418	2,301,676	2,221,151	2,295,420	2,178,066
Total	\$ 5,732,489	\$ 6,065,649	\$ 5,683,911	\$ 5,173,337	\$ 5,504,632	\$ 8,046,836	\$ 10,047,165	\$ 9,809,774	\$ 9,890,111	\$ 9,782,952

State of Kansas  
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June 30, 2019

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**Demographic and Economic Information**  
**Kansas Demographic Statistics**  
**Last Ten Fiscal Years**

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<b>Year</b>	<b>Population</b> (1)	<b>Per Capita Personal Income</b> (2)	<b>Median Age</b> (3)	<b>Education Level in Years of Formal Schooling</b> (4)	<b>K to 12 Public School Enrollment</b> (4)	<b>Unemployment Rate</b> (5)
2010	2,858,824	37,916	36.0	-	479,204	7.1%
2011	2,869,917	37,418	36.1	13.28	481,120	6.7%
2012	2,886,281	40,883	36.1	-	482,798	6.0%
2013	2,894,630	43,916	36.0	-	485,147	5.8%
2014	2,902,507	45,546	36.1	-	492,301	4.9%
2015	2,911,641	45,876	36.1	-	492,905	4.6%
2016	2,907,289	47,228	36.5	-	491,577	4.5%
2017	2,913,123	48,559	36.6	-	499,651	3.6%
2018	2,911,505	51,471	(6)	-	500,383	3.6%
2019	(6)	(6)	(6)	-	499,445	3.4%

**Data Sources:**

- (1) U.S. Department of Commerce, BEA Web Site:  
<https://www.bea.gov/regional/bearfacts/action.cfm>
- (2) U.S. Department of Commerce, BEA Web Site:  
<https://www.bea.gov/regional/bearfacts/action.cfm>
- (3) State Department of Health and Environment:  
[http://www.kdheks.gov/phi/AS\\_Tables/AS\\_2017\\_Tables\\_and\\_Figures/population/Table\\_B2.pdf](http://www.kdheks.gov/phi/AS_Tables/AS_2017_Tables_and_Figures/population/Table_B2.pdf)
- (4) State Department of Education Web Site:  
<http://www.ksde.org>
- (5) State Department of Labor, Kansas Labor Market Information Services Web Site:  
<https://klic.dol.ks.gov/vosnet/analyzer/trend.aspx?session=labforce>
- (6) Information is not available at this time.

State of Kansas  
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June 30, 2019

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**Demographic and Economic Information**

**Principal Employers in Kansas**

**Current Year and Ten Years Ago**

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Employer	2019			2010		
	Local/Total Employees	Rank	Percentage of Total Kansas Employment	Local/Total Employees	Rank	Percentage of Total Kansas Employment
State Government (including Universities)	40,103 / 40,094	1	3.00%	22,375 / 22,375	1	1.46%
Wal-Mart Associates, Inc.	20,157 / 1,500,000	2	1.40%			
Spirit Aerosystems	13,500 / 17,000	3	1.00%	8,000 / 210,000	3	0.52%
University of Kansas Hospital Authority	10,500 / 10,500	4	0.70%			
Dillons Companies Inc.	9,500 / 431,000	5	0.70%			
Textron Aviation Inc.	9,500 / 35,000	6	0.70%			
USD 259 (Wichita Public Schools)	7,500 / 7,500	7	0.60%			
National Beef Packing Company	6,500 / 8,900	8	0.50%			
Sprint Corp.	5,500 / 30,000	9	0.40%	5,000 / 40,000	6	0.33%
USD 233 (Olathe Public Schools)	5,500 / 5,500	10	0.40%			
Embarq Corp.				5,600 / 20,200	5	0.36%
Via Christi Regional Medical Ctr.				4,000 / 10,770	9	0.26%
Hawker Beechcraft Corp.				7,000 / 7,000	4	0.46%
Royal Caribbean Cruises Ltd.				4,900 / 60,300	7	0.32%
Performance Contracting Inc.				2,900 / 4,000	10	0.19%
B&V - Baker Guam JV				4,500/4,500	8	0.29%
KU and KUMC				12,125 / 12,125	2	0.79%
Total	128,260 / 2,085,494		9.40%	76,400 / 391,270		4.98%

