

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



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

July 1, 2012 to June 30, 2013

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



**STATE OF KANSAS**

**Department of  
Administration**

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

State of Kansas  
**Fiscal Year 2013 Financial Report**  
June 30, 2013

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# **INTRODUCTION**

December 20, 2013

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

It is my pleasure to submit to you the 60<sup>th</sup> Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2013, as provided by Kansas Statutes Annotated (K.S.A.) 75-3735. This Comprehensive Annual Financial Report (CAFR) has been prepared in conformance with generally accepted accounting principles (GAAP). The objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

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

This report is prepared by the Department of Administration, Office of the Chief Financial Officer. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State government and this office. The enclosed information is accurate in all material respects and presents 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 RubinBrown LLP, Certified Public Accountants. 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, 2013, are free of material misstatement. This independent audit was part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards here also require the auditor to report on the State of Kansas' internal controls and compliance with legal requirements. A copy of the separately issued Single Audit Report can be obtained from the Legislative Division of Post Audit.

## **PROFILE OF THE GOVERNMENT**

The State government 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 Courts. The State provides a full range of services including education, safety, social services, recreation and transportation. The budget serves as the foundation of the State's financial planning and control. On or before October 1 of even-numbered years, agencies will in the future be required to submit biennial budget estimates for the next two fiscal years to the Division of Budget. In years past, only annual budget estimates have been submitted. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However, in the case of the regular legislative session immediately following the election of a governor, who was elected to the Office of Governor for the first time, that governor must submit the budget report to the Legislature on or before the 21<sup>st</sup> calendar day of that regular session.

## **FINANCIAL INFORMATION**

Kansas has a centrally maintained computerized double-entry accounting system. Management is responsible for establishing and maintaining an internal control structure to ensure that government assets are protected from loss, theft or misuse, and that adequate data are 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 State legislative audit office of the government.

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

## **CASH MANAGEMENT**

On a daily basis, the State monitors receipts in, 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. As a cash flow management policy, the State seeks to avoid borrowing from its own idle funds to meet expenditure obligations of the State General Fund.

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

## **RISK MANAGEMENT**

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

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



## **PENSION TRUST FUND OPERATIONS**

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

## **ACKNOWLEDGEMENTS**

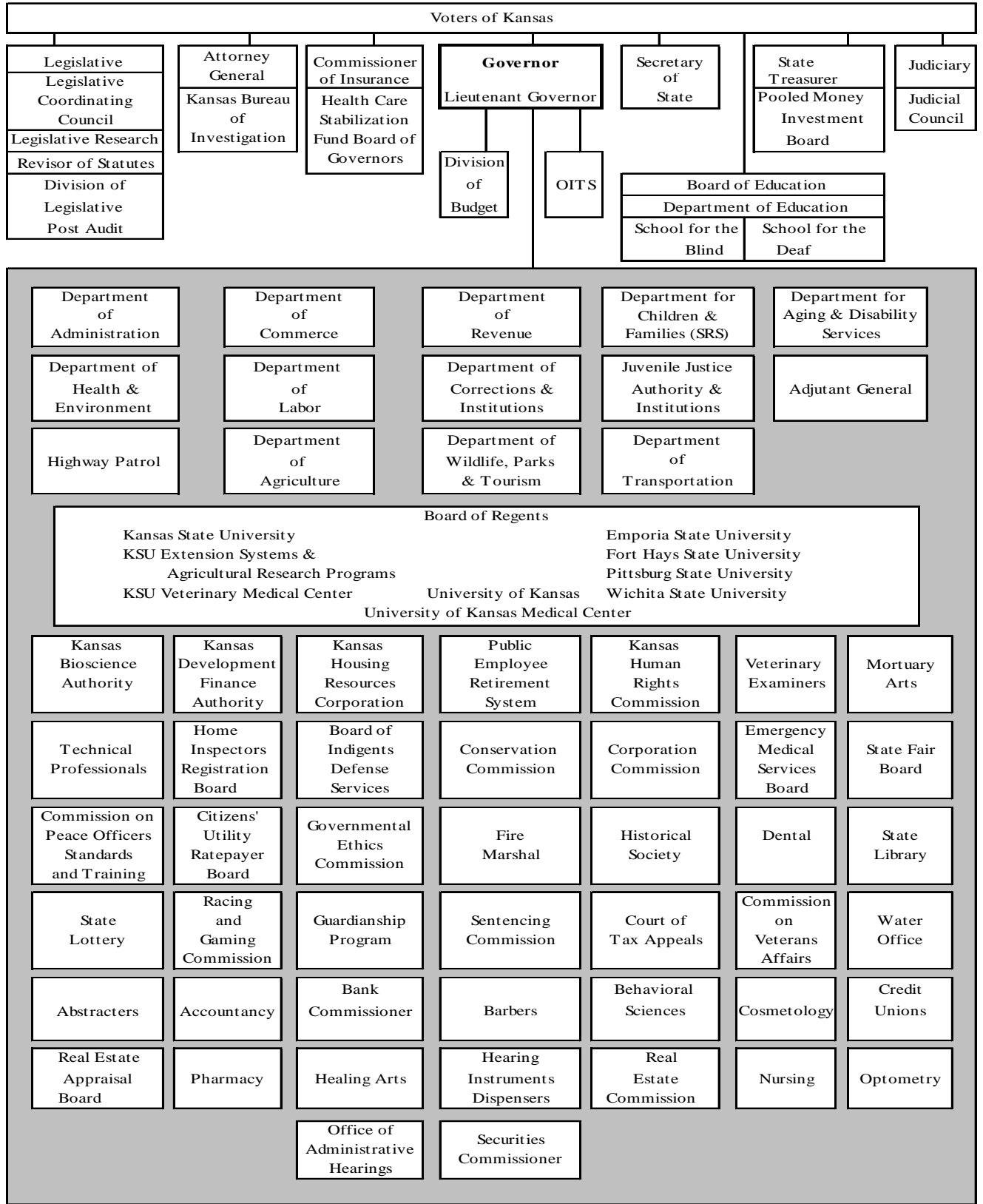
I wish to express my sincere thanks to the CFO Team. It is through their relentless effort that this report was possible. I would also like to acknowledge the many other individuals in the State agencies, universities and component units. Their hard work and diligence in this process is much appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "DeAnn Hill".

DeAnn Hill, CPA  
Office of the Chief Financial Officer

State of Kansas  
**Organizational Chart**  
 June 30, 2013



State of Kansas  
**Organizational Chart**  
June 30, 2013

**Executive Branch**

*Governor*  
Sam Brownback

*Lieutenant Governor*  
Jeff Colyer

*Secretary of State*  
Kris W. Kobach

*State Treasurer*  
Ron Estes

*Attorney General*  
Derek Schmidt

*Commissioner of  
Education*  
Diane DeBacker

*Commissioner of  
Insurance*  
Sandy Praeger

**Legislative Branch**

*Speaker of the House of  
Representatives*  
Ray Merrick

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

*President of the Senate*  
Susan Wagle

*Vice President of the  
Senate*  
Jeff King

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

*Secretary of Senate*  
Corey Carnahan

*Legislative Coordinating  
Council Chair*  
Sen. Susan Wagle

*Legislative Research  
Director*  
Raney Gilliland

**Judicial Branch**

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

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

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

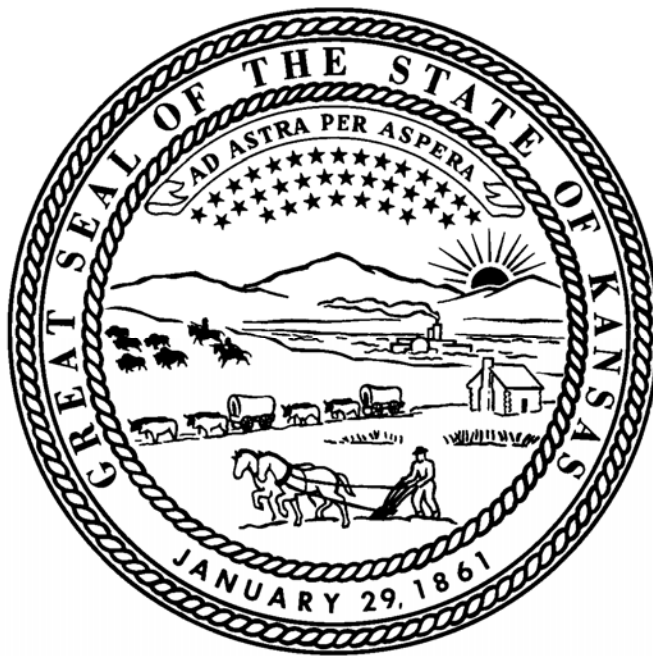
*Judicial Council*  
*Executive Director*  
Nancy J. Strouse

*Judicial Administrator*  
Nancy M. Dixon



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**FINANCIAL**  
**SECTION**



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& Business Consultants

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## Independent Auditors' Report

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

### Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (the State), as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the State'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 did not audit the financial statements of the various component units of the six state universities which represent 51 percent and 30 percent, respectively, of the assets and revenues of the discretely presented component units, the Kansas Development Finance Authority (KDFA) which represents 1 percent and less than 1 percent, respectively, of assets and revenues of the discretely presented component units, the Kansas Housing Resources Corporation (KHRC) which represents less than 1 percent and 2 percent, respectively, of assets and revenues of the discretely presented component units, the Kansas Bioscience Authority (KBA) which represents 2 percent and less than 1 percent, respectively, of assets and revenues of the discretely presented component units, the Kansas Public Employees Retirement System (KPERs) which represents 82 percent and 33 percent, respectively, of assets and revenues of the aggregate remaining fund information, and the Kansas Lottery which represents less than 1 percent and 7 percent, respectively, of the assets 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, KHRC, and KBA in the aggregate discretely presented component units, and KPERs and the Kansas Lottery in the aggregate remaining fund information, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the various component units of the six state universities were not audited in accordance with *Government Auditing Standards*.

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

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



### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2013, and the respective changes in financial position and, where applicable, its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change In Accounting Principle***

As discussed in Note I. H to the financial statements, in 2013 the State implemented the following pronouncements: GASB Statement No. 60 *Accounting and Financial Reporting for Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61 *The Financial Reporting Entity*, and GASB Statement No. 63 *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual non-major fund financial statements and other schedules, introductory section and statistical section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

*RubinBrown LLP*

December 20, 2013  
Overland Park, Kansas

## 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, 2013. 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 of the State exceeded its liabilities at fiscal year ending June 30, 2013 by \$11.8 billion (presented as “net position”). Of this amount, \$728.1 million 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 \$567.9 million (5.1 percent) in fiscal year 2013. Net position of governmental activities increased by \$512.4 million (4.9 percent), and net position of the business-type activities increased \$55.5 million (7.9 percent).

#### Fund highlights:

- For fiscal year 2013, the governmental funds reported a combined ending fund balance of \$1.4 billion, an increase of \$591.4 million in comparison with the prior year. Of the total amount, \$773.7 million represents the fund balance of the Non-Major Governmental funds. The General Fund reported an unassigned fund balance for fiscal year 2013 of \$390.9 million, as compared to the prior year unassigned balance of \$207.5 million.

#### Long-term debt:

- The State's total long-term debt obligation (including bonds payable on demand) showed a net increase of \$86.3 million (1.7 percent) during the current year. This increase was primarily due to a \$63.4 million increase in revenue bonds, a \$45.6 million increase in unemployment benefits loan, and a \$14.8 million increase in claims and judgments.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Basic Financial Statements

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

## **Government-wide Financial Statements**

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

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

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

Both of the above financial statements have separate sections for three different types of State programs or activities. These three types of activities are:

*Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with State government fall into this category, including education, general government, health services, judiciary services, museums, natural resources, public safety, defense, regulatory services, social services, and transportation.

*Business-type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services.

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

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

## **Fund Financial Statements**

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

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

*Governmental Funds Financial Statements* - Most of the basic services provided by the State are financed through governmental type funds. Governmental funds are used to account for the functions reported as

governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of expendable resources. They also focus on the balances of expendable resources available at the end of the fiscal year. This information may be helpful in evaluating the government's near-term financial requirements. This approach is known as the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of State finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

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

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

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

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

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

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

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

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

*Notes to the Financial Statements*

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

**Required Supplementary Information**

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

**Other Supplementary Information**

*Combining Financial Statements*

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government. The combined net position of the State (government and business-type activities) totaled \$11.8 billion at the end of 2013, compared to \$11.2 billion at the end of the previous year, an increase of 5.1 percent.

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

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 3,360,598	\$ 2,789,929	\$ 1,495,029	\$ 1,520,777	\$ 4,855,627	\$ 4,310,706
Capital assets	12,757,508	12,671,896	43,844	54,273	12,801,352	12,726,169
Total assets	16,118,106	15,461,825	1,538,873	1,575,050	17,656,979	17,036,875
Accumulated decrease in fair value of hedging derivatives	26,117	0	0	0	26,117	0
Total deferred outflows	26,117	0	0	0	26,117	0
Non-current liabilities	3,366,831	2,873,689	738,801	587,244	4,105,632	3,460,933
Other liabilities	1,778,625	2,101,728	43,946	287,195	1,822,571	2,388,923
Total liabilities	5,145,456	4,975,417	782,747	874,439	5,928,203	5,849,856
Net investment in capital assets	9,323,734	9,279,477	43,844	54,273	9,367,578	9,333,750
Restricted	1,162,509	920,031	496,714	474,957	1,659,223	1,394,988
Unrestricted	512,524	286,900	215,568	171,381	728,092	458,281
Total net position	\$ 10,998,767	\$ 10,486,408	\$ 756,126	\$ 700,611	\$ 11,754,893	\$ 11,187,019

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

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

	Component Units	
	2013	2012
Current assets	\$ 3,963,739	\$ 3,795,594
Capital assets	2,280,781	2,139,402
Total assets	6,244,520	5,934,996
Non-current liabilities	1,067,705	998,806
Other liabilities	437,587	541,865
Total liabilities	1,505,292	1,540,671
Net investment in capital assets	1,636,015	1,404,626
Restricted	2,565,368	851,706
Unrestricted	537,845	2,137,993
Total net position	\$ 4,739,228	\$ 4,394,325

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**Changes in Net Position – Primary Government**

Net position increased by \$567.9 million. Approximately 54.2 percent of the total revenue came from taxes, while 26.8 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 13.7 percent of the total revenues. Expenses cover a range of services. The largest expenses of total expenses were for education (37.7 percent), human resources (19.8 percent), and health and environment (15.6 percent).

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 871,562	\$ 832,737	\$ 1,076,432	\$ 938,386	\$ 1,947,994	\$ 1,771,123
Operating grants and contributions	3,553,295	3,760,803	2,392	935	3,555,687	3,761,738
Capital grants and contributions	222,886	200,452	36,717	67,886	259,603	268,338
General revenues:						
Taxes						
Property taxes	641,553	626,121	0	0	641,553	626,121
Income and inheritance taxes	3,382,048	3,203,760	0	0	3,382,048	3,203,760
Sales and excise taxes	3,510,478	3,424,419	0	0	3,510,478	3,424,419
Gross receipts taxes	177,215	163,862	0	0	177,215	163,862
Investment earnings	58,671	(19,548)	6,298	21,265	64,969	1,717
Other revenue	489,719	313,929	188,955	378,400	678,674	692,329
Total revenues	<u>12,907,427</u>	<u>12,506,535</u>	<u>1,310,794</u>	<u>1,406,872</u>	<u>14,218,221</u>	<u>13,913,407</u>
<b>Expenses:</b>						
General government	822,456	1,199,474	0	0	822,456	1,199,474
Human resources	2,702,954	2,736,768	0	0	2,702,954	2,736,768
Education	5,130,332	5,014,709	0	0	5,130,332	5,014,709
Public safety	610,878	589,676	0	0	610,878	589,676
Agriculture and natural resources	124,244	120,242	0	0	124,244	120,242
Highways and other transportation	928,140	1,006,995	0	0	928,140	1,006,995
Health and environment	2,129,953	1,425,544	0	0	2,129,953	1,425,544
Economic development	0	0	0	0	0	0
Interest expense	139,500	152,361	0	0	139,500	152,361
Water pollution and safety	0	0	36,301	59,646	36,301	59,646
Health care stabilization	0	0	37,160	6,442	37,160	6,442
Employment security	0	0	527,345	736,736	527,345	736,736
Workers' compensation	0	0	3,723	4,718	3,723	4,718
Lottery	0	0	465,555	335,018	465,555	335,018
Intergovernmental transfer program	0	0	0	695	0	695
Transportation revolving fund	0	0	3,908	3,488	3,908	3,488
Total expenses	<u>12,588,457</u>	<u>12,245,769</u>	<u>1,073,992</u>	<u>1,146,743</u>	<u>13,662,449</u>	<u>13,392,512</u>
Increase (decrease) in net assets before transfers	318,970	260,766	236,802	260,129	555,772	520,895
Transfers	165,514	122,855	(165,514)	(122,855)	0	0
Change in net position	484,484	383,621	71,288	137,274	555,772	520,895
Net position, beginning of year	10,486,408	10,212,560	700,611	563,337	11,187,019	10,775,897
Revisions to beginning net position	27,875	(109,773)	(15,773)	0	12,102	(109,773)
Net position, beginning of year (restated)	<u>10,514,283</u>	<u>10,102,787</u>	<u>684,838</u>	<u>563,337</u>	<u>11,199,121</u>	<u>10,666,124</u>
Net position, end of year	<u>\$ 10,998,767</u>	<u>\$ 10,486,408</u>	<u>\$ 756,126</u>	<u>\$ 700,611</u>	<u>\$ 11,754,893</u>	<u>\$ 11,187,019</u>



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

Component unit net position increased by \$344.9 million or 7.9 percent. Charges for various goods and services provided 41.2 percent of the total revenues. Approximately 46.6 percent of the total revenue came from other revenue, while 11.9 percent resulted from grants and contributions (including federal aid). Expenses cover a range of services and are shown below by component unit below.

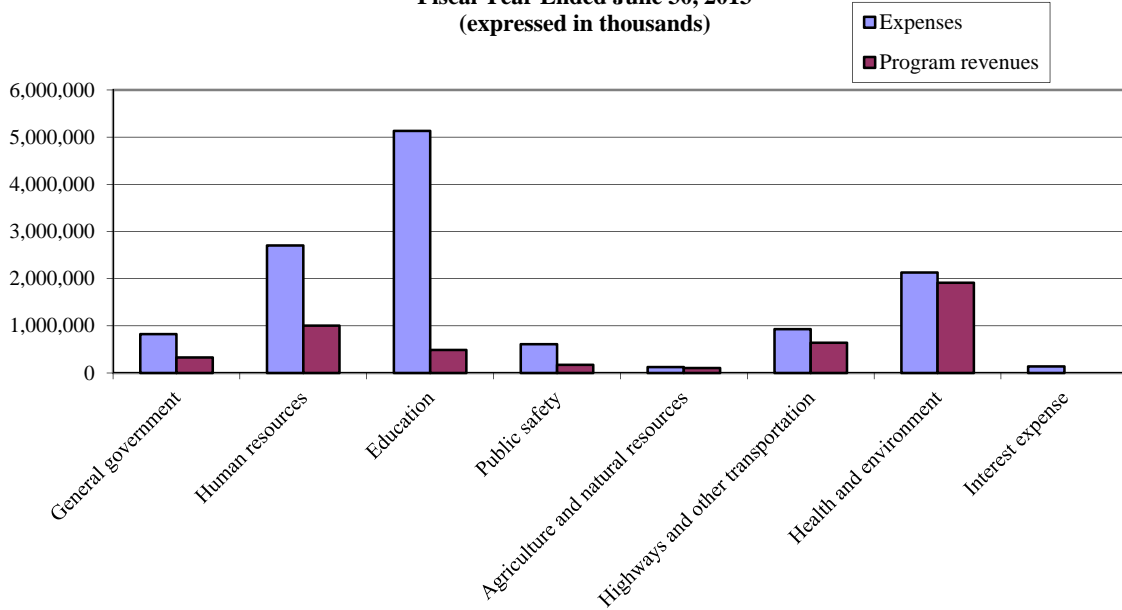
**State of Kansas Changes in Net Position – Component Unit**  
(expressed in thousands)

	Component Units	
	2013	2012
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,393,039	\$ 1,343,442
Operating grants and contributions	397,936	279,147
Capital grants and contributions	5,726	95,033
General revenues:		
Taxes		
Property Tax	7,108	7,041
Sales & excise Tax	1	0
Gross receipts taxes	1,176	1,120
Investment earnings	209,151	(23,161)
Other revenue	1,365,667	1,212,949
Total revenues	3,379,804	2,915,571
<b>Expenses:</b>		
Kansas Development Finance Authority	1,935	1,526
Kansas Technology Enterprise Corp.	0	10,178
Kansas Bioscience Authority	26,428	30,331
State University System	2,938,646	2,771,326
Kansas Housing Resources Corp.	76,250	100,921
Total expenses	3,043,259	2,914,282
Change in net position	336,545	1,289
Net position, beginning of year	4,394,325	4,367,924
Revisions to beginning net position	8,358	25,112
Net position, beginning of year (restated)	4,402,683	4,393,036
Net position, end of year	\$ 4,739,228	\$ 4,394,325

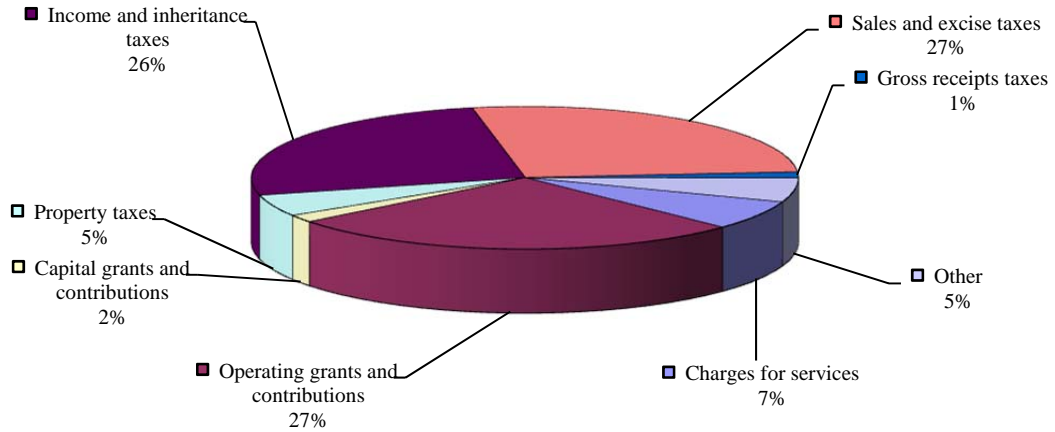
**Governmental Activities**

Governmental activities increased net position by \$512.4 million in fiscal year 2013. For the State's governmental activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Governmental Activities**  
**Fiscal Year Ended June 30, 2013**  
 (expressed in thousands)



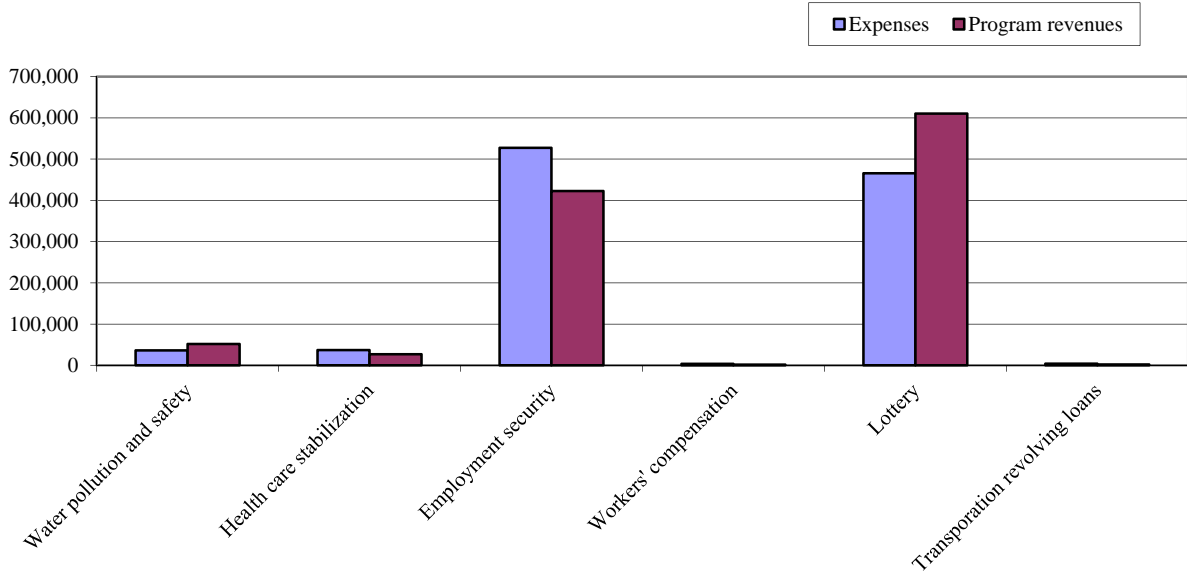
**Revenues by Source - Governmental Activities**  
**Fiscal Year Ended June 30, 2013**



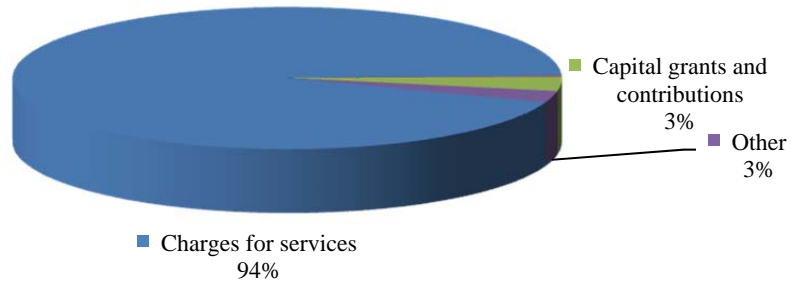
**Business-Type Activities**

The State's business-type activities increased the net position of the State by \$55.5 million. For the State's business-type activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Business-Type Activities**  
**Fiscal Year Ended June 30, 2013**  
 (expressed in thousands)



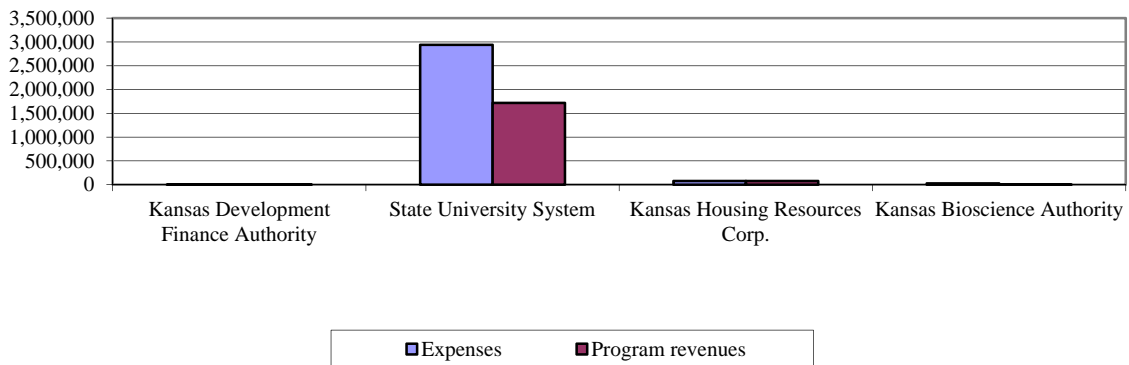
**Revenues by Source - Business-Type Activities**  
**Fiscal Year Ended June 30, 2013**



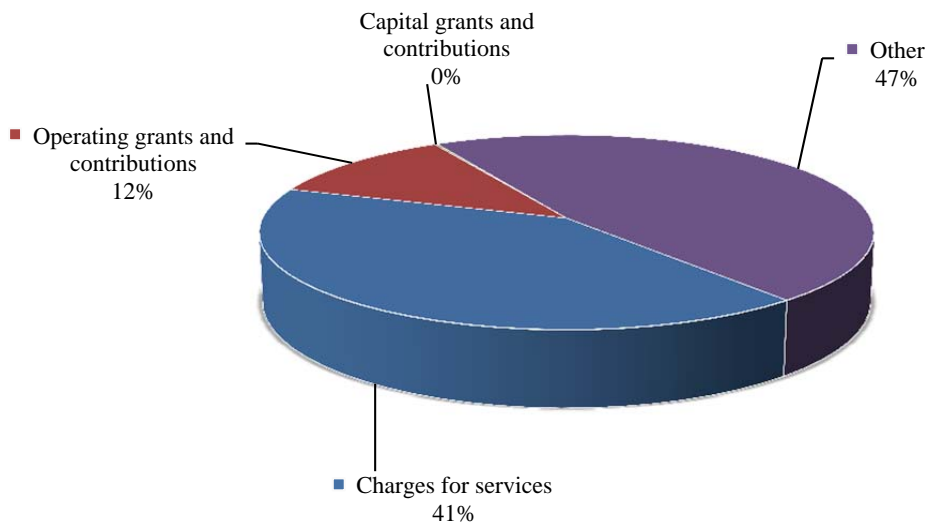
**Component Units**

The State's component units increased the net position of the State by \$344.9 million. 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, 2013**  
 (expressed in thousands)



**Revenues by Source - Component Units**  
**Fiscal Year Ended June 30, 2013**



## **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 2013, the governmental funds reported a combined ending fund balance of \$1.4 billion, an increase of \$591.4 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.

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 \$390.9 million, while the total fund balance was \$398.3 million. During fiscal year 2013, the State experienced revenue increase in income and inheritance taxes and also in sales and excise taxes. As a result, the cash balance is approximately \$265.6 million higher in fiscal year 2013 than it was in fiscal year 2012. As a measure of liquidity of the General Fund, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5.7 percent of total General Fund expenditures, while total fund balance represents 5.9 percent of that same amount. The fund balance in the General Fund increased by \$183.2 million during the current fiscal year.

### **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 \$55.5 million as a result of operations in the proprietary funds. This increase resulted from a \$21.3 million increase in the Water Funds and a \$70.8 million increase in the Unemployment Insurance. There was a decrease of \$24.2 million in the Health Care Stabilization Fund and a \$12.3 million decrease in the Other Nonmajor Funds.

### **Component Unit Funds**

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

The State's component unit net position increased by \$344.9 million. Most of this increase resulted from the State University System with an increase of \$365.3 million. The other three component units accounted for a \$20.3 million decrease in net position.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences existed between the original budget and the final budget. Revenue estimates were reduced by approximately \$154.4 million and expenditure estimates were increased by approximately \$0.6 million. The original estimates provided for revenues less than expenditures of \$157.8 million. The final budget provided for \$3.4 million of revenues over expenditures. Subsequently, fiscal year 2013 was closed with revenues over expenditures of \$86.9 million.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

State investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$12.8 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 less than 1 percent in terms of net book value. The majority of capital asset expenditures were used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$91.7 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 bond debt obligations increased by \$86.3 million during the current fiscal year. The key factor in this increase was \$63.4 million increase of revenue bonds payable.

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

## **ECONOMIC FACTORS**

The Kansas economy has improved in fiscal year 2013. The Kansas Department of Labor reports Kansas gained 15,800 non-farm jobs over the last year, a 1.2 percent increase. Kansas has gained 16,400 private sector jobs since June 2012, a 1.5 percent increase. Eight of the 11 major industries in Kansas reported over-the-year job gains, the greatest in:

- Professional and business services increased by 7,400 jobs, a 4.8 percent gain.
- Manufacturing gained 3,700 jobs, a 2.3 percent increase. These gains were in both durable and non-durable goods.
- Financial activities rose by 2,500 jobs, or a 3.3 percent increase.

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

- Construction lost 1,300 jobs, a 2.3 percent decrease. Losses were in heavy and civil engineering construction and specialty trade contractors.
- Other services lost 900 jobs, a 1.7 percent decrease.
- Government lost 600 jobs or a 0.2 percent decrease. These losses were at the federal level.

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The unemployment rate was 5.8 percent in June 2013, compared to 6 percent in June 2012. There were 106,824 continued unemployment claims in June, 2013, down from 152,410 in June, 2012. Fewer people requesting unemployment means more Kansans are finding work and staying employed. Additional demographic and economic information may be found in the Statistical Section of this report.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of State finances for all of Kansas's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate State accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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

# **Financial Statements**



State of Kansas  
**Financial Statements**  
June 30, 2013

**Government Wide - Statement of Net Position**  
**June 30, 2013**  
*(expressed in thousands)*

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,979,870	\$ 202,359	\$ 2,182,229	\$ 705,865
Investments	27,042	155,441	182,483	2,505,319
Receivables (net)	1,032,546	674,771	1,707,317	423,330
Due from primary government:				
Investment in direct financing leases, due within one year	0	0	0	6,505
Investment in direct financing leases, due in more than one year	0	0	0	38,630
Internal balances	5,722	(5,722)	0	0
Inventories	31,809	2,154	33,963	31,647
Other current assets	0	0	0	8,525
Derivative instrument - interest rate swap	5,506	0	5,506	0
Restricted cash and cash equivalents	240,056	200,137	440,193	113,038
Restricted investments	18,823	258,552	277,375	58,118
Capital assets not being depreciated	11,640,096	0	11,640,096	247,017
Capital assets, net of accumulated depreciation	1,117,412	43,844	1,161,256	2,033,764
Other noncurrent assets	19,224	7,337	26,561	72,762
Total assets	<u>16,118,106</u>	<u>1,538,873</u>	<u>17,656,979</u>	<u>6,244,520</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	26,117	0	26,117	0
Total deferred inflows of resources	<u>26,117</u>	<u>0</u>	<u>26,117</u>	<u>0</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	1,242,870	31,348	1,274,218	330,103
Due to others	0	0	0	1,180
Due to component unit:				
Lease revenue bonds payable, due within one year	6,505	0	6,505	0
Lease revenue bonds payable, due in more than one year	38,630	0	38,630	0
Unearned revenue	51,718	12,598	64,316	106,304
Derivative instrument - interest rate swap	33,167	0	33,167	0
Bonds payable on demand	405,735	0	405,735	0
Noncurrent liabilities:				
Due within one year	337,403	114,729	452,132	119,748
Due in more than one year	3,029,428	624,072	3,653,500	947,957
Total liabilities	<u>5,145,456</u>	<u>782,747</u>	<u>5,928,203</u>	<u>1,505,292</u>
<b>NET POSITION</b>				
Net investment in capital assets	9,323,734	43,844	9,367,578	1,636,015
Restricted for:				
Capital projects	52,789	0	52,789	47,591
Debt service	60,756	38,475	99,231	40,411
Other purposes	736,713	458,239	1,194,952	2,477,366
Highways and other transportation	312,251	0	312,251	0
Unrestricted	<u>512,524</u>	<u>215,568</u>	<u>728,092</u>	<u>537,845</u>
Total net position	<u>\$ 10,998,767</u>	<u>\$ 756,126</u>	<u>\$ 11,754,893</u>	<u>\$ 4,739,228</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2013

**Government Wide - Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 822,456	\$ 248,913	\$ 78,940	\$ 49
Human resources	2,702,954	138,437	865,477	0
Education	5,130,332	6,926	481,209	0
Public safety	610,878	59,350	114,282	31
Agriculture and natural resources	124,244	68,692	34,914	19
Highways and other transportation	928,140	198,120	218,536	222,787
Health and environment	2,129,953	151,124	1,759,937	0
Interest expense	139,500	0	0	0
Total governmental activities	<u>12,588,457</u>	<u>871,562</u>	<u>3,553,295</u>	<u>222,886</u>
Business-type activities:				
Water pollution and safety	36,301	19,952	0	31,699
Health care stabilization	37,160	27,027	0	0
Employment security	527,345	420,161	2,392	0
Workers' compensation	3,723	1,779	0	0
Lottery	465,555	605,299	0	5,018
Intergovernmental transfer program	0	0	0	0
Transportation revolving loans	3,908	2,214	0	0
Total business-type activities	<u>1,073,992</u>	<u>1,076,432</u>	<u>2,392</u>	<u>36,717</u>
<b>Total primary government</b>	<u>\$ 13,662,449</u>	<u>\$ 1,947,994</u>	<u>\$ 3,555,687</u>	<u>\$ 259,603</u>
<b>Component units:</b>				
Kansas Development Finance Authority	\$ 1,935	\$ 1,423	\$ 0	\$ 0
Kansas Bioscience Authority	26,428	304	267	0
State University System	2,938,646	1,387,994	324,297	5,726
Kansas Housing Resources Corporation	76,250	3,318	73,372	0
<b>Total component units</b>	<u>\$ 3,043,259</u>	<u>\$ 1,393,039</u>	<u>\$ 397,936</u>	<u>\$ 5,726</u>

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

State of Kansas  
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Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business- Type Activities	Total	Component Units
\$ (494,554)	\$ 0	\$ (494,554)	\$ 0
(1,699,040)	0	(1,699,040)	0
(4,642,197)	0	(4,642,197)	0
(437,215)	0	(437,215)	0
(20,619)	0	(20,619)	0
(288,697)	0	(288,697)	0
(218,892)	0	(218,892)	0
(139,500)	0	(139,500)	0
<u>(7,940,714)</u>	<u>0</u>	<u>(7,940,714)</u>	<u>0</u>
	0	15,350	0
	0	(10,133)	0
	0	(104,792)	0
	0	(1,944)	0
	0	144,762	0
	0	0	0
	0	(1,694)	0
	0	41,549	0
	<u>\$ (7,940,714)</u>	<u>\$ 41,549</u>	<u>\$ (7,899,165)</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (512)</u>
	0	0	(25,857)
	0	0	(1,220,629)
	0	0	440
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,246,558)</u>
<b>General revenues:</b>			
Taxes:			
Property tax	\$ 641,553	\$ 0	\$ 641,553
Income and inheritance tax	3,382,048	0	3,382,048
Sales and excise tax	3,510,478	0	3,510,478
Gross receipts tax	177,215	0	177,215
Investment earnings	58,671	6,298	64,969
Other revenue	489,719	188,955	678,674
Transfers	165,514	(165,514)	0
<b>Total general revenues</b>	<u>8,425,198</u>	<u>29,739</u>	<u>8,454,937</u>
Change in net position	<u>484,484</u>	<u>71,288</u>	<u>555,772</u>
Net position - beginning	10,486,408	700,611	11,187,019
Revisions to beginning net position	27,875	(15,773)	12,102
Net position - beginning (restated)	<u>10,514,283</u>	<u>684,838</u>	<u>11,199,121</u>
Net position - ending	<u>\$ 10,998,767</u>	<u>\$ 756,126</u>	<u>\$ 11,754,893</u>

State of Kansas  
**Financial Statements**  
June 30, 2013

**Balance Sheet - Governmental Funds**  
**June 30, 2013**

(expressed in thousands)