**Source:**

2019 from Kansas Department of Labor, Unemployment Insurance, ReferenceUSA.com, bloomberg.com, budget.ks.gov, and individual company websites.  
2010 from State of Kansas, Comprehensive Annual Financial Report for Fiscal Year 2010

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June 30, 2019

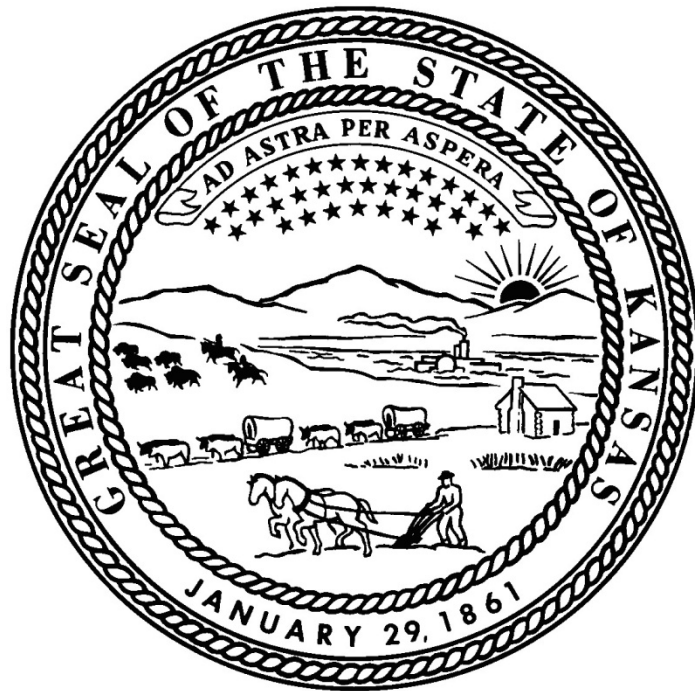
**Operating Information**

**Full-time Equivalent State Government Employees by Function/Program**

**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
General Government	5,835	5,846	5,490	5,275	5,287	5,275	5,433	5,468	4,798	5,294
Public Safety	5,573	5,520	5,415	5,445	5,400	5,426	5,253	5,225	4,706	5,234
Education	18,444	18,096	18,446	18,402	18,400	18,388	18,874	18,877	19,369	19,191
Transportation	3,165	3,164	2,968	2,880	2,737	2,737	2,516	2,516	1,846	2,355
Agriculture and Natural Resources	1,437	1,430	1,412	1,301	1,302	1,303	1,272	1,265	783	1,282
Human Resources	8,636	8,679	7,470	7,058	7,001	6,643	6,754	6,592	5,671	6,747
<b>Total</b>	<b>43,090</b>	<b>42,735</b>	<b>41,201</b>	<b>40,361</b>	<b>40,127</b>	<b>39,772</b>	<b>40,102</b>	<b>39,943</b>	<b>37,173</b>	<b>40,103</b>

Source: <http://www.kslegresearch.org/KLRD-web/Publications.html>



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**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***

Secretary of the Department of Administration  
Kansas Department of Administration  
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, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated November 22, 2019. 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 Center for Entrepreneurship (KCE), the Kansas Turnpike Authority (KTA), the Information Network of Kansas, Inc. (INK), and the Kansas Lottery (Non-major enterprise fund of the State) 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, KCE and INK 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying financial statement schedule of findings listed as 2019-001 and 2019-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **State of Kansas' Response to Findings**

The State's response to the findings identified in our audit are described in the accompanying financial statement schedule of findings. The State's response 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 results 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  
November 22, 2019

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## ***Section II – Financial Statement Findings***

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### **2019 – 001 – Prior Period Adjustment**

#### **Type of Finding:**

- **Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** The State considers revenues reported in the governmental funds to be available if the revenues are due at year-end and collected within sixty days thereafter. The Kansas Department of Health and Environment Medicaid Drug Rebate Program revenue is considered to be available if collected within ninety days thereafter.

**Criteria or specific requirement:** The State is required to report a receivable, related revenue and unearned revenue at the close of each fiscal year based on the State's aforementioned revenue recognition policy. Year-end financial reporting is the responsibility of the Financial Integrity Team within the Department of Administration (DOA). The State of Kansas utilizes a financial management system called the Statewide Management Accounting and Reporting Tool (SMART). When an agency (other than the DOA) utilizes the SMART system, the accounting clerk of that agency or another agency employee with specific rights in SMART, records and codes financial activity in SMART.