	General	Social Services	Health and Environment	Transportation	Transportation-Capital Projects	Other Governmental	Total Governmental
<b>ASSETS</b>							
Cash and cash equivalents	\$ 823,740	\$ 71,498	\$ 168,045	\$ 267,948	\$ 0	\$ 602,462	\$ 1,933,693
Investments	0	0	0	3,045	0	23,997	27,042
Receivables, net	694,254	66,056	138,446	75,217	8	54,504	1,028,485
Due from other funds	5,578	0	0	143	0	20,199	25,920
Inventories	7,446	0	0	24,363	0	0	31,809
Advances to other funds	0	0	0	0	0	74,064	74,064
Restricted cash and cash equivalents	0	0	0	28,800	83,915	127,341	240,056
Restricted investments	0	0	0	0	0	18,823	18,823
Total assets	<u>\$ 1,531,018</u>	<u>\$ 137,554</u>	<u>\$ 306,491</u>	<u>\$ 399,516</u>	<u>\$ 83,923</u>	<u>\$ 921,390</u>	<u>\$ 3,379,892</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and other current liabilities	\$ 712,831	\$ 76,473	\$ 167,497	\$ 51,384	\$ 0	\$ 146,707	\$ 1,154,892
Due to other funds	18,849	0	0	0	0	0	18,849
Deferred revenue	327,975	40	217	30,866	0	755	359,853
Advances from other funds	73,027	0	0	0	0	192	73,219
Bonds payable on demand	0	0	0	0	405,735	0	405,735
Total liabilities	<u>1,132,682</u>	<u>76,513</u>	<u>167,714</u>	<u>82,250</u>	<u>405,735</u>	<u>147,654</u>	<u>2,012,548</u>
Fund balances:							
Nonspendable:							
Long-term receivables	0	0	0	0	0	4,487	4,487
Inventory	7,446	0	0	24,363	0	0	31,809
Restricted for:							
Capital projects	0	0	0	0	0	52,789	52,789
Debt service	0	0	0	0	0	60,756	60,756
General government	0	0	0	0	0	355,907	355,907
Human resources	0	61,041	0	0	0	34,929	95,970
Education	0	0	0	0	0	17,837	17,837
Public safety	0	0	0	0	0	61,931	61,931
Agriculture and natural resources	0	0	0	0	0	56,521	56,521
Highways and other transportation	0	0	0	292,903	0	19,348	312,251
Health and environment	0	0	138,777	0	0	0	138,777
Assigned to:							
Debt service	0	0	0	0	0	109,231	109,231
Unassigned	390,890	0	0	0	(321,812)	0	69,078
Total fund balance	<u>398,336</u>	<u>61,041</u>	<u>138,777</u>	<u>317,266</u>	<u>(321,812)</u>	<u>773,736</u>	<u>1,367,344</u>
Total liabilities and fund balance	<u>\$ 1,531,018</u>	<u>\$ 137,554</u>	<u>\$ 306,491</u>	<u>\$ 399,516</u>	<u>\$ 83,923</u>	<u>\$ 921,390</u>	<u>\$ 3,379,892</u>

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

(Continued)

State of Kansas  
**Financial Statements**  
June 30, 2013

**Balance Sheet - Governmental Funds - Continued**  
**June 30, 2013**  
*(expressed in thousands)*

	Total Governmental
<b>Reconciliation to the Statement of Net Position:</b>	
Total fund balance from previous page	\$ 1,367,344
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds:	
Capital assets not being depreciated	11,640,096
Capital assets being depreciated	1,117,412
Internal service funds included in above	(103,448)
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	31,623
Other noncurrent assets	19,224
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	(63,100)
Capital leases payable	(97,515)
Revenue bonds payable	(2,617,785)
Star bonds	(139,662)
Pollution remediation	(63,575)
Unamortized premium discount	(133,656)
Unamortized deferred refunding	24,718
Other post employment benefits	(55,079)
Compensated absences	(118,656)
Claims and judgments	(102,385)
Due to component unit (lease revenue bonds payable)	(45,135)
Arbitrage and derivative liabilities	(33,303)
Deferred revenue	308,135
Accrued accounts payable	(73,401)
Accrued interest	(11,205)
Internal service funds included in above	142,719
Internal service funds: the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	5,401
Net position of governmental activities	\$ 10,998,767

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

State of Kansas  
**Financial Statements**  
June 30, 2013

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013  
(expressed in thousands)**

	General	Social Services	Health and Environment	Transporta- tion	Transporta- tion-Capital Projects	Other Governmental	Total Governmental
<b>Revenues:</b>							
Property tax	\$ 589,068	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,609	\$ 639,677
Income and inheritance tax	3,311,005	0	0	0	0	25,421	3,336,426
Sales and excise tax	2,819,036	3,068	677	595,093	0	66,537	3,484,411
Gross receipts tax	158,007	0	830	0	0	18,370	177,207
Charges for services	44,608	120,273	147,610	198,120	0	360,951	871,562
Operating grants	0	841,342	1,759,895	216,116	0	737,752	3,555,105
Capital grants	0	0	0	224,983	0	330	225,313
Investment earnings	26,566	37	109	303	81	4,104	31,200
Other revenues	40,733	2,872	239,244	20,622	0	131,805	435,276
Total revenues	<u>6,989,023</u>	<u>967,592</u>	<u>2,148,365</u>	<u>1,255,237</u>	<u>81</u>	<u>1,395,879</u>	<u>12,756,177</u>
<b>Expenditures:</b>							
Current:							
General government	246,684	0	0	0	0	421,496	668,180
Human resources	924,833	1,690,028	0	0	0	83,072	2,697,933
Education	4,444,689	0	0	0	0	688,097	5,132,786
Public safety	378,586	0	0	0	0	252,578	631,164
Agriculture and natural resources	13,269	0	0	0	0	116,887	130,156
Highways and other transportation	0	0	0	1,025,035	0	17,820	1,042,855
Health and environment	721,467	0	1,402,998	0	0	10,372	2,134,837
Debt service:							
Principal	0	0	0	0	0	238,498	238,498
Interest	0	0	0	0	0	140,544	140,544
Total expenditures	<u>6,729,528</u>	<u>1,690,028</u>	<u>1,402,998</u>	<u>1,025,035</u>	<u>0</u>	<u>1,969,364</u>	<u>12,816,953</u>
<b>Excess of revenues over (under) expenditures</b>	<u>259,495</u>	<u>(722,436)</u>	<u>745,367</u>	<u>230,202</u>	<u>81</u>	<u>(573,485)</u>	<u>(60,776)</u>
<b>Other financing sources (uses):</b>							
Issuance of bonds	0	0	0	0	496,250	57,766	554,016
Premium on issuance of debt	0	0	0	0	85,738	0	85,738
Payment to refunded bonds escrow agent	0	0	0	0	(186,227)	0	(186,227)
Transfers, net	(76,282)	726,704	(722,966)	(39,927)	(213,342)	496,638	170,825
Total other financing sources (uses)	<u>(76,282)</u>	<u>726,704</u>	<u>(722,966)</u>	<u>(39,927)</u>	<u>182,419</u>	<u>554,404</u>	<u>624,352</u>
<b>Net change in fund balances</b>	<u>183,213</u>	<u>4,268</u>	<u>22,401</u>	<u>190,275</u>	<u>182,500</u>	<u>(19,081)</u>	<u>563,576</u>
Fund balances, beginning	215,123	56,773	101,844	127,569	(504,312)	778,931	775,928
Revisions to beginning fund balances	0	0	14,532	0	0	13,886	28,418
Fund balances, beginning (restated)	<u>215,123</u>	<u>56,773</u>	<u>116,376</u>	<u>127,569</u>	<u>(504,312)</u>	<u>792,817</u>	<u>804,346</u>
Change in reserves for inventory	0	0	0	(578)	0	0	(578)
<b>Fund balances, end</b>	<u>\$ 398,336</u>	<u>\$ 61,041</u>	<u>\$ 138,777</u>	<u>\$ 317,266</u>	<u>\$ (321,812)</u>	<u>\$ 773,736</u>	<u>\$ 1,367,344</u>

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

(Continued)

State of Kansas  
**Financial Statements**  
June 30, 2013

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Total Governmental
<b>Reconciliation to the Statement of Activities:</b>	
Total net change in fund balance from previous page	\$ 563,576
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	(81,241)
Capitalized assets acquired	266,308
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.	
	(93,231)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Deferred revenue	26,772
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long- term liabilities in the statement of net position:	
Revenue bonds	(496,250)
Bond premiums and discounts	(85,738)
Deferred refundings	9,853
Other borrowings	(65,351)
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	104,384
Other borrowings	90,444
Payment to escrow agent on refunded bonds	186,227
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.	
	13,510
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	1,396
Pollution remediation	5,577
Accrued interest	862
Claims and judgments	(17,084)
Other post employment benefits	(3,081)
Change in inventory for materials and supplies	(578)
Derivatives (liability), due to component and accrued accounts payable	47,430
Derivatives (assets and deferred outflows) and bond issue costs	(11,836)
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.	
	22,535
Changes in Net Position of Governmental Activities	\$ 484,484

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

State of Kansas  
**Financial Statements**  
June 30, 2013

**Statement of Net Position - Proprietary Funds**  
**June 30, 2013**  
*(expressed in thousands)*

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor Funds	Total	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 146,072	\$ 13,612	\$ 1,744	\$ 40,931	\$ 202,359	\$ 46,177
Restricted cash and cash equivalents	0	156,695	0	30,798	187,493	0
Investments	82,104	0	30,517	0	112,621	0
Receivables, net	52,236	13,030	2,614	21,484	89,364	4,061
Inventories	0	0	0	2,154	2,154	0
Total current assets	<u>280,412</u>	<u>183,337</u>	<u>34,875</u>	<u>95,367</u>	<u>593,991</u>	<u>50,238</u>
Noncurrent assets:						
Restricted cash and cash equivalents	12,644	0	0	0	12,644	0
Investments	27,543	0	0	15,277	42,820	0
Investments, restricted	28,168	0	230,384	0	258,552	0
Receivables, net	537,769	0	0	47,638	585,407	0
Capital assets not being depreciated	0	0	0	0	0	460
Capital assets (net of accumulated depreciation)	0	0	16	43,828	43,844	102,988
Other noncurrent assets	6,840	0	0	497	7,337	0
Total noncurrent assets	<u>612,964</u>	<u>0</u>	<u>230,400</u>	<u>107,240</u>	<u>950,604</u>	<u>103,448</u>
Total assets	<u>\$ 893,376</u>	<u>\$ 183,337</u>	<u>\$ 265,275</u>	<u>\$ 202,607</u>	<u>\$ 1,544,595</u>	<u>\$ 153,686</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other current liabilities	\$ 6,797	\$ 5,205	\$ 1,117	18,229	\$ 31,348	\$ 3,372
Deferred revenue	0	0	11,309	1,289	12,598	0
Due to other funds	0	0	0	5,722	5,722	1,349
Notes payable	0	50,209	0	0	50,209	0
Compensated absences	0	0	59	4	63	1,344
Portion of long-term liabilities	39,656	0	13,441	11,360	64,457	51,670
Total current liabilities	<u>46,453</u>	<u>55,414</u>	<u>25,926</u>	<u>36,604</u>	<u>164,397</u>	<u>57,735</u>
Noncurrent liabilities:						
Compensated absences	0	0	11	1	12	264
Claims and judgments	0	0	155,080	26,590	181,670	40,019
Bonds, notes and loans payable	375,692	0	0	53,132	428,824	49,422
Arbitrage rebate payable	0	0	0	196	196	0
Other noncurrent liabilities	12,992	0	46	332	13,370	0
Advances from other funds	0	0	0	0	0	845
Total noncurrent liabilities	<u>388,684</u>	<u>0</u>	<u>155,137</u>	<u>80,251</u>	<u>624,072</u>	<u>90,550</u>
Total liabilities	<u>435,137</u>	<u>55,414</u>	<u>181,063</u>	<u>116,855</u>	<u>788,469</u>	<u>148,285</u>
<b>NET POSITION</b>						
Net investment in capital assets	0	0	16	43,828	43,844	103,448
Restricted for:						
Debt service	0	0	0	38,475	38,475	0
Other purposes	458,239	0	0	0	458,239	0
Unrestricted	0	127,923	84,196	3,449	215,568	(98,047)
Total net position	<u>458,239</u>	<u>127,923</u>	<u>84,212</u>	<u>85,752</u>	<u>756,126</u>	<u>5,401</u>
Total liabilities and net position	<u>\$ 893,376</u>	<u>\$ 183,337</u>	<u>\$ 265,275</u>	<u>\$ 202,607</u>	<u>\$ 1,544,595</u>	<u>\$ 153,686</u>

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



State of Kansas  
**Financial Statements**  
June 30, 2013

**Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Proprietary Funds  
For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor Funds	Total	
<b>Operating revenues:</b>						
Charges for services	\$ 1,798	\$ 420,161	\$ 27,027	\$ 609,292	\$ 1,058,278	\$ 93,948
Interest on loans	18,154	0	0	0	18,154	0
Other revenue	3,464	177,207	900	7,384	188,955	37,249
Total operating revenues	<u>23,416</u>	<u>597,368</u>	<u>27,927</u>	<u>616,676</u>	<u>1,265,387</u>	<u>131,197</u>
<b>Operating expenses:</b>						
Salaries and wages	0	0	1,354	5,680	7,034	26,806
Supplies and services	1,662	0	4,905	286,424	292,991	43,990
Lottery prize awards	0	0	0	138,555	138,555	0
Depreciation	0	0	3	15,561	15,564	10,473
Insurance claims and expenses	0	526,046	0	1,324	527,370	19,043
Program administration - Water Funds	1,722	0	0	0	1,722	0
Other expenses	3,094	34	29,267	22,926	55,321	256
Total operating expenses	<u>6,478</u>	<u>526,080</u>	<u>35,529</u>	<u>470,470</u>	<u>1,038,557</u>	<u>100,568</u>
<b>Operating income (loss)</b>	<u>16,938</u>	<u>71,288</u>	<u>(7,602)</u>	<u>146,206</u>	<u>226,830</u>	<u>30,629</u>
<b>Nonoperating revenues (expenses):</b>						
Operating grants	0	2,392	0	0	2,392	0
Capital grants	31,699	0	0	5,018	36,717	0
Investment earnings	2,459	1,969	1,015	855	6,298	0
Interest expense	(22,946)	(1,265)	0	(2,708)	(26,919)	(2,769)
Other expenses	(6,877)	0	(1,631)	(8)	(8,516)	(14)
Total nonoperating revenues (expenses)	<u>4,335</u>	<u>3,096</u>	<u>(616)</u>	<u>3,157</u>	<u>9,972</u>	<u>(2,783)</u>
<b>Income before transfers</b>	<u>21,273</u>	<u>74,384</u>	<u>(8,218)</u>	<u>149,363</u>	<u>236,802</u>	<u>27,846</u>
Transfers in	0	940,775	0	0	940,775	5,223
Transfers out	0	(944,382)	(200)	(161,707)	(1,106,289)	(10,534)
Change in net position	<u>21,273</u>	<u>70,777</u>	<u>(8,418)</u>	<u>(12,344)</u>	<u>71,288</u>	<u>22,535</u>
Net position - beginning	436,966	57,146	108,403	98,096	700,611	(16,591)
Revisions to beginning net position	0	0	(15,773)	0	(15,773)	(543)
Net position - beginning (restated)	<u>436,966</u>	<u>57,146</u>	<u>92,630</u>	<u>98,096</u>	<u>684,838</u>	<u>(17,134)</u>
<b>Net position - ending</b>	<u>\$ 458,239</u>	<u>\$ 127,923</u>	<u>\$ 84,212</u>	<u>\$ 85,752</u>	<u>\$ 756,126</u>	<u>\$ 5,401</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2013

**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2013**

(expressed in thousands)

	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor funds	Total	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>						
Cash receipts from customers	\$ 19,262	\$ 596,951	\$ 27,407	\$ 636,472	\$ 1,280,092	\$ 128,342
Cash payments to suppliers for goods and services	(2,732)	(962)	(3,893)	(1,578)	(9,165)	(47,534)
Cash payments to employees for services	0	0	(1,336)	(5,680)	(7,016)	(26,875)
Cash payments for lottery prizes	0	0	0	(442,228)	(442,228)	0
Claims paid	0	(526,046)	(28,407)	(1,239)	(555,692)	(22,243)
Other operating revenues	156,757	0	0	8,428	165,185	0
Other operating expenses	(52,512)	0	0	(1,983)	(54,495)	0
Net cash provided (used) by operating activities	<u>120,775</u>	<u>69,943</u>	<u>(6,229)</u>	<u>192,192</u>	<u>376,681</u>	<u>31,690</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating grants receipts	0	2,392	0	0	2,392	0
Other non-operating expenses	0	0	(1,631)	0	(1,631)	(14)
Net transfers to other funds	0	(3,607)	(200)	(160,517)	(164,324)	(5,973)
Other cash inflows from noncapital financing activities	34,365	0	0	0	34,365	0
Other cash outflows from noncapital financing activities	(163,785)	0	0	(16,933)	(180,718)	0
Net cash provided (used) by noncapital financing activities	<u>(129,420)</u>	<u>(1,215)</u>	<u>(1,831)</u>	<u>(177,450)</u>	<u>(309,916)</u>	<u>(5,987)</u>
<b>Cash flows from capital and related financing activities:</b>						
Proceeds from issuance of long-term debt	0	90,209	0	0	90,209	0
Repayment of long-term debt	0	(44,602)	0	0	(44,602)	(11,304)
Interest payments	0	(1,265)	0	0	(1,265)	(2,769)
Proceeds from sale of fixed assets	0	0	0	0	0	0
(Gain) loss on disposal of fixed assets	0	0	0	(124)	(124)	0
Payments for purchase of fixed assets	0	0	0	0	0	(4,249)
Other cash inflows from capital and related financing activities	0	0	0	0	0	0
Other cash outflows from capital and related financing activities	0	0	0	0	0	0
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>44,342</u>	<u>0</u>	<u>(124)</u>	<u>44,218</u>	<u>(18,322)</u>
<b>Cash flows from investing activities:</b>						
Proceeds from sale and maturities of investment securities	21,679	418	25,003	0	47,100	0
Purchase of investments	(118,649)	0	(27,262)	0	(145,911)	0
Interest and dividends	2,224	1,969	9,509	855	14,557	0
Net cash provided (used) by investing activities	<u>(94,746)</u>	<u>2,387</u>	<u>7,250</u>	<u>855</u>	<u>(84,254)</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	(103,391)	115,457	(810)	15,473	26,729	7,381
Cash and cash equivalents, beginning of year	262,107	54,850	2,554	56,256	375,767	38,796
<b>Cash and cash equivalents, end of year</b>	<u>\$ 158,716</u>	<u>\$ 170,307</u>	<u>\$ 1,744</u>	<u>\$ 71,729</u>	<u>\$ 402,496</u>	<u>\$ 46,177</u>
<b>Reconciliation of operating income (loss) to net cash provided by operations:</b>						
Operating income (loss)	\$ 16,938	\$ 71,288	\$ (7,602)	\$ 146,206	\$ 226,830	\$ 30,629
<b>Adjustment to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation and amortization	0	0	3	15,561	15,564	10,473
Changes in assets and liabilities:						
Receivables	103,875	(417)	3,944	29,935	137,337	(2,855)
Inventories	0	0	0	(232)	(232)	0
Accounts payable	(38)	(928)	1,012	1,899	1,945	(3,288)
Payroll liabilities	0	0	18	0	18	(69)
Claims and judgements	0	0	860	85	945	(3,200)
Deferred revenue	0	0	(4,464)	(1,969)	(6,433)	0
Lottery prize liability	0	0	0	707	707	0
Total adjustments	<u>103,837</u>	<u>(1,345)</u>	<u>1,373</u>	<u>45,986</u>	<u>149,851</u>	<u>1,061</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 120,775</u>	<u>\$ 69,943</u>	<u>\$ (6,229)</u>	<u>\$ 192,192</u>	<u>\$ 376,681</u>	<u>\$ 31,690</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2013