Subsequent to the issuance of the June 30, 2018 year-end Comprehensive Annual Financial Report (CAFR), the Department of Administration performed a review of all significant gross accounts receivable balances as of June 30, 2018. This review was focused on subsequent collections to determine the adequacy of deferred inflows of resources recorded as of June 30, 2018. Through this review, the State identified a prior period adjustment which is reflected within the 2019 CAFR.

**Context:** As of June 30, 2018, end of the prior period, unavailable revenue was understated by approximately \$20.6 million and accounts receivables were overstated by approximately \$18.5 million.

**Effect:** Accounts receivable, unearned revenue and ending fund balance and net position as of June 30, 2018 were materially misstated at the close of the prior fiscal year.

**Cause:** The State did not accurately report deferred inflows of resources as of June 30, 2018 based on subsequent collections within sixty and ninety days thereafter. Through additional analysis performed by the Department of Administration, it was determined that a prior period adjustment was needed to accurately reflect the prior balances associated with subsequent collections.

**Recommendation:** We recommend the State continue to improve and modify financial close procedures, specifically, related to collections subsequent to a fiscal year as a means to ensure the accounts receivable, related revenue, and unearned revenue balances are materially accurate.

#### **Views of responsible officials and planned corrective actions:**

**Actions planned in response to finding:** The State of Kansas is committed to continuous improvements in our financial reporting. As errors or omissions are discovered we will implement process changes to ensure accurate reporting of those areas. We will again be reviewing our process of requesting fiscal year-end accounts receivable information from our state agencies and the Office of Accounts and Reports (OAR) review process of that information to assist in recording the most accurate accounts receivable, allowance, and unearned revenue balances possible.

Specifically, the Financial Integrity Team within OAR will work closely with The Kansas Department of Health and Environment (KDHE) Medicaid Drug Rebate Program to perform a review in October of each year to identify those subsequent collections during the full 90-day period where revenue for the KDHE Drug Rebate Program is considered to be available. All outstanding claims, not collected by September 30th, will be reclassified as unavailable revenue.

**Responsible party:** Jocelyn Gunter, Director of Accounts and Reports

**Planned completion date for corrective action plan:** Implemented during fiscal year ending June 30, 2019

**Plan to monitor completion of corrective action plan:** Ongoing; permanent part of process

### **2019 – 002 – Allowance for Doubtful Accounts, Deferred Inflows of Resources and Revenue**

#### **Type of Finding:**

- **Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** At year-end, the State records accounts receivable, allowance for uncollectible accounts, deferred inflows of resources and revenue based on information provided by the Kansas Department of Health and Environment (KDHE) related to the Medicaid Drug Rebate Program. KDHE bills drug manufacturers once per quarter. The fiscal agent provides a drug rebate aging report on a quarterly basis.

**Criteria or specific requirement:** The State is required to report a receivable, allowance for doubtful accounts, deferred inflows of resources and related revenue due to its involvement in the Medicaid Drug Rebate Program based on significant estimates and the timing of cash receipts. Year-end financial reporting is the responsibility of the Financial Integrity Team within the Department of Administration (DOA). The State of Kansas utilizes a financial management system called the Statewide Management Accounting and Reporting Tool (SMART). When an agency (other than the DOA) utilizes the SMART system, the accounting clerk of that agency or another agency employee with specific rights in SMART, records and codes financial activity in SMART.

For the agencies that do not use SMART to record year-end financial activity such as accounts receivable, the Financial Integrity Team sends out a questionnaire at the end of each fiscal year to these agencies to collect all necessary financial information. The Financial Integrity Team inputs this information into SMART at a summary level for recording in the CAFR. Period end account reconciliations and accruals are made either by the Financial Integrity Team or by the underlying agency. Account reconciliations performed include the recording of accounts receivable, allowance for doubtful accounts, deferred inflows of resources and revenue. The Financial Integrity Team reviews back up documentation for agency calculated accruals.

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 for the Medicaid Drug Rebate Program to be available if the revenues are due at year-end and collected within ninety days thereafter.