**Statement of Net Position**

**Fiduciary Funds**

**June 30, 2013**

*(expressed in thousands)*

	<u>Pension Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,253	\$ 960,726	\$ 492,355
Investments:			
Domestic equities	5,057,827	0	0
International equities	3,700,662	0	0
Cash and cash equivalents	275,778	0	0
Fixed income	3,747,413	0	0
Alternative investments	373,639	0	0
Real estate	1,350,412	0	0
Invested securities lending collateral	1,639,377	0	0
Certificates of deposit	0	0	547,272
Receivables, net	3,003,859	0	881,211
Capital assets	2,110	0	213
	<u>19,152,330</u>	<u>960,726</u>	<u>1,921,051</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	<u>4,737,041</u>	<u>0</u>	<u>1,921,051</u>
	<u>4,737,041</u>	<u>0</u>	<u>\$ 1,921,051</u>
<b>NET POSITION</b>			
Net position held in trust	<u>\$ 14,415,289</u>	<u>\$ 960,726</u>	

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

State of Kansas  
**Financial Statements**  
June 30, 2013

**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Pension Trust	Investment Trust
<b>ADDITIONS</b>		
Contributions:		
Employer contributions	\$ 666,817	\$ 0
Employee contributions	306,632	0
Total contributions	973,449	0
Investment earnings:		
Net appreciation (depreciation) in fair value in investments	1,490,141	234
Interest	100,551	0
Dividends	153,201	0
Real estate income	39,974	0
Securities lending income	4,827	0
Borrower rebates	2,451	0
Management fees	(1,309)	0
Total investment earnings	1,789,836	234
Less investment expense	42,585	0
Net investment earnings	1,747,251	234
MIP deposits	0	3,358,100
Other deposits	538	0
Total investment earnings	1,747,789	3,358,334
Total additions	2,721,238	3,358,334
<b>DEDUCTIONS</b>		
Benefits and refunds:		
Monthly benefits and refunds	1,288,987	0
Refunds of contributions	53,900	0
Death benefits	9,458	0
Insurance Premiums and Disability Benefits	48,558	0
Distributions	0	3,230,265
Total benefits and refunds	1,400,903	3,230,265
Administrative expenses	10,858	0
Total deductions	1,411,761	3,230,265
Change in net position	1,309,477	128,069
Net position - beginning	13,105,812	832,657
<b>Net position - ending</b>	<b>\$ 14,415,289</b>	<b>\$ 960,726</b>

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

State of Kansas  
**Financial Statements**  
June 30, 2013

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

**June 30, 2013**

*(expressed in thousands)*

	Kansas Development Finance Authority	Kansas Housing Resources Corporation	Kansas Bioscience Authority	State University System	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 175	\$ 2,244	\$ 12,982	\$ 690,464	\$ 705,865
Restricted cash and cash equivalents	1,180	1,803	0	60,128	63,111
Investments	11,854	7,516	3,417	2,416,352	2,439,139
Restricted investments	434	0	0	1,153	1,587
Receivables, net	48	1,833	2,330	281,906	286,117
Due from primary government	6,505	0	0	0	6,505
Inventories	0	42	0	31,605	31,647
Other assets	84	0	96	8,345	8,525
Total current assets	<u>20,280</u>	<u>13,438</u>	<u>18,825</u>	<u>3,489,953</u>	<u>3,542,496</u>
Noncurrent assets:					
Restricted cash and cash equivalents	0	13	0	49,914	49,927
Investments	0	0	49,871	16,309	66,180
Restricted investments	0	0	0	56,531	56,531
Receivables, net	0	1,755	5,278	130,180	137,213
Due from primary government	38,630	0	0	0	38,630
Capital assets not being depreciated	0	0	420	246,597	247,017
Capital assets (net of accumulated depreciation)	58	173	13,524	2,020,009	2,033,764
Other noncurrent assets	0	0	8,300	64,462	72,762
Total noncurrent assets	<u>38,688</u>	<u>1,941</u>	<u>77,393</u>	<u>2,584,002</u>	<u>2,702,024</u>
Total assets	<u>58,968</u>	<u>15,379</u>	<u>96,218</u>	<u>6,073,955</u>	<u>6,244,520</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and other liabilities	353	1,059	2,125	326,566	330,103
Deferred revenue	434	108	0	105,762	106,304
Due to others	1,180	0	0	0	1,180
Notes payable	0	0	0	4,454	4,454
Compensated absences	0	191	0	58,360	58,551
Portion of long-term liabilities	6,505	0	592	49,646	56,743
Total current liabilities	<u>8,472</u>	<u>1,358</u>	<u>2,717</u>	<u>544,788</u>	<u>557,335</u>
Noncurrent liabilities:					
Compensated absences	0	0	0	10,346	10,346
Bonds, notes and loans payable	38,630	0	11,811	815,460	865,901
Arbitrage rebate liability	0	0	0	49	49
Other noncurrent liabilities	2,308	148	0	69,205	71,661
Total noncurrent liabilities	<u>40,938</u>	<u>148</u>	<u>11,811</u>	<u>895,060</u>	<u>947,957</u>
Total liabilities	<u>49,410</u>	<u>1,506</u>	<u>14,528</u>	<u>1,439,848</u>	<u>1,505,292</u>
<b>NET POSITION</b>					
Net investment in capital assets	58	173	4,346	1,631,438	1,636,015
Restricted for:					
Capital projects	0	0	0	47,591	47,591
Debt service	0	0	0	40,411	40,411
Other purposes	0	2,020	5,494	2,469,852	2,477,366
Unrestricted	9,500	11,680	71,850	444,815	537,845
Total net position	<u>\$ 9,558</u>	<u>\$ 13,873</u>	<u>\$ 81,690</u>	<u>\$ 4,634,107</u>	<u>\$ 4,739,228</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2013

**Combining Statement of Activities-Component Units**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Kansas Development Finance Authority	Kansas Housing Resources Corporation	Kansas Bioscience Authority	State University System	Total
<b>Expenses:</b>					
Salaries and wages	\$ 991	\$ 3,107	\$ 2,645	\$ 1,866,189	\$ 1,872,932
Supplies and services	857	1,259	1,255	603,010	606,381
Depreciation and amortization	30	69	647	134,048	134,794
Interest expense	57	0	0	34,280	34,337
Other expenses	0	71,815	21,881	301,119	394,815
Total expenses	<u>1,935</u>	<u>76,250</u>	<u>26,428</u>	<u>2,938,646</u>	<u>3,043,259</u>
<b>Program Revenues:</b>					
Charges for services	1,423	3,318	304	1,387,994	1,393,039
Operating grants	0	73,372	267	324,297	397,936
Capital grants	0	0	0	5,726	5,726
Total program revenues	<u>1,423</u>	<u>76,690</u>	<u>571</u>	<u>1,718,017</u>	<u>1,796,701</u>
<b>Net (Expense) Revenue</b>	<u>(512)</u>	<u>440</u>	<u>(25,857)</u>	<u>(1,220,629)</u>	<u>(1,246,558)</u>
<b>General Revenues:</b>					
Taxes:					
Property tax	0	0	0	7,108	7,108
Sales and excise tax	0	0	0	1	1
Gross receipts tax	0	0	0	1,176	1,176
Investment earnings	(87)	180	1,257	207,801	209,151
Other revenue	3	1,343	2,884	1,361,437	1,365,667
Total general revenues	<u>(84)</u>	<u>1,523</u>	<u>4,141</u>	<u>1,577,523</u>	<u>1,583,103</u>
<b>Change in net position</b>	<u>(596)</u>	<u>1,963</u>	<u>(21,716)</u>	<u>356,894</u>	<u>336,545</u>
Total net position - beginning	10,154	11,910	103,406	4,268,855	4,394,325
Revisions to beginning net position	0	0	0	8,358	8,358
Total net position - beginning (restated)	<u>10,154</u>	<u>11,910</u>	<u>103,406</u>	<u>4,277,213</u>	<u>4,402,683</u>
<b>Total net position - ending</b>	<u>\$ 9,558</u>	<u>\$ 13,873</u>	<u>\$ 81,690</u>	<u>\$ 4,634,107</u>	<u>\$ 4,739,228</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 fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2013, 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, 2013

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**I. Summary of Significant Accounting Policies**

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<u>Component Unit</u>	<u>Description: Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Kansas Development Finance Authority (KDFA)	The State appoints a voting majority of the board of KDFA and has the power to impose its will on KDFA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Development Finance Authority 555 South Kansas Avenue, Suite 202 Topeka, Kansas 66603
Kansas Housing Resources Corporation (KHRC)	KHRC is a subsidiary corporation of KDFA and a legal entity separate and distinct from KDFA and the State.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Housing Resources Corporation 611 S. Kansas Avenue, Suite 300 Topeka, Kansas 66603
State University System	The State appoints a voting majority of the Kansas Board of Regents which controls the State universities, and has the power to impose its will on the State universities through the budgeting process.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	The Kansas Board of Regents does not issue separate financial statements. For separate financial statements of a university, contact the respective university or:  Kansas Board of Regents 1000 SW Jackson St., Suite 520 Topeka, KS 66612-1368
Kansas Bioscience Authority (KBA)	The State appoints a voting majority of KBA and has the power to impose its will on KBA.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Bioscience Authority 25501 West Valley Parkway, Ste 100 Olathe, KS 66061
Kansas Public Employees Retirement System (KPERS)	The State appoints a voting majority of KPERS and has the power to impose its will on KPERS.	Although KPERS is a component unit of the State of Kansas, it is reported as a fiduciary pension trust fund.	Kansas Public Employees Retirement System 611 S. Kansas Ave., Ste 100 Topeka, KS 66603-3803



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## I. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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## I. Summary of Significant Accounting Policies

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### 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) 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. *Transportation* includes only the Department of Transportation. Responsibilities of this agency include maintenance and construction of highways in Kansas. The *Health and Environment* agency optimizes the promotion and protection of the health of Kansans through efficient and effective public health programs and services and through preservation, protection, and remediation.

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

**Fund Financial Statements** – The fund financial statements provide information about State funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* are 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.

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## I. Summary of Significant Accounting Policies

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

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

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

### D. Fund Accounting

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

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

#### **Governmental Funds:**

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

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

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

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

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

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## I. Summary of Significant Accounting Policies

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

**Proprietary Funds:**

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

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

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

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

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

**Fiduciary Funds:**

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

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

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

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

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.

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## I. Summary of Significant Accounting Policies

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

#### *Cash and Investments*

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

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

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

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

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

- U.S. Government obligations
- Mortgage backed securities
- Corporate securities
- U.S. Government agency securities
- Repurchase agreements
- Commercial paper not to exceed 270 days to maturity and rated within the two highest commercial paper ratings
- 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.

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

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

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

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

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

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

Receivables are shown net of an allowance for uncollectible.

### ***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 expenditures to properly reflect the amount of inventory consumed during the fiscal year.

### ***Deferred Bond Issuance Costs***

Deferred bond issuance costs consist of the costs incurred related to bond issuance. These costs are capitalized and amortized over the term of the bonds using the straight-line method.

### ***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.

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## I. Summary of Significant Accounting Policies

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### *Capital Assets*

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

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

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

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

### *Infrastructure*

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

### *Compensated Absences*

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

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

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### ***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, discounts, and deferred bond issuance costs are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred bond issuance costs are reported as other asset and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as deferred bond issuance costs, 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. Bond issuance costs are reported as debt service expenditures.

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

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

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

Effective July 1, 2012, the State implemented the provisions of GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. GASB 63 provides guidance for reporting deferred outflows and deferred inflows of resources. A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The State identified certain financial statement balances that met the definition of a deferred outflow of resources or a deferred inflow of resources. These items were reclassified as deferred outflows of resources or deferred inflows of resources, as applicable. Additionally, the term “net assets” was replaced with the term “net position”.

### ***Fund Equity***

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

Per K.S.A. 75-6702(b), the maximum amount of expenditures and demand transfers from the state general fund that may be authorized is fixed so that there will be an ending balance in the State general fund for the ensuing fiscal year that is equal to 7.5 percent or more of the total amount authorized to be expended or transferred by demand transfer from the State general fund in such fiscal year.



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

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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 and liabilities, 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. Executive Reorganization**

Governor Sam Brownback issued Executive Reorganization Order No. 41, effective July 1, 2012. This order changes the name of the “Department on Aging” to the “Department for Aging and Disability Services” (Aging). The order also renames the “Department of Social and Rehabilitation Services” to “Department for Children and Families” (DCF). In addition, the order moved many of DCF’s duties to Aging. Both of these agencies are presented as one fund in the State CAFR, however, to more accurately describe the fund, the Social and Rehabilitation title has been renamed Social Services in the fiscal year 2013 financial statements.

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

The State has implemented the following new pronouncements for fiscal year 2013:

GASB Statement No. 60 addresses service concession arrangements (SCAs), a type of public-private or public-public partnership. SCA is an arrangement between transferor (government) and an operator (governmental or nongovernmental entity). This statement is effective for periods beginning after December 15, 2011. Adoption of this statement had not impact on the State’s financial position.

GASB Statement No. 61, “The Financial Reporting Entity: Omnibus-An Amendment of GASB Statement No. 14 and No. 34”, strengthens the criteria for blending component units. The amendments stipulate that if a primary government pays entirely or almost entirely for a component unit’s debts, no matter what type of debt, then a financial burden is created and the component unit should be blended. This statement is effective for periods beginning after June 15, 2012. Adoption of this statement had not impact on the State’s financial position.

GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” was issued in June of 2011. This statement defines deferred outflows of resources and deferred inflows of resources as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Net position is the residual of all the other elements presented in a statement of financial position. This statement is effective for periods beginning after December 15, 2011. Adoption of this statement had not impact on the State’s financial position.

At June 30, 2013, 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.

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

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The State will implement the following new pronouncements for fiscal years ending after June 30, 2013:

GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 66, “Technical Corrections - 2012”, an amendment of GASB Statements No. 10 and No. 62, resolves conflicting guidance that resulted from the issuance of Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” GASB Statement 66 removes the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. It also modifies the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. This statement is effective for periods beginning after December 15, 2012.

GASB Statement No. 67, “Financial Report for Pension Plans”, was issued in June 2012. This statement establishes accounting and financial reporting by state and local government for pensions. This statement replaces the requirements of GASB Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”, and GASB Statement No. 50, “Pensions Disclosures”, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules. The provisions of this statement are effective for KPERS for fiscal years beginning after June 15, 2013, and could materially impact the reported liabilities and net position when implemented.

GASB Statement No. 68, “Accounting and Financial Reporting for Pensions”, was issued June 2012. This statement establishes accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, “Accounting for Pensions by State and Local Government Employers”, as well as the requirements of Statement No. 50, “Pension Disclosures”, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The provisions of this statement are effective for the State for fiscal years beginning after June 15, 2014, and could materially impact the reported liabilities and net position when implemented.

GASB Statement No. 69, “Government Combinations and Disposals of Government Operations”, was issued in January 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant considerations is exchanged. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for the State’s fiscal year ending June 30, 2015 with earlier application encouraged.

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

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

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

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

The Transportation – Capital Projects Fund had a deficit fund balance in fiscal year 2013 because aggregate bonds payable on demand exceeded cash and investments in the fund. Since the bonds are payable on demand, they are required to be reported as a liability.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2013

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**III. Detailed Notes On All Funds**

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**A. Deposits and Investments**

A summary of deposits and investments at June 30, 2013, is as follows (expressed in thousands):

	<b>Governmental &amp; Business-Type Activities</b>	<b>Weighted Average Duration (Years)</b>	<b>Fiduciary</b>	<b>Weighted Average Duration</b>	<b>Component Unit</b>	<b>Weighted Average Duration (Years)</b>
U.S. Treasury securities	\$ 23,243	4.55	\$ 1,471,125	6.53	\$ 6,839	3.01
U.S. Agencies securities	1,079,504	0.26	864,984	3.34	16,938	2.25
Government Sponsored Entity	52	3.76	0		165	2.50
Repurchase Agreements	623,450	1.28	188,664	0.01	393	8.80
Investment Contract	36,674	14.61	0		4,998	21.62
Mutual Fund-Fixed Income	0		0		7,272	1 < year
Mutual Fund-Equities	0		0		7,321	
Equity Securities	98,456		10,748,177		15,955	
Corporate Bonds and Commercial paper	1,753,636	6.02	2,177,049	4.91	12,451	2.30
Non-marketable securities issued by the U.S. Treasury	0		418,255	10.97	0	
Alternative Investment	0		0		17,200	2.50
Municipal securities	96,970	0.81	0		1,304	2.50
Securities Lending Collateral	0		1,639,377	0.58	0	
University assets reported under FASB*	0		0		2,457,231	
Other Investments	0		0		5,754	
Fiduciary and Component Unit's share of Treasurer's pool	(1,023,852)		479,170		544,682	
Cash and cash equivalents	394,147		159,913		283,837	
	<u>\$ 3,082,280</u>		<u>\$ 18,146,714</u>		<u>\$ 3,382,340</u>	

\*University 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, 2013, the Kansas University Endowment Association held \$1,371,457 of securities at fair value mainly in money markets, domestic equities, U.S. Treasuries, mutual funds, common trust equity and fixed income funds, marketable alternatives and other LLCs and LLPs. The marketable alternatives, LLCs, and LLPs are accounted for under the equity method of accounting.

At June 30, 2013, the Kansas State University Foundation held \$506,239 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.

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

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At June 30, 2013, the Wichita State University Foundation held \$205,987 of securities at fair value held mainly in common and preferred stocks, foreign stocks, corporate bonds, mortgage-backed securities, U.S. government securities, commodities and foreign bonds.