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## ***Section II – Financial Statement Findings***

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**Context:** Adjusting journal entries were made to revenue, deferred inflows of resources, allowance for doubtful accounts, medical assistance expenditures and accrued expenses. This was a result of incorrect information provided to the Department of Administration by the Kansas Department of Health and Environment during the fiscal year-end close process.

**Effect:** After receipt of the unadjusted trial balance, it was identified that revenue and allowance for doubtful accounts were overstated and the related deferred inflows of resources, Medicaid assistance expenditures and accrued expenses were understated. Material audit adjustments were posted to the Kansas Health and Environment fund as a result of audit procedures.

**Cause:** Two issues caused the audit adjustments. First, incorrect information was used in determining the deferred inflows of resources balance as of June 30, 2019, which resulted in an adjusting journal entry to correct an overstatement of revenue and an understatement of deferred inflows of resources by \$5.3 million. Second, the unadjusted allowance for doubtful accounts balance was improperly recorded based on an increase in the uncollectible percentage from 4 percent as of June 30, 2018 to 60 percent as of June 30, 2019. As a result, an adjusting journal entry in the amount of \$25.5 million was made to accurately reflect the allowance for doubtful accounts and deferred inflows of resources balances. In addition, an entry was posted to Medicaid assistance expenditures and accrued expenses as a result of the incorrect percentage used in calculating the Medicaid Drug Rebate Program unadjusted allowance for doubtful accounts.

**Recommendation:** We recommend the State implement a comprehensive review process over the DA-32 reports received from State Agencies to ensure the information received is accurate and is materially reasonable based on historical information.

### **Views of responsible officials and planned corrective actions:**

**Actions planned in response to finding:** The State of Kansas is committed to continuous improvements in our financial reporting. As errors or omissions are discovered we will implement process changes to ensure accurate reporting of those areas. We will again be reviewing our process of requesting fiscal year-end accounts receivable information from our state agencies and OAR review process of that information to assist in recording the most accurate accounts receivable, allowance, and unearned revenue balances possible.

Specific to the accuracy of information used in determining the deferred inflows of resources balance for Medicaid receivables, KDHE will provide, and OAR will review, complete and accurate documentation as to all collections in July, August, and September each year. Such documentation will include explanations reflecting all known information in regards to outstanding receivable balances. As needed, follow up discussions will take place between OAR and KDHE program and fiscal staff to ensure a thorough understanding related to the status of each uncollected balance, especially those without significant subsequent collections received, which could be an indicator of uncollectable vs. unavailable revenues.

Specific to the estimate of uncollectible Medicaid receivables, KDHE will provide, and OAR will review, documentation of considerations and assumptions used in estimating the allowance for doubtful accounts to ensure the estimates come from sound, supported, and consistently applied methodologies for each receivable balance.

**Responsible party:** Jocelyn Gunter, Director of Accounts and Reports

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***Section II – Financial Statement Findings***

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**Planned completion date for corrective action plan:** June 30, 2019

**Plan to monitor completion of corrective action plan:** Ongoing; permanent part of process

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### ***Section III – Prior Year Financial Statement Findings***

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#### **2018 – 001 – General Fund Passed Adjustment**

**Condition:** In accordance with K.S.A. 75-3728, a DA-32 report is submitted by the Kansas Department for Children and Families to the DOA at the conclusion of each fiscal year. The DA-32 report outlines the beginning fiscal year receivable balance, current year activity, calculated ending balance and the estimated allowance for doubtful accounts related to federal grant programs. The finding was a significant deficiency due to an overstatement of accounts receivable and revenue in the General Fund.

**Recommendation:** We recommend the State review, improve and document its procedures surrounding the year-end journal entry process, specifically, related to accounts receivable and related revenues.

**Current Year Status:** Through work performed during fiscal year 2019, prior year significant deficiency appears to be mitigated for the Kansas Department of Children and Families.

#### **2018 – 002 – Grant Accounts Receivable, Deferred Inflows of Resources and Revenue**

**Condition:** In accordance with K.S.A. 75-3728, a DA-32 report is submitted by the Kansas Department of Aging and Disability Services to the DOA at the conclusion of each fiscal year. The DA-32 report outlines the beginning fiscal year receivable balance, current year activity, calculated ending balance and the estimated allowance for doubtful accounts related to federal grant programs. The finding was a significant deficiency due to an overstatement of revenue and an understatement of deferred inflows of resources in the Social Services Fund.