A reconciliation of deposits and investments to the financial statements at June 30, 2013, is as follows (expressed in thousands):

**Disclosures Regarding Deposits and Investments:**

Total investments and time deposits	\$ 20,320,209
Carrying amount of demand deposits	<u>4,291,125</u>
Total	<u><u>\$ 24,611,334</u></u>

**Statement of Net Assets**

*Governmental and Business-Type Activities*

Cash and cash equivalents	\$ 2,182,229
Investments at fair market value	182,483
Restricted cash and cash equivalents	440,193
Restricted investments	277,375

*Component Units*

Cash and cash equivalents	705,865
Investments at fair market value	2,505,319
Restricted cash and cash equivalents	113,038
Restricted investments	58,118

**Statement of Fiduciary Net Assets**

Cash and cash equivalents	1,454,334
Investments at fair market value	<u>16,692,380</u>
Total	<u><u>\$ 24,611,334</u></u>

*Deposits.* At June 30, 2013, the carrying amounts of the Governmental and Business-type Activities have a deficit of \$8.0 million. The bank balance was \$53.4 million. 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.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2013

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### III. Detailed Notes On All Funds

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

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

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Certain agencies adopt a policy of limiting the investments to only those allowed by State Statute and minimize the credit risk through pre-qualifying institutions, diversifying its portfolios and maintaining a standard of quality of authorized eligible investments. The Primary Government, Component Units, and Fiduciary investments as of June 30, 2013 are presented below with applicable credit ratings (expressed in thousands):

#### Governmental and Business-Type Activities Investments at June 30, 2013

	Fair Value	Quality Ratings (Standard and Poor's)								
		AAA	AA	A	BBB	BB	B	CCC	CC	Unrated
Corporate bonds and commercial paper	\$ 1,753,636	\$ 3,933	\$ 123,143	\$ 1,499,686	\$ 29,119	\$ 24,319	\$ 11,771	\$ 6,525	\$ 338	\$ 54,802
Derivative instrument	5,506	0	0	5,506	0	0	0	0	0	0
Government sponsored entity	52	0	52	0	0	0	0	0	0	0
Investment contracts	36,674	0	2,617	0	3,451	0	0	0	0	30,406
Municipal securities	96,970	0	0	0	0	0	0	0	0	96,970
Repurchase agreements	623,450	0	601,336	0	0	0	0	0	0	22,114
U.S. agencies securities	1,079,504	0	1,079,504	0	0	0	0	0	0	0
	<u>\$ 3,595,792</u>	<u>\$ 3,933</u>	<u>\$ 1,822,128</u>	<u>\$ 1,505,192</u>	<u>\$ 32,570</u>	<u>\$ 24,319</u>	<u>\$ 11,771</u>	<u>\$ 6,525</u>	<u>\$ 338</u>	<u>\$ 204,292</u>

#### Component Units Investments at June 30, 2013

	Fair Value	Quality Ratings (Standard and Poor's)							Unrated
		AAA	AA	A	BBB	B	C		
Alternative investment	\$ 17,200	\$ 0	\$ 7,065	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,135
Corporate bonds and commercial paper	12,451	0	9,669	874	0	0	0	0	1,908
Government sponsored entity	165	0	165	0	0	0	0	0	0
Investment contracts	4,998	54	954	116	3,874	0	0	0	0
Municipal securities	1,304	0	0	0	1,304	0	0	0	0
Mutual Fund - fixed income	7,272	0	5,650	0	0	0	0	0	1,622
Other investment	5,754	0	0	0	0	0	0	0	5,754
Repurchase agreements	393	393	0	0	0	0	0	0	0
U.S. agencies securities	16,938	60	10,941	0	0	0	0	0	5,937
Unversity assets reported under FASB*	2,457,231	0	0	0	0	0	0	0	2,457,231
	<u>\$ 2,523,706</u>	<u>\$ 507</u>	<u>\$ 34,444</u>	<u>\$ 990</u>	<u>\$ 5,178</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,482,587</u>

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

#### Fiduciary Fund Investments at June 30, 2013

	Fair Value	Quality Ratings (Standard and Poors)										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Unrated
U.S. agencies securities	864,984	0	864,984	0	0	0	0	0	0	0	0	0
Repurchase agreements	188,664	0	188,664	0	0	0	0	0	0	0	0	0
Corporate bonds and commercial paper	2,177,049	110,371	264,822	709,349	490,380	273,290	239,010	45,029	5,797	1,905	5,205	31,891
Non-marketable securities issued by the U.S. Treasury	418,255	0	0	0	0	0	0	0	0	0	0	418,255
Securities lending collateral	1,639,377	84,386	599,673	213,825	0	0	0	0	0	0	0	741,493
	\$ 5,288,329	\$ 194,757	\$ 1,918,143	\$ 923,174	\$ 490,380	\$ 273,290	\$ 239,010	\$ 45,029	\$ 5,797	\$ 1,905	\$ 5,205	\$ 1,191,639

*Concentration risk.* Concentration risk is the risk of loss resulting from an over concentration of assets in a specific maturity, specific user, or specific class of securities. Certain state agencies minimize this risk by requiring that no more than five percent of the investment portfolio be invested in the securities of a single issuer or business entity (excluding U.S. Treasury Securities and U.S. Government Agency Securities), and requiring that commercial paper and corporate bonds never exceed 50 percent of the investment portfolio. As of June 30, 2013, the Component Units and Fiduciary Funds held investments from no single issuer in excess of five percent of their total portfolio values. As of June 30, 2013, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes and Federal Home Loan Bank Discount Notes comprised approximately 18%, 15% and 9%, respectively, of the Governmental and Business Type Activities investment portfolio.

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

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

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

Other primary government Investment Funds such as the Treasurer’s unclaimed property, one hundred percent of its investment are held in the Fund’s name and are not subject to creditors of the custodial bank. One hundred percent of KPERS investments are held in KPERS’ name and are not subject to creditors of the custodial bank. The Kansas Development and Financial Authority (KDFA) bank balances are backed by pledge collateral to a Federal Reserve account for amounts in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Kansas Housing Resource Corporation (KHRC) investment policy requires collateralization on all demand deposit accounts, and to secure investments in Certificates of Deposits and Repurchase Agreements. KHRC also minimizes custodial credit risk by pre-qualifying the custodial or depository institutions, brokers/dealers, intermediaries and advisors with which KHRC will do business. Investments held at June 30, 2013, including the underlying securities on the repurchase agreement, are held by the investment’s counterparty. The repurchase agreement and deposits held with a financial institution were fully collateralized at June 30, 2013. At June 30, 2013, the Kansas Bioscience Authority (KBA) had \$195 exposed to custodial



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### III. Detailed Notes On All Funds

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risk on deposits that were in excess of FDIC insurance coverage limits. Also, as of June 30, 2013, 100 percent of KBA investments were held by the investments' counterparties.

*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, 2013, were distributed among currencies in the following list.

**Governmental and Business-Type Activities**  
**Foreign Currency at June 30, 2013**

Fair Value	Currency	Percent
\$ 859	Australian Dollar	0.33 %
1,827	Brazilian Real	0.70 %
4,118	Canadian Dollar	1.57 %
2,409	Euro Currency Unit	0.92 %
2,933	Mexican New Peso	1.12 %
1,018	Malaysian Ringgit	0.39 %
1,393	New Zealand Dollar	0.53 %
1,828	Philippines Peso	0.70 %
400	Uruguayan Peso	0.15 %

All foreign currencies are in the medium grade bond portfolio

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### III. Detailed Notes On All Funds

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**Fiduciary Fund**  
**Foreign Currency at June 30, 2013**

USD Equivalent	Currency	Percent
\$ 145,650	Australian Dollar	0.90%
38,959	Brazil Real	0.24%
744,534	British Pound	4.62%
225,381	Canadian Dollar	1.40%
3,998	Chilean Peso	0.02%
20,327	Chinese Yuan Renminbi	0.13%
2,156	Colombian Peso	0.01%
34,912	Danish Krone	0.22%
909,812	Euro Currency Unit	5.63%
189,734	Hong Kong Dollar	1.18%
24,570	Indian Rupee	0.15%
10,869	Indonesian Rupian	0.07%
7,740	Israeli Shekel	0.05%
552,079	Japanese Yen	3.42%
15,043	Malaysian Ringgit	0.09%
51,046	Mexican New Peso	0.32%
2,999	New Zealand Dollar	0.02%
34,734	Norwegian Krone	0.22%
3,674	Other	0.02%
6,583	Philippines Peso	0.04%
6,050	Polish Zloty	0.04%
11,127	Russian Rubel (New)	0.07%
47,598	Singapore Dollar	0.30%
44,915	S. African Comm Rand	0.28%
89,767	South Korean Won	0.56%
125,282	Swedish Krona	0.78%
224,413	Swiss Franc	1.39%
61,354	Taiwan New Dollar	0.38%
11,341	Thailand Baht	0.07%
18,117	Turkish Nre Lira	0.11%
1,970	Uruguayan Peso	0.01%

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 29.0 percent of assets (excluding securities lending collateral) in dedicated international equities. Core Plus bond managers are allowed to invest up to 20.0 percent of their portfolio in non-dollar securities. KPERS utilizes a currency overlay manager to reduce risk by hedging up to 50 percent of the foreign currency for selected international equity portfolios. At June 30, 2013, KPERS total foreign currency exposure was 42.9 percent hedged.

#### Investment Derivatives

##### *Futures*

Futures contracts are commitments for delayed delivery (liability) or receipt (asset) of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specific future date, of a specific instrument, at a specific price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Holders of the futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to nonperformance of the counterparties to futures contracts is minimal. Daily, the net change in the futures contract value is settled in cash with the exchanges, making the fair values always equal to zero after the daily margin flow.

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### III. Detailed Notes On All Funds

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At the close of business June 30, 2013, KPERS had total net margins payable the next day of \$.0.7 million. Cash equivalents and short-term investments in amounts necessary to settle the economic value of the futures contracts were held in the portfolio so that no leverage was employed in accordance with the Statement of Investment Policy. The daily margin flows affect cash assets held at the broker. Realized gains/losses are recognized at contract maturity and are included with underlying security type returns. Total revenues of \$39.7 million were associated with futures for the year ending June 30, 2013.

#### *Options*

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

#### **Investment Derivative Notional Values**

*(expressed in thousands)*

<u>Derivative</u>	<u>Asset Class*</u>	<u>June 30, 2013</u>
Domestic Equity Futures	Domestic Equities	\$ 160,889
International Equity Futures	International Equities	151,767
Fixed Futures	Fixed	396,848
Options Written	Fixed	416
Options Purchased	Fixed	386
Receive Fixed Interest Swaps	Fixed	464,800
Credit Default Swaps	Fixed	48,077
TBA Agency Bonds**	Fixed	83,654

\*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 there are offsetting long holdings in similar securities with similar characteristics.

#### *Swaps*

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

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

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### III. Detailed Notes On All Funds

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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 30,2012	Increases	Decreases	June 30,2013
Options written	\$ 95	\$ 45	\$ 556	\$ (416)
Options purchased	0	386	0	386
Pay fixed interest swaps	(168)	1,146	978	0
Receive fixed interest swaps	446	4,370	1,409	3,407
Credit default swaps	(489)	4,372	3,627	256
TBA agency bonds*	212,498	2,621,411	2,750,255	83,654
Foreign currency forwards	8,256	114,878	121,879	1,255
Total	<u>\$ 220,638</u>	<u>\$ 2,746,608</u>	<u>\$ 2,878,704</u>	<u>\$ 88,542</u>

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

*Foreign Currency Forwards*

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

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### III. Detailed Notes On All Funds

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

Currency	June 30, 2012				June 30, 2013	
	Notional \$USD	Fair Values	FV Increases	FV Decreases	Fair Values	Notional \$USD
<b>Investment Currency Forwards</b>						
Australian Dollar	\$ 32,282	\$ (129)	\$ 3,255	\$ 5,607	\$ (2,481)	\$ 100,907
Brazil Real	7,544	31	12	427	(384)	12,786
British Pound	67,420	422	9,194	9,140	476	173,824
Canadian Dollar	37,667	(345)	2,311	1,364	602	131,061
Chinese Yuan Renminbi	7,681	(31)	37	0	6	787
Danish Krone	4,965	217	535	762	(10)	4,011
Euro Currency Unit	232,856	1,918	16,965	20,872	(1,989)	288,510
Hong Kong Dollar	29,431	(4)	147	367	(224)	133,198
Hungarian Forint	0	0	0	44	(44)	965
Indonesian Rupee	0	0	0	138	(138)	6,670
Indonesian Rupian	6,622	(57)	142	50	35	3,503
Japanese Yen	118,036	(297)	7,002	7,682	(977)	201,583
Malaysian Ringgit	600	(7)	8	15	(14)	2,555
Mexican New Peso	45,526	(1,446)	2,880	1,470	(36)	34,826
New Zealand Dollar	1,314	11	86	171	(74)	3,072
Norwegian Krone	1,634	37	161	136	62	4,154
Other Currencies	3,729	(32)	141	160	(51)	6,086
Philippines Peso	505	19	0	54	(35)	2,067
Russian Rubel	0	0	176	11	165	10,622
S African Rand	4,387	(89)	257	6	162	4,938
Singapore Dollar	11,057	(98)	420	870	(548)	50,177
South Korean Won	5,859	(64)	71	30	(23)	2,719
Swedish Krona	3,274	(100)	667	287	280	19,743
Swiss Franc	14,981	(539)	1,397	781	77	16,648
Investment Forwards	<u>\$ 637,370</u>	<u>\$ (583)</u>	<u>\$ 45,864</u>	<u>\$ 50,444</u>	<u>\$ (5,163)</u>	<u>\$ 1,215,412</u>
<b>Hedging Currency Forwards</b>						
Australian Dollar	\$ 122,470	\$ 566	\$ 6,256	147	\$ 6,675	\$ 185,507
Canadian Dollar	81,961	584	4,732	4,513	803	161,497
Swiss Franc	109,026	3,041	4,540	8,143	(562)	89,962
Euro Currency Unit	256,121	6,273	13,136	19,612	(203)	212,675
British Pound	263,995	(242)	16,385	20,939	(4,796)	542,121
Japanese Yen	264,399	(1,383)	23,965	18,082	4,500	379,818
Hedging Forwards	<u>\$ 1,097,972</u>	<u>\$ 8,839</u>	<u>\$ 69,014</u>	<u>\$ 71,436</u>	<u>\$ 6,417</u>	<u>\$ 1,571,580</u>
Total	<u>\$ 1,735,342</u>	<u>\$ 8,256</u>	<u>\$ 114,878</u>	<u>\$ 121,880</u>	<u>\$ 1,254</u>	<u>\$ 2,786,992</u>

#### Hedging Derivatives

##### *Foreign Currency Forwards*

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

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

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KPERS has ongoing foreign currency exposure through its international equities portfolio. At June 30, 2013, the market values of international equities was \$3.70 billion. KPERS' exposure to foreign currencies is converted into a proxy basket of seven liquid currencies that are highly correlated to the movements of the underlying currencies. The weights to be used are calculated with reference to the liquidity and risk of each currency. There is appropriate statistical evidence that the proxy basket does track the currency exposure closely (residual standard deviation of less than one percent). This proves the intent is to hedge and qualifies as a designated hedge under Generally Accepted Accounting Principles. The forward contracts are purchased as needed are determined by the hedge manager, and mature in the nearest September or March. Gains/losses are realized during those periods and the contracts are rolled over to the next period as appropriate. Through these processes, hedging contracts can adapt at any changes to portfolio currency exposure. Since the hedging currency forwards track to the overall exposure, and they reference the same foreign exchange rates as the underlying portfolio, this hedge is known to be effective through consistent critical terms.

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

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

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

<u>Counterparty Name</u>	<u>By Counterparty at June 30, 2013</u>		<u>Standard &amp; Poor's Long Term Rating</u>
	<u>Notional \$USD</u>	<u>Fair Values</u>	
<i>Investment forwards counterparty exposure</i>			
Bank of America	\$ 12,026	\$ (191)	BBB
Bank of New York Mellon	14,709	(323)	A
Barclays	161,744	482	A
BNP Paribas	32,207	117	A
Citigroup Inc	56,722	163	A
Credit Suisse Group	97,021	(2,680)	A
Deutsche Bank	128,913	64	A
Goldman Sachs Group Inc	6,009	83	A
HSBC Holdings	10,962	89	A
JPMorgan Chase & Co	26,319	(568)	A
Morgan Stanley	29,302	79	A
National Australia Bank	70,799	(3)	A
Non-Brokered Contracts	105,979	(457)	NR
Northern Trust Corp	23,993	(402)	A
Royal Bank of Canada	131,577	(586)	AA
Royal Bank of Scotland	30,359	95	AA
State Street Corp	59,803	105	A
Toronto Dominion Bank	1,137	6	NR
UBS	110,779	(1,408)	A
Westpac Banking Corp	105,051	172	AA
Investment exposure	<u>\$ 1,215,411</u>	<u>\$ (5,163)</u>	
<i>Hedging forwards counterparty exposure</i>			
Barclays	\$ 117,419	\$ 919	A
Citigroup Inc	62,694	(868)	A
Deutsche Bank	405,959	(4,570)	A
Goldman Sachs Group Inc	58,112	1,389	A
HSBC Holdings	297,879	2,904	A
JPMorgan Chase & Co	315,226	(3,135)	A
Royal Bank of Canada	162,136	3,108	AA
Royal Bank of Scotland	5,542	(113)	AA
UBS	146,611	6,783	A
Hedging exposure	<u>\$ 1,571,578</u>	<u>\$ 6,417</u>	

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**III. Detailed Notes On All Funds**

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**B. Receivables**

Accounts receivable as of June 30, 2013, for the State's primary government and component units net of the applicable allowances for uncollectible accounts, are as follows (expressed in thousands):

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Taxes receivable	\$ 691,886	\$ 0	\$ 691,886	\$ 0
Loan receivable	10,244	630,536	640,780	25,040
Accrued interest	99	8,893	8,992	1,735
Other receivables	330,317	35,342	365,659	396,555
<b>Total</b>	<b>\$ 1,032,546</b>	<b>\$ 674,771</b>	<b>\$ 1,707,317</b>	<b>\$ 423,330</b>

Taxes receivable and other receivables are shown net of allowances for uncollectible amounts of \$586.8 million and \$19.5 million, respectively.

**C. Investment in Direct Financing Leases**

*Component Units*

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

Net investment in direct financing obligations as of June 30, 2013, is as follows (expressed in thousands):

Total minimum lease payments to be received	\$ 56,439
Less: unearned income	(11,304)
Net investment in direct financing leases	\$ 45,135

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.

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

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**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	\$ 1,156,122	\$ 168,901	\$ 653,544	\$ 671,479
Infrastructure (including construction in progress)	10,153,650	654,920	83,301	10,725,269
Land	236,487	7,167	306	243,348
Total capital assets, not being depreciated	<u>11,546,259</u>	<u>830,988</u>	<u>737,151</u>	<u>11,640,096</u>
Capital assets, being depreciated:				
Buildings and improvements	1,345,169	45,739	1,134	1,389,774
Equipment and furnishings	509,024	29,480	32,756	505,748
Intangible-software	75,824	0	0	75,824
Land improvements	110,492	5,355	147	115,700
Vehicles	75,629	12,539	9,463	78,705
Water rights	32,431	0	0	32,431
Total	<u>2,148,569</u>	<u>93,113</u>	<u>43,500</u>	<u>2,198,182</u>
Less accumulated depreciation for:				
Buildings and improvements	604,170	31,046	302	634,914
Equipment and furnishings	267,439	40,374	26,147	281,666
Intangible-software	23,635	9,420	0	33,055
Land improvements	53,023	2,784	133	55,674
Vehicles	57,418	7,254	7,294	57,378
Water rights	17,247	836	0	18,083
Total	<u>1,022,932</u>	<u>91,714</u>	<u>33,876</u>	<u>1,080,770</u>
Total capital assets, being depreciated, net	<u>1,125,637</u>	<u>1,399</u>	<u>9,624</u>	<u>1,117,412</u>
Governmental activity capital assets, net	<u>\$ 12,671,896</u>	<u>\$ 832,387</u>	<u>\$ 746,775</u>	<u>\$ 12,757,508</u>
<i>Business-type activities</i>				
Capital assets, being depreciated:				
Equipment and furnishings	\$ 66,387	\$ 5,018	\$ 0	\$ 71,405
Vehicles	733	124	87	770
Total	<u>67,120</u>	<u>5,142</u>	<u>87</u>	<u>72,175</u>
Less accumulated depreciation for:				
Equipment and furnishings	12,299	15,457	0	27,756
Vehicles	548	107	80	575
Total	<u>12,847</u>	<u>15,564</u>	<u>80</u>	<u>28,331</u>
Business-type activity capital assets, net	<u>\$ 54,273</u>	<u>\$ (10,422)</u>	<u>\$ 7</u>	<u>\$ 43,844</u>

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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	\$ 21,672
Human resources	11,099
Education	1,606
Public safety	17,904
Agriculture and natural resources	6,177
Highways and other transportation	32,430
Health and environment	826
Total depreciation expense – Government activities	<u>\$ 91,714</u>

*Business-Type activities*

Health care stabilization	\$ 3
Lottery	15,561
Total depreciation expense – Business-type activities	<u>\$ 15,564</u>

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**III. Detailed Notes On All Funds**