**Recommendation:** We recommend the State review, improve and document its procedures surrounding the year-end journal entry process, specifically, related to accounts receivables and related revenues.

**Reason for finding's recurrence:** In the current year, a prior period adjustment was posted as a result of the DOA's review of subsequent receipts over accounts receivables and revenues. See current year finding 2019 – 001.

**Corrective Action:** As noted in current year finding 2019 – 001, we recommend the State continue to improve and modify financial close procedures, specifically, related to collections subsequent to a fiscal year as a means to ensure the accounts receivable, related revenue, and unearned revenue balances are materially accurate.

#### **2018 – 003 – Health & Environment Receivable, Deferred Inflows of Resources and Revenue**

**Condition:** At year-end, the State records accounts receivable and revenue based on information provided by the Kansas Department of Health & Environment (KDHE) related to the Medicaid Drug Rebate Program. KDHE bills drug manufacturers once per quarter. The fiscal agent provides a drug rebate aging report on a quarterly basis. The finding was a significant deficiency due to an overstatement of revenue and an understatement of deferred inflows of resources.

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### ***Section III – Prior Year Financial Statement Findings***

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**Recommendation:** We recommend the State review, improve and document its procedures surrounding the year-end journal entry process, specifically, related to accounts receivable and related revenues over the Medicaid Drug Rebate Program. In addition, we recommend KDHE document and improve its procedures surrounding year-end reporting of accounts receivable and related revenues over the Medicaid Drug Rebate Program, plus any resultant potential legal liabilities from this grant and otherwise.

**Reason for finding's recurrence:** The State does not have a formal review process over the information and year-end balances received by KDHE related to the Medicaid Drug Rebate Program. See current year finding 2019 – 002.

**Corrective Action:** As noted in current year finding 2019 – 002, we recommend the State implement a comprehensive review process over the DA-32 reports received from State Agencies to ensure the information received is accurate and is materially reasonable based on historical information.

#### **2018 – 004 – Financial Statement Adjustments**

**Condition:** During our audit, we identified the following adjustments related to the University System's financial statements:

- University of Kansas: Due to an error in the calculation of summer tuition to be deferred, the University of Kansas' unearned revenue was understated and related tuition revenue was overstated by \$6.1 million prior to adjustment. In addition, the University improperly calculated its net investment in capital assets. As such, an adjustment to increase its net investment in capital assets and to reduce its unrestricted net position of approximately \$6.7 million was recorded.
- University of Kansas Medical Center: Balances between current and noncurrent receivables and current and noncurrent compensated absences were misclassified. Specifically, our audit procedures identified that a reclassification entry was necessary to move approximately \$10.2 million of the receivable balance from the noncurrent portion of receivables to the current portion. Similarly, a reclassification entry was required to be made to move \$14.6 million of the compensated absence balance from noncurrent to current.
- Fort Hays State University: The University improperly calculated its net investment in capital assets. As a result, restricted and unrestricted net position were overstated. An audit adjustment was made to increase its net investment in capital assets by \$38.4 million and to decrease restricted net position by \$28.7 million and unrestricted net position by \$9.7 million. In addition, Fort Hays State University's financial statements were not available at the start of the audit fieldwork, nor were several account balance reconciliations. As a result, the trial balance required several client proposed adjustments during audit fieldwork.

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### ***Section III – Prior Year Financial Statement Findings***

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**Recommendation:** We recommend that the Universities implement and/or enhance processes and procedures to provide accurate financial statements to the Financial Integrity Team at year-end, including a year-end review process to detect errors. This year-end process should include a checklist where the reviewer is ensuring financial information is complete and accurate, including:

- The summer unearned revenue calculation is accurate and is based upon complete summer class reports.
- The calculation for net investment in capital is accurate and includes premiums, discounts, and deferred outflows for losses on refunding.
- Current versus noncurrent assets and liabilities are being properly reflected in the information being submitted to the Financial Integrity Team.
- Timely reconciliations for general ledger balances to supporting documentation have been performed.

**Current Year Status:** Corrected. Procedures were implemented to ensure accurate information is provided to the Financial Integrity Team at year-end.