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**Component Units**

	(expressed in thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Kansas Development Finance Authority</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 252	\$ 10	\$ 0	\$ 262
Buildings and improvements	110	0	0	110
Less accumulated depreciation	283	30	0	313
Total capital assets, being depreciated, net	<u>\$ 79</u>	<u>\$ (20)</u>	<u>\$ 0</u>	<u>\$ 59</u>
 <i>Kansas Housing Resources Corporation</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 786	\$ 40	\$ 0	\$ 826
Phone system and server in progress	0	33	0	33
Vehicles	133	0	0	133
Buildings and improvements	61	0	0	61
Less accumulated depreciation	812	69	0	881
Total capital assets, being depreciated, net	<u>\$ 168</u>	<u>\$ 4</u>	<u>\$ 0</u>	<u>\$ 172</u>
 <i>Kansas Bioscience Authority</i>				
Capital assets, not being depreciated				
Land	\$ 420	\$ 0	\$ 0	\$ 420
Total capital assets, not being depreciated	<u>420</u>	<u>0</u>	<u>0</u>	<u>420</u>
Capital assets, being depreciated				
Furniture and equipment	1,245	129	18	1,356
Buildings and improvements	13,399	9	0	13,408
Less accumulated depreciation	745	513	18	1,240
Total capital assets being depreciated, net	<u>13,899</u>	<u>(375)</u>	<u>0</u>	<u>13,524</u>
Total capital assets, net	<u>\$ 14,319</u>	<u>\$ (375)</u>	<u>\$ 0</u>	<u>\$ 13,944</u>

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**III. Detailed Notes On All Funds**

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	(expressed in thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>University system</i>				
Capital assets, not being depreciated				
Construction in progress	\$ 176,808	\$ 188,110	\$ 187,673	\$ 177,245
Land	62,216	7,316	180	69,352
Total capital assets, not being depreciated	<u>239,024</u>	<u>195,426</u>	<u>187,853</u>	<u>246,597</u>
Capital assets, being depreciated				
Buildings and improvements	2,808,309	208,123	5,806	3,010,626
Land improvements	47,799	4,865	1,382	51,282
Equipment and furnishings	570,562	51,693	22,045	600,210
Intangible, software	16,245	7,014	545	22,714
Vehicles	48,618	3,037	2,093	49,562
Total capital assets, being depreciated	<u>3,491,533</u>	<u>274,732</u>	<u>31,871</u>	<u>3,734,394</u>
Less accumulated depreciation for:				
Buildings and improvements	1,147,779	83,008	2,744	1,228,043
Land improvements	21,121	1,988	1,169	21,940
Equipment and furnishings	388,421	45,280	19,487	414,214
Intangible, software	8,200	1,287	529	8,958
Vehicles	40,200	2,986	1,956	41,230
Totals	<u>1,605,721</u>	<u>134,549</u>	<u>25,885</u>	<u>1,714,385</u>
Total capital assets, being depreciated, net	<u>1,885,812</u>	<u>140,183</u>	<u>5,986</u>	<u>2,020,009</u>
University system capital assets, net	<u>\$ 2,124,836</u>	<u>\$ 335,609</u>	<u>\$ 193,839</u>	<u>\$ 2,266,606</u>
 <i>All component units</i>				
Capital assets, not being depreciated				
Construction in progress	\$ 176,808	\$ 188,110	\$ 187,673	\$ 177,245
Land	62,636	7,316	180	69,772
Total capital assets, not being depreciated	<u>239,444</u>	<u>195,426</u>	<u>187,853</u>	<u>247,017</u>
Capital assets, being depreciated				
Buildings and improvements	2,821,879	208,132	5,806	3,024,205
Land improvements	47,799	4,865	1,382	51,282
Equipment and furnishings	572,845	51,905	22,063	602,687
Intangible, software	16,245	7,014	545	22,714
Vehicles	48,751	3,037	2,093	49,695
Total capital assets, being depreciated	<u>3,507,519</u>	<u>274,953</u>	<u>31,889</u>	<u>3,750,583</u>
Less accumulated depreciation for:				
Buildings and improvements	1,148,342	83,354	2,762	1,228,934
Land improvements	21,121	1,988	1,169	21,940
Equipment and furnishings	389,613	45,522	19,487	415,648
Intangible, software	8,200	1,287	529	8,958
Vehicles	40,285	3,010	1,956	41,339
Totals	<u>1,607,561</u>	<u>135,161</u>	<u>25,903</u>	<u>1,716,819</u>
Total capital assets, being depreciated, net	<u>1,899,958</u>	<u>139,792</u>	<u>5,986</u>	<u>2,033,764</u>
All component units capital assets, net	<u>\$ 2,139,402</u>	<u>\$ 335,218</u>	<u>\$ 193,839</u>	<u>\$ 2,280,781</u>

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

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#### *Construction Commitments*

The State has active construction projects as of June 30, 2013. 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>Primary Government:</b>			
<b>Adjutant General's Department</b>			
Great Plains Training Center	\$ 5,171	\$ 0	State funds
Armed Forces Reserve Center, Wichita:			
Architectural services	2,674	47	Federal funds
Construction	21,151	2,458	Federal funds
Field Maintenance Shop, Wichita:			
Architectural services	1,538	156	Federal funds
Construction	5,584	6,144	Federal funds
<b>Department of Administration</b>			
Statehouse restoration and renovation	293,809	26,219	Debt service - lease revenue bonds
<b>Department of Corrections</b>			
Renovation to open former correctional camp	1,216,752	158,697	State funds
<b>Department of Transportation</b>			
Various roadway projects	712,259	478,200	Federal, state and local funds
<b>Kansas Wildlife, Parks, &amp; Tourism</b>			
Cheyenne Bottoms Wildlife Area, Inlet Canal Improvements	4,964,260	514,740	Federal funds
<b>Component Units:</b>			
<b>Emporia State University</b>			
Memorial Union Renovation	23,445	73	Bonds and state funds
Singular/Trusler Residence Hall	731	3,371	Bonds
<b>Fort Hays State University</b>			
Center for Network Learning Building	1,109	8,285	State funds
Wind Project	6,960	2,232	State funds
<b>Pittsburg State University</b>			
Fine & Performing Arts Center	6,833	26,603	Bonds and private funding
New Parking Expansion	4,553	0	State funds and student fees
New Student Housing	10,274	0	Bonds and state funds
Overman Student Center Expansion and Renovations	224	15,515	Bonds and student union
Renovation of Existing Housing	7,645	7,834	Bonds and state funds
University House	2,063	0	Private funding
Weede Physical Education Building Renovation	1,841	1,657	Bonds and private funding
<b>Kansas State University</b>			
Energy Conservation	29,311	3,309	Bonds
Horticulture Center	421	2,579	Federal and restricted fees
Jardine Apartment Housing	35,850	0	Bonds and restricted fees
Mosier Hall Renovations	497	7,503	State general fund
West Hall Renovation	560	2,440	Bonds and Housing system
West Memorial Stadium	348	5,252	Restricted fees

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

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Agency - Project	Spent to Date	Remaining Commitment	Funding Source
<b>Component Units:</b>			
(continued)			
<b>University of Kansas</b>			
Ek Dahl Dining Commons Renovation	209	3,191	KU union
Engineering Expansion - Phase 2	3,665	76,970	State funds, bonds and private funding
Lindley Hall Addition Energy and Environment Center Phase I	0	28,785	Private funding
Murphy Hall Swarthout Recital Hall Remodel	0	1,450	Private funding
Parking Improvements	0	3,500	Parking revenue
<b>University of Kansas Medical Center</b>			
Various Projects	5,829	n/a	Bonds and state funds
<b>Wichita State University</b>			
Aircraft Structural Testing and Evaluation Center (ASTECC)	3,342	68	Restricted state fees and private funding
Duerksen Fine Arts Center HVAC Replacement - Phase III	2,073	165	Restricted state fee fund and federal funding
Residence Hall	159	64,400	Housing System
Rhatigan Student Center Expansion and Renovation	16,418	11,378	Bonds and student fees
<b>Total</b>	<u>\$ 7,387,558</u>	<u>\$ 1,463,221</u>	

*Significant encumbrances at June 30, 2013 (amounts in thousands)*

Fund	Amount
General	\$ 46,128
Social Services	43,451
Health and Environment	93,167
Transportation	663,264
Other Governmental Funds	251,855
<b>Total</b>	<u>\$ 1,097,865</u>

State of Kansas  
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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, 2013, is as follows (expressed in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 5,578	\$ 18,849
Transportation Fund	143	0
Non-major Governmental Funds	20,199	0
Internal Service Funds	0	1,349
Non-major Enterprise Funds	0	5,722
Total	\$ 25,920	\$ 25,920

*Advances to/from other funds*

Advances to/from other funds represent long-term loans from one fund to another fund. Advances at June 30, 2013, were as follows (expressed in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 0	\$ 73,027
Social Services	0	0
Health & Environment	0	0
Non-major Governmental Funds	74,064	192
Internal Service Funds	0	845
Total	\$ 74,064	\$ 74,064

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.



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**III. Detailed Notes On All Funds**

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***Transfers***

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

<u>Fund</u>	<u>Net Transfers In</u>	<u>Net Transfers Out</u>
General	\$ 0	\$ 76,282
Social Services	726,704	0
Health & Environment	0	722,966
Transportation	0	39,927
Transportation-Capital Projects	0	213,342
Non-major Governmental	496,638	0
Unemployment Insurance	0	3,607
Health Care Stabilization	0	200
Non-major Enterprise Funds	0	161,707
Internal Service Funds	0	5,311
Total	<u>\$ 1,223,342</u>	<u>\$ 1,223,342</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, 2013, and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/2012 Beginning Balance	Additions	Deletions	6/30/2013 Ending Balance
<i>Governmental Activities</i>				
Certificates of Indebtedness	\$ 0	\$ 400,000	\$ 400,000	\$ 0
Accrued receivables:				
State Building Fund	0	42,835	42,835	0
Children's Initiatives Fund	0	39,059	39,059	0
Correctional Institution Building Fund	0	3,994	3,994	0
State Economic Development	0	21,291	21,291	0
Kansas Endowment for Youth Fund	0	211	211	0
Total short-term obligations	<u>\$ 0</u>	<u>\$ 507,390</u>	<u>\$ 507,390</u>	<u>\$ 0</u>

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later than June 30, immediately following the issuance of the indebtedness. No interest is accrued or paid. A Certificate of Indebtedness of \$400 million was issued on July 1, 2012, and redeemed on June 7, 2013.

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

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Per K.S.A. 76-6b11, on July 1 of each year ad valorem tax and receivables are posted to the State Treasurer's receivables for the State Buildings Fund. The receivable is reduced as the ad valorem taxes are received. In fiscal year 2013, \$28.6 million was posted to the Kansas Educational Building Fund and \$14.3 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in June 2013.

Per Senate Bill 294, Section 72(g) of the 2012 Session, on July 1, 2012, receivables are to be posted to the State Treasurer's receivables for the Children's Initiatives Fund by an amount certified by the director of budget which is to be 65 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2013 a receivable was posted for \$39.1 million and was reduced to zero in April 2013.

Per Senate Bill 294, Section 72(i) of the 2012 Session, on July 1, 2012, 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 2013, a receivable was posted for \$4.0 million and was reduced to zero in February 2013.

Per Senate Bill 294, Section 72(h) of the 2012 Session, on July 1, 2012, 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 2013, a receivable was posted for \$21.3 million and was reduced to zero in November 2012.

Per Senate Bill 294, Section 72(4) of the 2012 Session, on July 1, 2012, receivables are to be posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund by an amount certified by the director of budget which is to be 80 percent of the amount approved for expenditure during the fiscal year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2013, a receivable was posted for \$211,000 and was reduced to zero in April 2013.

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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, 2013, for the fiscal year then ended is as follows (expressed in thousands):

	Governmental Activities	Business-type Activities	Component Units	Total
Revenue bonds payable	\$ 3,132,458	\$ 474,771	\$ 619,256	\$ 4,226,485
Less bonds payable on demand	(405,735)	0	0	(405,735)
Sales tax limited obligation bonds	28,381	0	0	28,381
Sales tax accretion bonds	111,281	0	0	111,281
Notes payable	63,100	0	262,421	325,521
Capital leases payable	97,515	0	11,991	109,506
Arbitrage rebate payable	136	196	49	381
Unemployment benefits loan	0	50,209	0	50,209
Claims	83,555	200,180	0	283,735
Judgments	18,830	0	0	18,830
Compensated absences	118,656	75	68,897	187,628
Other post employment benefits	55,079	378	56,415	111,872
Pollution remediation	63,575	0	0	63,575
Other	0	12,992	48,676	61,668
Total long-term obligations	<u>\$ 3,366,831</u>	<u>\$ 738,801</u>	<u>\$ 1,067,705</u>	<u>\$ 5,173,337</u>

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**III. Detailed Notes On All Funds**

Long-term obligations at June 30, 2013, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2012 Beginning Balance	Additions	Deletions	6/30/2013 Ending Balance	Amounts Due In One Year
<b>Governmental Activities</b>									
<u>Revenue bonds payable:</u>									
	2004	1.41 - 5.21%	2014	\$ 40,250	\$ 9,530	\$ 0	\$ 4,640	\$ 4,890	\$ 4,890
	2004	2.00 - 5.00%	2024	44,920	31,255	0	2,030	29,225	2,120
	2004	3.43 - 5.50%	2034	500,000	457,455	0	11,745	445,710	12,275
	2006	3.25 - 5.00%	2032	88,175	67,685	0	4,530	63,155	4,755
	2006	4.00 - 5.00%	2027	209,490	172,935	0	8,230	164,705	8,580
	2007	4.00 - 4.25%	2026	13,210	9,880	0	745	9,135	775
	2007	4.00 - 4.97%	2017	34,505	19,310	0	3,505	15,805	3,675
	2008	4.00 - 5.25%	2028	59,455	51,435	0	2,225	49,210	2,320
	2009	2.00 - 5.25%	2029	43,265	38,570	0	1,670	36,900	1,730
	2009	2.50 - 5.00%	2035	3,825	3,825	0	0	3,825	0
	2009	5.00%	2019	515	515	0	0	515	0
	2009	3.00 - 5.00%	2019	49,425	43,990	0	5,600	38,390	5,765
	2010	3.00 - 6.31%	2035	89,765	84,225	0	2,765	81,460	2,865
	2010	3.88 - 5.80%	2025	10,050	10,050	0	0	10,050	0
	2010	5.00%	2020	52,755	47,970	0	5,025	42,945	5,275
	2010	2.00 - 6.12%	2035	84,160	83,630	0	1,040	82,590	3,095
	2010	1.58 - 6.25%	2032	18,400	17,105	0	1,315	15,790	1,345
	2011	3.00 - 6.10%	2030	43,455	41,725	0	1,780	39,945	1,855
	2012	2.00 - 4.13%	2031	53,780	51,100	0	1,930	49,170	1,985
	2012	3.00 - 5.00%	2023	109,135	104,775	0	2,285	102,490	2,375
	1998	3.65 - 5.50%	2014	189,195	114,665	0	0	114,665	114,665
	2003	3.39%	2020	320,005	299,030	0	40,295	258,735	22,520
	2004	3.13 - 5.00%	2014	164,275	113,340	0	67,090	46,250	46,250
	2004	4.50 - 5.50%	2023	250,000	250,000	0	173,765	76,235	0
	2005	4.30 - 5.00%	2025	200,000	200,000	0	0	200,000	0
	2008	Variable	2025	147,000	147,000	0	0	147,000	0
	2010	3.36%	2016	150,870	150,870	0	150,870	0	0
	2010	2.25 - 5.00%	2021	176,680	176,680	0	0	176,680	0
	2011	4.60%	2036	325,000	325,000	0	0	325,000	0
	2013	Variable	2016	151,365	0	151,365	0	151,365	23,075
	2013	5.00%	2023	144,885	0	144,885	0	144,885	0
	2013	4.00 - 5.00%	2033	200,000	0	200,000	0	200,000	0
				(705,985)	(596,900)		(19,165)	(405,735)	(22,520)
								3,023,520	168,990
								(405,735)	(22,520)
<u>Plus deferred amounts:</u>									
				0	65,847	85,738	17,929	133,656	0
				0	(19,284)	(9,853)	(4,419)	(24,718)	0
								(24,718)	0
								2,726,723	146,470
				\$ 3,261,825	2,470,013	572,135	315,425	2,726,723	146,470
<u>Sales tax limited obligation bonds:</u>									
	1999	4.20 - 5.25%	2028	18,182	16,264	0	498	15,766	547
	2001	4.00 - 5.10%	2021	2,1270	12,754	0	12,754	0	0
	2005	3.25 - 5.54%	2021	4,077	3,225	0	274	2,951	315
	2006	4.75 - 5.00%	2021	129,216	30,832	0	30,832	0	0
	2013	2.00 - 5.00%	2016	9,589	0	9,589	0	9,589	2,303
	2006	5.00%	2014	4,063	883	0	808	75	75
				\$ 186,397	63,958	9,589	45,166	28,381	3,240
<u>Notes payable:</u>									
				29,189	16,791	0	707	16,084	733
				3,225	1,608	47,016	1,608	47,016	47,016
				\$ 32,414	18,399	47,016	2,315	63,100	47,749
					114,926	1,161	18,572	97,515	17,752
					128,087	7,585	24,391	111,281	0
					136	0	0	136	0
					88,501	408,941	413,887	83,555	42,673
					0	18,830	0	18,830	2,789
					120,131	0	1,475	118,656	59,393
					51,998	17,506	14,425	55,079	0
					69,152	0	5,577	63,575	17,337
					\$ 3,125,301	\$ 1,082,763	\$ 84,1233	\$ 3,366,831	\$ 337,403

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	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2012 Beginning Balance	Additions	Deletions	6/30/2013 Ending Balance	Amounts Due In One Year
<b>Business-type Activities</b>									
<u>Revenue bonds payable:</u>									
KDFA Series 2001 I&II	2002	3.00 - 5.50%	2018	\$ 124,540	\$ 60,880	\$ 0	\$ 10,305	\$ 50,575	\$ 10,075
KDFA Series 2004 II	2004	4.92 - 5.25%	2023	45,140	26,480	0	18,045	8,435	2,710
KDFA Series 2004 1&2	2005	3.00 - 5.00%	2023	176,010	43,560	0	39,710	3,850	850
KDFA Series 2005 CW I&II	2006	3.00 - 5.00%	2027	118,860	82,345	0	23,985	58,360	10,040
KDFA Series 2008 CW I&II	2009	3.00 - 3.50%	2026	66,545	24,925	0	22,105	2,820	1,415
KDFA Series 2008 DW 1&2	2009	5.00%	2013	36,700	10,100	0	10,100	0	0
KDFA Series 2009 DW 1&2	2010	1.50 - 5.60%	2029	73,040	47,535	0	9,990	37,545	715
KDFA Series 2010 SRF 1,2 & 3 (CW & DW)	2011	1.68 - 5.95%	2030	213,950	210,560	0	6,680	203,880	10,915
KDFA Series 2011 SRF DW 1&2	2011	2.00-4.20%	2032	53,380	53,380	0	85	53,295	270
KDFA Series 2005 TR	2006	3.00 - 5.00%	2026	32,690	22,150	0	2,195	19,955	2,265
KDFA Series 2006 TR	2007	4.00 - 5.00%	2027	24,755	16,320	0	1,835	14,485	1,855
KDFA Series 2008 G	2009	4.60 - 5.05%	2023	14,200	9,163	0	7,776	1,387	191
KDFA Series 2009 TR	2009	2.50 - 4.78%	2028	30,950	25,215	0	2,265	22,950	1,980
KDFA Series 2013 SRF	2013	0.50%	2014	2,666	0	2,666	0	2,666	2,666
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	22,942	0	5,400	17,542	0
Unamortized deferred refunding difference				0	(26,312)	0	(3,338)	(22,974)	0
Total revenue bonds payable				<u>\$ 1,013,426</u>	<u>620,153</u>	<u>2,666</u>	<u>148,048</u>	<u>474,771</u>	<u>45,947</u>
Arbitrage rebate payable					176	20	0	196	0
Unemployment benefits loan					4,602	90,209	44,602	50,209	50,209
Claims and judgments					199,234	946	0	200,180	18,510
Compensated absences					68	7	0	75	63
Other post employment benefits					343	86	51	378	0
Other					17,093	0	4,101	12,992	0
Total Business-type Activities					<u>\$ 841,669</u>	<u>\$ 93,934</u>	<u>\$ 196,802</u>	<u>\$ 738,801</u>	<u>\$ 114,729</u>

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Component Units	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2012 Beginning Balance	Additions	Deletions	6/30/2013 Ending Balance	Amounts Due In One Year
<b>Revenue bonds payable:</b>									
KDFA Series 2001 B	2001	3.65 - 5.20%	2021	2,805	1,590	0	145	1,445	150
KDFA Series 2001 D	2001	4.25 - 5.25%	2021	48,895	28,105	0	2,520	25,585	2,655
KDFA Series 2001 J	2002	3.50 - 4.30%	2013	5,300	235	0	235	0	0
KDFA Series 2001 N	2001	4.25 - 5.25%	2014	7,230	1,480	0	1,330	150	150
KDFA Series 2001 S	2002	4.13 - 5.50%	2016	5,775	1,310	0	1,310	0	0
KDFA Series 2001 W-1,3,4 & 5	2002	3.00 - 5.00%	2022	44,470	14,530	0	13,545	985	90
KDFA Series 2002 A-1 & A-2	2002	3.50 - 5.00%	2014	11,230	645	0	315	330	330
KDFA Series 2002 C	2002	3.00 - 5.00%	2022	15,830	9,900	0	9,900	0	0
KDFA Series 2002 H	2003	2.50 - 4.70%	2022	3,765	2,205	0	185	2,020	190
KDFA Series 2002 N-1 & N-2	2003	3.00 - 5.25%	2018	52,075	6,540	0	2,540	4,000	2,670
KDFA Series 2003 A-1 & A-2	2003	1.80 - 5.50%	2023	2,610	1,725	0	120	1,605	130
KDFA Series 2003 C	2003	4.67 - 5.00%	2033	2,305	2,305	0	0	2,305	0
KDFA Series 2003 D-2	2003	2.00 - 4.70%	2028	1,150	585	0	70	515	75
KDFA Series 2003 J-1	2004	2.00 - 5.25%	2064	34,100	6,230	0	1,450	4,780	1,545
KDFA Series 2004 D	2005	3.00 - 4.75%	2020	1,195	795	0	90	705	90
KDFA Series 2004 G-1	2005	2.50 - 5.13%	2024	19,795	13,420	0	875	12,545	900
KDFA Series 2005 A	2005	3.00 - 5.00%	2035	44,535	39,090	0	1,010	38,080	1,050
KDFA Series 2005 D	2005	3.79 - 5.18%	2022	66,530	32,395	0	5,440	26,955	5,705
KDFA Series 2005 E-1 & E-2	2005	3.00 - 5.00%	2030	19,360	16,230	0	610	15,620	630
KDFA Series 2005 F	2006	3.25 - 4.40%	2026	8,930	7,425	0	400	7,025	415
KDFA Series 2005 G	2006	3.30 - 4.60%	2026	7,205	6,245	0	340	5,905	355
KDFA Series 2006 B	2006	3.50 - 4.13%	2021	9,790	9,215	0	200	9,015	0
KDFA Series 2007 A	2007	3.75 - 4.39%	2037	27,750	25,195	0	600	24,595	620
KDFA Series 2007 E	2007	3.75 - 4.30%	2027	6,275	5,140	0	255	4,885	265
KDFA Series 2007 H	2008	3.60 - 4.50%	2037	17,855	16,435	0	390	16,045	400
KDFA Series 2007 M	2008	3.20 - 4.60%	2027	18,220	15,400	0	770	14,630	800
KDFA Series 2008 A	2008	3.00 - 4.00%	2016	20,000	10,000	0	2,500	7,500	2,500
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	2,1070	18,860	0	780	18,080	810
KDFA Series 2009 C	2009	3.00 - 5.00%	2017	20,000	12,500	0	2,500	10,000	2,500
KDFA Series 2009 G	2009	2.50 - 4.75%	2024	825	685	0	45	640	50
KDFA Series 2009 H-1 & H-2	2009	2.50 - 7.30%	2035	14,630	14,250	0	390	13,860	400
KDFA Series 2009 J-1 & J-2	2009	2.50 - 7.00 %	2030	4,545	4,220	0	165	4,055	175
KDFA Series 2009 K-1 & K-2	2010	2.63 - 5.63%	2040	6,140	6,140	0	110	6,030	115
KDFA Series 2009 M-1 & M-2	2010	3.00 - 6.31%	2030	27,150	26,035	0	1,155	24,880	1,200
KDFA Series 2010 A	2010	2.00 - 4.05%	2030	23,700	22,460	0	645	21,815	670
KDFA Series 2010 B	2010	2.50 - 3.75%	2027	21,650	20,300	0	1,125	19,175	1,175
KDFA Series 2010 D	2010	3.12%	2015	1,315	900	0	220	680	225
KDFA Series 2010 G-1 & G-2	2010	2.00 - 6.60%	2040	2,1565	2,1565	0	0	2,1565	500
KDFA Series 2010 H	2010	2.00%	2016	1,530	1,030	0	255	775	260
KDFA Series 2010 J	2010	0.75 - 4.45%	2030	14,765	13,605	0	575	13,030	585
KDFA Series 2010 K-1 & K-2	2010	2.00 - 6.20%	2035	15,050	12,770	0	1,125	11,645	745
KDFA Series 2010 M-1 & M-2	2010	2.00 - 5.10%	2026	20,990	19,815	0	1,200	18,615	1,225
KDFA Series 2010 P-1 & P-2	2011	2.00 - 5.00%	2031	15,930	15,310	0	630	14,680	645
KDFA Series 2010 U-1 & U-2	2011	1.80 - 6.20%	2029	25,180	23,965	0	1,805	22,160	1,825
KDFA Series 2011 C	2011	2.00 - 4.50%	2036	13,450	13,065	0	370	12,695	375
KDFA Series 2011 D-1, 2 & 3	2011	2.00 - 4.40%	2024	9,465	8,725	0	755	7,970	790
KDFA Series 2011 G	2012	0.50 - 4.13%	2041	16,300	15,590	0	360	15,230	360
KDFA Series 2012 A	2012	3.00 - 5.00%	2024	27,610	27,610	0	1,895	25,715	1,995
KDFA Series 2012 D	2012	2.00 - 4.50%	2029	49,200	49,045	0	1,580	47,465	1,625
KDFA Series 2012 F	2013	2.00 - 5.00%	2033	17,205	0	17,205	0	17,205	615
KDFA Series 2012 H	2012	2.00 - 5.00%	2034	35,970	35,970	0	465	35,505	80
<b>Plus deferred amounts:</b>									
Net unamortized premium (discount)				0	13,466	1,041	1,397	13,110	0
Unamortized deferred refunding difference				0	(6,714)	0	(565)	(6,149)	0
Total Revenue Bonds Payable				\$ 93,1815	667,137	18,246	66,127	619,256	40,660
<b>Notes payable:</b>									
Component units of university system					259,792	6,175	16,344	249,623	13,176
KDFA Bond Anticipation Note Series 2012-2					3,800	8,998	0	12,798	3,800
Total notes payable					263,592	15,173	16,344	262,421	16,976
Arbitrage rebate payable					46	3	0	49	0
Capital leases					11,761	1,972	1,742	11,991	1,463
Compensated absences					73,516	0	4,619	68,897	58,551
Other post employment benefits					48,078	10,472	2,135	56,415	0
Pollution remediation					1,200	0	1,200	0	0
Other					54,711	187	6,222	48,676	2,098
Total Component Units					\$ 1,120,041	\$ 46,053	\$ 98,389	\$ 1,067,705	\$ 119,748

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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, 2013, which have scheduled debt service amounts (expressed in thousands):

	Governmental		Business-type		Component	
	Activities		Activities		Units	
	Principal	Interest	Principal	Interest	Principal	Interest
<b>Revenue bonds:</b>						
2014	\$ 168,990	\$ 13,149	\$ 45,947	\$ 22,146	\$ 40,660	\$ 26,256
2015	180,425	126,588	42,245	20,193	38,535	24,788
2016	171,870	121,958	43,184	18,172	39,150	23,266
2017	176,840	115,315	35,479	16,087	36,025	21,720
2018	180,980	108,333	36,284	14,390	35,040	20,170
2019-2023	995,350	404,454	161,694	48,764	174,425	77,566
2024-2028	520,850	208,307	89,770	17,069	136,410	41,913
2029-2033	385,255	116,657	25,600	2,098	71,375	17,864
2034-2038	242,960	16,310	0	0	34,940	5,473
2039-2043	0	0	0	0	5,735	412
Less bonds payable on demand	(405,735)	(86,180)	0	0	0	0
Unamortized premium	133,656	0	17,542	0	13,110	0
Unamortized deferred refunding	(24,718)	0	(22,974)	0	(6,149)	0
Totals	<u>2,726,723</u>	<u>1,263,234</u>	<u>474,771</u>	<u>158,919</u>	<u>619,256</u>	<u>259,428</u>
<b>Sales tax limited obligation bonds:</b>						
2014	3,240	1,346	0	0	0	0
2015	3,268	1,292	0	0	0	0
2016	3,384	1,224	0	0	0	0
2017	3,555	1,125	0	0	0	0
2018	1,168	1,049	0	0	0	0
2019-2023	6,123	5,021	0	0	0	0
2024-2028	7,643	7,310	0	0	0	0
2029-2033	0	0	0	0	0	0
Totals	<u>28,381</u>	<u>18,367</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Notes payable:</b>						
2014	47,749	752	0	0	16,976	9,816
2015	761	607	0	0	24,388	9,369
2016	788	579	0	0	12,776	8,825
2017	817	550	0	0	18,942	14,997
2018	848	520	0	0	12,290	14,517
2019-2023	4,737	2,100	0	0	69,874	24,496
2024-2028	4,580	1,178	0	0	58,499	16,838
2029-2033	2,820	484	0	0	34,125	7,417
2034-2038	0	0	0	0	10,706	2,006
2039-2043	0	0	0	0	3,845	195
Totals	<u>63,100</u>	<u>6,770</u>	<u>0</u>	<u>0</u>	<u>262,421</u>	<u>108,476</u>
Capital leases payable	97,515	32,088	0	0	11,991	2,011
<b>Long-term debt without scheduled debt service:</b>						
Arbitrage rebate payable	136	0	196	0	49	0
Sales tax accretion bonds	111,281	0	0	0	0	0
Unemployment benefits loan	0	0	50,209	0	0	0
Claims	83,555	0	200,180	0	0	0
Judgments	18,830	0	0	0	0	0
Compensated absences	118,656	0	75	0	68,897	0
Other post employment benefits	55,079	0	378	0	56,415	0
Pollution remediation	63,575	0	0	0	0	0
Other	0	0	12,992	0	48,676	0
Totals long-term obligations	<u>\$ 3,366,831</u>	<u>\$ 1,320,459</u>	<u>\$ 738,801</u>	<u>\$ 158,919</u>	<u>\$ 1,067,705</u>	<u>\$ 369,915</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, 2013. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their entire term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

*(expressed in thousands)*

Fiscal Year Ended June 30	Principal	Interest	Hedging Derivative Instruments (Net)	Total
2014	\$ 45,595	\$ 220	\$ 14,286	\$ 60,101
2015	113,405	208	11,767	125,380
2016	75,225	190	8,789	84,204
2017	38,145	170	7,037	45,352
2018	39,520	149	5,860	45,529
2019 - 2023	163,535	448	13,380	177,363
2024 - 2025	81,675	42	1,398	83,115
Total	<u>\$ 557,100</u>	<u>\$ 1,427</u>	<u>\$ 62,517</u>	<u>\$ 621,044</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 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 14 outstanding series of Highway Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of highways in the State as part of the State's Transportation Works for Kansas (T-Works) Program. The State's T-Works Program was developed by KDOT after extensive study of the transportation needs in the State and was implemented by the 2010 Kansas Legislature. Principal and interest payments on these bond issues are paid from revenues collected in the State Highway Fund, which include motor fuels taxes, state sales taxes, compensating use taxes, and drivers' license and vehicle registration fees. KDOT also has four outstanding series secured by pledges of revenues from loans and leases. Please reference Note III, Section I, Long-term Obligations, above for KDOT revenue bonds and future principal and interest payments.

The coupon interest rate on outstanding bonds varies from 2.25 percent to 5.50 percent. In addition, various bonds were issued as variable rate instruments whose rates change on a weekly basis. During the year, interest rates ranged from 0.05 percent to 0.53 percent on the weekly adjustable bonds. The Series 2002 B and C, 2004 C and 2008 A bonds are subject to tender under certain conditions. If the tendered bonds cannot be remarketed, the liquidity provider has agreed to purchase the bonds and hold them for a maximum of 180 days. Through



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

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June 30, 2013, all bonds tendered have been remarketed. However, since there is not a long-term financing option in place at June 30, 2013, for these tendered bonds, these bonds have been recorded as obligations of the Transportation - Capital Project Fund resulting in a deficit fund balance in that fund.

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

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

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

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

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special limited obligations of K DFA, where neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by K DFA or the State. Accordingly, such special obligation bonds are not included in K DFA's June 30, 2013, balance sheet. K DFA's special obligation bonds at June 30, 2013, total \$2.3 billion.

Private activity bonds are special limited obligations of K DFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on K DFA's June 30, 2013, balance sheet. K DFA's private activity bonds at June 30, 2013, total \$2.0 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

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

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Government over the past 38 years for water supply storage capacity in large Federal multipurpose lakes under the provisions of the 1958 Federal Water Supply Act. Nine of these agreements provide for long-term (fifty-year) repayment with interest of the costs incurred by the Federal Government in construction of the water supply storage space. The Kansas Water Office is authorized by K.S.A. 82a-934 to enter into such agreements, subject to legislative approval through appropriations. Generally, however, receipts from the sale of water to local municipal and industrial water supply users are adequate to make the annual payments due under the long-term contracts with the Federal Government. Portions of the storage in some reservoirs have been designated as “future use” storage, and as such; the State is not required to make payments on that portion of storage until it is needed by users. The State has not recorded a liability at June 30, 2013, for portions of the storage designated as “future use” storage.

#### **Lease Commitments**

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

#### **Operating Leases**

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2013 are as follows (expressed in thousands):

<u>Fiscal Year</u>	
2014	\$ 15,661
2015	13,838
2016	9,089
2017	8,616
2018	10,361
2019-2023	22,391
2024-2028	11,869
2029	451
Total future minimum lease payments	<u>\$ 92,276</u>
Rent expenditures/expenses for operating leases for the year ended June 30, 2013	<u>\$ 10,916</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.

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The following schedule presents future minimum lease payments as of June 30, 2013 (expressed in thousands):

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 17,752	\$ 6,148
2015	12,262	3,751
2016	4,763	2,933
2017	4,756	2,724
2018	4,919	2,515
2019-2023	25,225	9,217
2024-2028	20,729	4,381
2029-2033	7,109	419
<b>Total</b>	<b><u>\$ 97,515</u></b>	<b><u>\$ 32,088</u></b>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2013, include the following (expressed in thousands):

	Governmental Activities
Land (non-depreciable)	\$ 9,510
Buildings	87,726
Software	18,381
Equipment	18,680
Less: Accumulated depreciation	(43,378)
Total	<b><u>\$ 90,919</u></b>

**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, 2013, and changes for the fiscal year then ended are as follows (expressed in thousands):

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Bond Issue	6/30/2012 Beginning Balance	Current Year Defeased	Payments	6/30/2013 Ending Balance
<b>Governmental Activities</b>				
KDOT Series 1998	\$ 34,265	\$ 0	\$ 22,245	\$ 12,020
KDFA Series 2003 J	3,495	0	435	3,060
KDOT Series 2004 A	0	173,765	0	173,765
KDFA Series 2004 A	3,710	0	340	3,370
Total governmental activities	<u>\$ 41,470</u>	<u>\$ 173,765</u>	<u>\$ 23,020</u>	<u>\$ 192,215</u>

During fiscal year 2013, the governmental activity bond issue, \$173,765 million KDOT Series 2004 A was currently refunded by the issuance of the KDOT Series 2012A and 2012B K for \$173.8 billion. The current refunding resulted in an economic gain of \$39.9 million and aggregate debt service reduction of \$46.3 million.

Bond Issue	6/30/2012 Beginning Balance	Current Year Defeased	Payments	6/30/2013 Ending Balance
<b>Business-type Activities</b>				
KDFA Series 2001 I & II	\$ 0	\$ 0	\$ 0	\$ 0
KDFA Series 2002 II	71,765	0	71,765	0
KDFA Series 2002 1 & 2	0	0	0	0
KDFA Series 2004 II	13,220	0	0	13,220
KDFA Series 2004 2	91,370	0	4,900	86,470
KDFA Series 2008 CW II	38,895	0	0	38,895
KDFA Series 2008 DW 2	31,540	0	31,540	0
KDFA Series 2008 DW 1	21,345	0	0	21,345
Total business-type activities	<u>\$ 268,135</u>	<u>\$ 0</u>	<u>\$ 108,205</u>	<u>\$ 159,930</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, 2013, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/2012 Beginning Balance	Current Year Defeased	Payments	6/30/2013 Ending Balance
KDFA Series 2002 N	\$ 28,040	\$ 0	\$ 28,040	\$ 0
KDFA Series 2003 C	58,585	0	58,585	0
KDFA Series 2003 J-1	18,300	0	0	18,300
Total component units	<u>\$ 104,925</u>	<u>\$ 0</u>	<u>\$ 86,625</u>	<u>\$ 18,300</u>

**Arbitrage Rebate Payable**

Estimated arbitrage rebate payables have been calculated and liabilities recorded of \$136 thousand for Governmental Activities, \$196 thousand for Business-type Activities, and \$49 thousand for Component Units.

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### III. Detailed Notes On All Funds

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***Derivative Instruments***

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows debit (credit) (expressed in thousands):

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2013</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<b>Governmental activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	\$ 11,933	Debt	\$ (26,117)	\$ 481,010
Investment derivative instruments:					
Pay-fixed interest rate swaps	Investment revenue	5,791	Investment	(7,050)	75,000
Basis swap	Investment revenue	216	Investment	5,506	75,000

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 the projections of those future rates made 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 than projected at the time when the swaps were entered into, therefore, the mark-to-market value is generally more negative to KDOT.

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### III. Detailed Notes On All Funds

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

(iii) Reduce interest expense from expected benefit resulting from the difference between tax-exempt and taxable rates. This is a function of swaps where KDOT receives a percentage of 1-Month LIBOR when hedging tax-exempt variable debt, with the expectation of receiving an ongoing net benefit from paying a lower fixed rate at the time of putting on the swap transaction. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus tax-exempt rates, a direct function of tax rates, is approximately 67 percent, but the ratio of long-term taxable rates and long-term tax-exempt rates is normally significantly higher than 67 percent. Therefore, the fixed rate payable in exchange for a smaller percentage of LIBOR will be significantly less than a long-term tax-exempt fixed rate. This reduction in fixed rate is the value of the benefit, the risk being tax rates change over the life of the percentage of LIBOR swap, or the variable rates on KDOT's hedged bonds do not closely match the percentage of LIBOR variable rate on the swap. The value of such a swap is determined by the prevailing level of taxable interest rates, with no reference to tax-exempt interest rates.

The following table provides a summary of the basic terms of the swap agreements as of June 30, 2013 (expressed in thousands):

Associated KDOT Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Rating
Series 2002 B & C*	\$ 200,000	\$ 161,707	10/23/2002	9/1/2019	3.164%	67% of USD-LIBOR	\$ (14,872)	Goldman Sachs Bank USA	A2/A-/A
Series 2002 B & C*	120,005	97,028	3/1/2012	9/1/2019	3.164% Contractual; 0.8166% GASB 64 At-the-Market	67% of USD-LIBOR	0	The Bank of New York Mellon	Aa1/AA-/AA-
Series 2012 A*	150,275	150,275	5/7/2012	9/1/2015	3.3590% Contractual; 0.2254% GASB 53 At-the-Market	71% of USD-LIBOR thereafter	(38)	Merrill Lynch Derivative Products AG	Aa3/AAA/NR
Series 2004 C*	147,000	72,000	11/23/2004	9/1/2024	3.571%	63.5% USD-LIBOR + 0.29%	(11,207)	Goldman Sachs Bank USA	A2/A-/A
Series 2004 C**	75,000	75,000	7/1/2007	9/1/2024	3.571%	62.329% of 10 Year CMS	(7,050)	Goldman Sachs Bank USA	A2/A-/A
Series 2004 B**	75,000	75,000	7/10/2007	9/1/2024	67% of USD-LIBOR	61.56% of 10 Year CMS	5,506	JPMorgan Chase Bank N.A.	Aa3/A+/A+
Total Termination Value							<u>\$ (27,661)</u>		

\* - considered a fair value hedge

\*\* - considered an investment derivative

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### III. Detailed Notes On All Funds

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#### **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, 2013, are shown above. KDOT's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in the associated bonds payable.

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

On March 1, 2012, KDOT assigned with no termination payment due to or from KDOT, the Series 2002 B & C swap that was with Citigroup Financial Products Inc. as counterparty to The Bank of New York Mellon, a bank counterparty with stronger credit ratings. According to GASB 64, KDOT terminated hedge accounting on the swap with the prior counterparty, and adopted hedge accounting on the new At-the-Market swap with a fixed rate computed at prevailing interest rates on the day of termination, as the criteria for continuing hedge accounting with replacement swaps was not met (no default or termination event by the counterparty).

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

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

On May 7, 2012, KDOT assigned with no termination payment due to or from KDOT, the Series 2008 A swap that was guaranteed by Merrill Lynch Capital Services Inc. as counterparty to Merrill Lynch Derivative Products AG, a bank counterparty credit support provider with stronger credit ratings. According to GASB 64, KDOT terminated hedge accounting on the swap with the prior counterparty guarantor, and adopted hedge accounting on the new At-the-Market swap with a fixed rate computed at prevailing interest rates on the day of termination, as the criteria for continuing hedge accounting with replacement swaps was not met (no default or termination event by the counterparty).

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

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### III. Detailed Notes On All Funds

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

Since many tax-exempt and municipal issuers fund capital projects with long-term traditional or synthetic fixed-rate debt, but are constrained to investing short-term for liquidity reasons, in a normal or upwardly sloped yield curve they incur “negative carry” (cost of borrowing exceeds investment rate). KDOT determined that it could mitigate this imbalance through the execution of the two Constant Maturity Swaps (CMS). On June 15, 2007, based on the results of a previously distributed competitively bid request for quotes for a swap provider, effective July 1, 2007, KDOT amended the floating index from 63.5 percent + 29 basis points to 62.329 percent of the 10-year LIBOR CMS rate on \$75 million of the existing \$147 million swap. On July 10, 2007, a CMS became effective on the previously unhedged 2004B series bonds so that KDOT pays Bear Stearns Financial Products Inc. (“BSFP”) 67 percent of one-month LIBOR and receives 61.56 percent of the 10-year LIBOR CMS rate on \$75 million. Following the merger of BSFP with and into JPMorgan Chase Bank N.A. (“JPM”), and an Assignment Agreement dated as of March 18, 2009, by and among BSFP, KDOT and JPM, the bank counterparty on this swap is now JPM.

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

*Credit risk.* As of June 30, 2013, KDOT has credit risk exposure to JPMorgan Chase Bank N.A. on the swap associated with the KDOT Series 2004B Revenue Bonds. This is because the transaction has a positive fair value, meaning KDOT is exposed to the counterparty in the amount of the derivative’s fair value. However, should interest rates change and the fair value of the swap become negative, KDOT would not be exposed to credit risk.

KDOT has no credit risk exposure on the rest of the swap transactions because the swaps have negative fair values, meaning the counterparties are exposed to KDOT in the amount of the derivatives’ fair values. However, should interest rates change and the fair values of the swaps become positive, KDOT would be exposed to credit risk.

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

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

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



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

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

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

In fiscal year 2013, the State added the 911 Coordinating Council in the financial statements due to the Council meeting criteria for inclusion for the State, per K.S.A. 12-5364. The Council is included in the governmental statements as part of State Regulatory Boards and Commissions and required a beginning fund balance adjustment of \$13.9 million.

The State University System has a beginning net position adjustment of \$8.4 million. Kansas University and the Center for Research evaluated financial reporting of certain endowment funds maintained at KU Endowment. Management determined that those endowments should be reported on the Center's financial statements as the original funds used to establish the endowments originated through funding received by the Center. This change caused a \$6.3 million adjustment to beginning net position. In addition, the Pittsburg State University Foundation had a \$1.1 million correction resulting from a prior year error in deferred revenue. The remaining \$1 million adjustment is from various corrections throughout the State University System.

The State recorded a correction of \$14.5 million for the Kansas Department of Health and Environment. This amount represents a prior year correction to the State's portion of Title XIX third party liability.

Management evaluated the Health Care Stabilization Fund's and Internal Service Fund's accounts receivable and determined a need to adjust beginning net position by \$15.8 million and \$0.5 million, respectively, to properly reflect the accounts receivable balance on an accrual basis.

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## IV. Other Information

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### A. Risk Management

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

Coverage for health care claims for prescription drugs and dental claims plus three of five medical health plan options is provided by The Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund for all active employees, and The Post Employment Health and Dental Care Claims Health and Hospitalization Fund for post-employment populations (retirees). Risk is managed by the performance of full experience studies twice a year. The liability for unpaid claims is the plan reimbursement for services rendered or prescriptions received where the payment to the provider, the member, or the claims administrator has not occurred. These liabilities are estimated by analyzing the prior payment patterns for the same coverage or medical option.

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

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

The Tort Claims Fund (TCF) provides payment of compromises, settlements, and final judgments arising from claims against the State or an employee of the State under the Kansas Tort Claims Act, and costs of defending the State or an employee. When the balance in the TCF is insufficient to pay a claim, a transfer is made from the State General Fund to the TCF. The maximum claim liability allowed under The Kansas Tort Claims Act is \$500,000 per occurrence or accident. At June 30, 2013, there were no material claims incurred but unpaid.

The State's self-insurance program covers all personal property losses and real estate property losses up to \$500,000,000 (except where separate coverage is required by bond covenant). Claims in excess of \$500,000,000 are covered by commercial insurance under a statewide policy. 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.

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

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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, 2013 (expressed in thousands):

	Claims Liability Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Claims Liability Ending Balance	Non- Current Liability	Current Liability
<b>Current fiscal year</b>						
State Self-insurance Fund Health and Dental Care Claims (Active Employees)	\$ 61,060	\$ 13,355	(18,407)	\$ 56,008	\$ 40,816	\$ 15,192
Health and Hospitalization Fund Post Employment Health and Dental Care Claims Health and Hospitalization Fund	24,980	361,244	(360,614)	25,610	60	25,550
	<u>2,461</u>	<u>32,891</u>	<u>(33,415)</u>	<u>1,937</u>	<u>6</u>	<u>1,931</u>
Total	<u>\$ 88,501</u>	<u>\$ 407,490</u>	<u>\$ (412,436)</u>	<u>\$ 83,555</u>	<u>\$ 40,882</u>	<u>\$ 42,673</u>
<b>Prior fiscal year</b>						
State Self-insurance Fund Health and Dental Care Claims (Active Employees)	\$ 60,760	\$ 22,341	\$ (22,041)	\$ 61,060	\$ 43,194	\$ 17,866
Health and Hospitalization Fund Post Employment Health and Dental Care Claims Health and Hospitalization Fund	26,279	345,454	(346,753)	24,980	23	24,957
	<u>1,758</u>	<u>34,860</u>	<u>(34,157)</u>	<u>2,461</u>	<u>2</u>	<u>2,459</u>
Total	<u>\$ 88,797</u>	<u>\$ 402,655</u>	<u>\$ (402,951)</u>	<u>\$ 88,501</u>	<u>\$ 43,219</u>	<u>\$ 45,282</u>

**Notes:**

1. Claims liability ending balance is based on Actuary IBNR modeling estimates using claims lag data through June 30, 2013.
2. Future projections of claims liabilities are only estimates. All estimates, based upon the information available at a point in time to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate.
3. IBNR includes 3% expense load and 3.5% margin.
4. Non-current liability represents the remaining IBNR reserve for the prior fiscal year.

**B. Contingencies and Commitments**

***Litigation***

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

In *State of Kansas v. RJ Reynolds Tobacco Co.*, regarding adjustment claims originated from the Tobacco Master Settlement Agreement (MSA) entered into in 1998 that settled litigation and claims by Kansas and 51 other states and jurisdictions against the major tobacco manufacturers. Pursuant to the MSA, Participating Manufacturers agreed to make annual payments to the states, however, these payments were subject to a number of adjustments. One such adjustment is the Non-Participating Manufacturers adjustment, which can be triggered if the Participating Manufacturers suffer a specified market share loss attributable in significant part to their compliance with MSA. Because it has been determined or agreed to that, the Participating Manufacturers did experience such as market-share loss in 2002 through 2011, and likely beyond, the total potential Non-Participating Manufacturer adjustment for all states is approximately \$6.5 billion. There are many potential outcomes to this litigation for Kansas, anywhere from no loss to a loss of approximately \$500 million in subsequent MSA payouts. The Office of Attorney General, in conjunction with outside counsel hired to handle the arbitration, has been an active member in multistate

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## **IV. Other Information**

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discussions, legal briefings, and arguments before the arbitration panel. The Kansas-specific arbitration proceeding began on July 30, 2012 and the formal hearing has been concluded although the record remains open. A ruling from the panel is not anticipated until the last half of 2013. There will be no potential negative impact on Kansas' MSA payments until at least 2014.

In *Gannon, et. al. v. State of Kansas*, 32 individual plaintiffs and four school districts have brought various legal challenges to the school finance formula. The case was tried on January 11, 2013 before a three-judge panel. The panel ruled in favor of the plaintiffs. As relief, the panel ordered a specific and substantial increase in the base state aid per pupil going forward, and also ordered a substantial increase in the State's funding of school district capital outlay funds. No retroactive damages were awarded. Both sides appealed the panel's decision. The State is vigorously defending the case on appeal and is uncertain of the chance of loss.

The Department of Revenue (DOR) has five cases pending in regards to various taxes. Excluding the *Boles v. KDOR* case below, should all of the plaintiffs prevail, the State potential liability would be \$16 million.

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

The Department of Administration has reached an agreement with Health and Human Services for disallowed costs regarding the State Health Care Benefits Program in the Cafeteria Benefits Fund; State Workers Compensation Self-Insurance Fund; and the State Leave Payment Reserve Fund. Kansas has recorded a liability for \$18.8 million. Payments will be made annually over the next five years.

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

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

A Federal audit performed on the Department for Children and Families (DCF) program and reviewed fees DCF has paid in accordance with state statutes to the Department of Administration for many years. The Federal auditors evaluated whether any portion of those fees have been improperly paid with federal funds and found Federal funds to be ineligible for federal reimbursement because they did not comply with federal program regulations, cost principles, or they cannot be adequately supported were \$2.3 million.

### **C. Pollution Remediation**

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

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

Legislation requires the Kansas Corporation Commission (KCC) to prepare and maintain an inventory of all abandoned wells with a special focus on wells which, (1) the State has assumed the plugging liability because of the lack of a potentially responsible party; and (2) pose either an ongoing or potential threat to the environment. In

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## **IV. Other Information**

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fiscal year 2013, KCC plugged approximately 363 wells. 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 2013 pollution remediation liability is estimated at \$40.40 million. No recoveries for these well pluggings are expected.

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

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

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

After the formal process to list a site on the NPL is completed, the EPA develops a design for remediation of the site that provides the proposed costs of implementation of the remedial action including the long term O&M for the site. The State is required to sign a contract with EPA obligating the State to provide the ten percent match and perform the long term O&M for the site. While the actual schedule is somewhat hard to anticipate, a cost schedule is projected with the proposed cost share and O&M estimates. The State has recorded \$8.1 million in liabilities for the Superfund Program.

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

KDHE also operates an orphan sites program to perform remedial activities at sites where a responsible party cannot be identified and other State or Federal programs are not available to fund those remedial activities. There are approximately 83 contaminated sites across the State included in this orphan sites program. Due to limited funding, KDHE has prioritized the sites that pose the greatest threat to the public health and/or the environment. The State Water Plan – Contamination Remediation fund is the primary source of funding to address environmental contamination issues at these abandoned sites that impact or threaten to impact State water resources and/or public health. While most of these sites are not Superfund-caliber sites that could be worked by the EPA, many still pose a substantial risk to the water supplies and/or public health of many Kansas communities.

The State Water Plan – Contamination Remediation fund is the primary source of funding to provide the State cost share or State O&M requirements for NPL sites. It is difficult to predict what the future costs for the State Water Plan will be, however, the State has recorded a liability for \$0.77 million which is the amount known to be budgeted in fiscal year 2014 for this program.

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

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

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

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## **IV. Other Information**

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

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

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

To date, 2211 sites have been approved to receive reimbursement of approved costs under the Underground Storage Tank (UST) fund identified in K.S.A. 65-34,114 if funding is available.

A similar reimbursement fund has been created for Aboveground Petroleum Storage Tanks (AST). KDHE has approved 194 sites to receive reimbursement of approved costs under the AST fund identified in K.S.A. 65-34, 114 if funding is available.

In addition to providing reimbursements of approved cost, the statute contains a provision that allows KDHE’s secretary to take whatever emergency action is necessary or appropriate to assure that the public health or safety is not threatened whenever there is a release or potential release from an UST or AST. The statute permits the Secretary to take corrective action where the release or potential release presents an actual or potential threat to human health or the environment, if the owner or operator has not been identified or is unable or unwilling to perform corrective action, including but not limited to providing for alternative water supplies. The exact amount of future costs is unknown. The State has recorded a liability of \$11.8 million for UST Program and \$1.5 million for AST Program which represents the amounts budgeted for fiscal year 2014.

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

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

The corrective action at these sites is performed based on a site prioritization system and KDHE is not liable for costs of corrective action in excess of the \$5 million cap at each site or in excess of the funding available to the program. An estimate of future costs is unknown, however, the State has recorded a liability of \$1 million for the Drycleaner Environmental Response Program. This amount represents the amount currently budgeted for future corrective action.

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

Kansas State University (KSU) began work on remediation of the Old Chemical Waste Landfill, located north of Kimball Avenue and west of the Grain Science Complex. KSU’s clean-up plan is being done in collaboration with the Kansas Department of Health and Environment and the Environmental Protection Agency. The landfill, used from the mid-1960s to 1987, was created with the approval of the U.S. Atomic Energy Commission and was a burying ground for tritium, carbon-14 and other short-lived radioactive elements. KSU also disposed of chemicals from 1979 to 1983. The Kansas Board of Regents approved a plan to clean up the site, which commenced in fiscal

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## **IV. Other Information**

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year 2011 and was completed as of July 2012, with a project cost of approximately \$7 million. Monitoring groundwater, sampling, and reporting will continue as mandated by the EPA.

### ***Kansas State University – Schilling Air Force Base***

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

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

Site assessments and investigations began in fiscal year 2013 to determine the extent and levels of contamination from diesel and gasoline underground storage tanks which have been removed at the Ashland Bottoms Agronomy farm in Riley County. The remediation costs will be paid from the State of Kansas Storage Tank Trust fund, less a \$4,000 deductible which has been paid by the University.

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

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

*Funding Policy.* The State provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 75-6511). Kansas statute, which may be amended by the state legislature, established that participating retirees contribute to the employee group health fund benefits plan, including administrative costs.

The State does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. In fiscal year 2013, non-Medicare retired plan members receiving benefits contributed \$15.0 million to the plan and the State contributed \$16.7 million to the plan, which was paid implicitly through rate subsidization.

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

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2013

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**IV. Other Information**

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	Primary Government	Component Units	Pension Trust	Total
Amortization of UAAL	\$ 10,377	\$ 4,931	\$ 39	\$ 15,347
Normal cost (with interest)	8,179	6,418	31	14,628
Annual required contribution	<u>18,556</u>	<u>11,349</u>	<u>70</u>	<u>29,975</u>
Interest on net OPEB obligation	2,026	1,846	10	3,882
Adjustment to ARC	<u>(2,979)</u>	<u>(2,723)</u>	<u>(14)</u>	<u>(5,716)</u>
Annual OPEB cost	17,603	10,472	66	28,141
Net employer contributions	(14,487)	(2,135)	(41)	(16,663)
Net OPEB obligation July 1, 2012	52,341	48,078	250	100,669
Net OPEB obligation June 30, 2013	<u>\$ 55,457</u>	<u>\$ 56,415</u>	<u>\$ 275</u>	<u>\$ 112,147</u>

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

Fiscal Year Ended	Annual OPEB Cost	Net Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 31,833	\$ 9,416	29.58%	\$ 89,498
6/30/2012	\$ 27,903	\$ 16,732	59.96%	\$ 100,669
6/30/2013	\$ 28,141	\$ 16,663	59.23%	\$ 112,147

*Funded Status and Funding Progress.* As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$278.2 million. The State's policy is to fund the benefits on a pay as you go basis, that is paid implicitly through rate subsidization, resulting in an unfunded actuarial accrued liability (UAAL) of \$278.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.06 billion, and the ratio of the UAAL to the covered payroll was 13.5 percent.

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

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

In the June 30, 2013, actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 5.0 to 7.0 percent in the first fourteen years and an ultimate rate of 5.0 percent after fourteen years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period in level dollar amounts.



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## IV. Other Information

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### Primary Government

In addition to the pension benefits described in the Employee Retirement Systems and Pension Plans note, the State provided post-employment health care benefits to retirees who elect the Kansas medical option. This subsidy was ended for post-employment retirees as of December 31, 2006. Retirees that elected the health insurance that the State provides now pays 100 percent of the premium. The monthly amount of premium cost per individual ranges from \$353.28 to \$573.56 for early retirees. Early retirees are defined as those retirees not yet Medicare eligible. The employer contribution, according to GASB Statement No. 45, is the aggregate amount of the subsidies, which is calculated into the employer contribution for active employees.

	Eligible State Retiree Participants	Eligible State Retiree and Family Participants	Enabling Legislation
Kansas Major Medical Post-Employment Benefits	7,591	7,995	K.S.A. 75-6504

The State funds post-employment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit ending on June 30, 2013. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

### E. Employee Retirement Systems and Pension Plans

#### *Kansas Public Employees Retirement System - Plan Descriptions*

The Kansas Public Employees Retirement System (KPERS) is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74 Article 49: Kansas Public Employees Retirement System (KPERS), Kansas Police and Firemen's Retirement System (KP&F) and Kansas Retirement System for Judges (Judges). All three systems are part of a tax-exempt, defined benefit, contributory plan covering substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer group, while the other two are multi-employer cost-sharing groups. Participation by the State is mandatory, whereas participation by local political subdivisions is optional, but irrevocable once elected. The State Elected Officials Special Members Retirement System is also administered by KPERS. This is closed to new members and only a small group is participating.

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

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

KPERS total covered salaries and wages paid were approximately \$6.5 billion. The State's total salaries and wages paid were approximately \$2.1 billion of which approximately \$999.2 million or approximately 47.6 percent relates to employees participating in the System. The remaining approximately 52.4 percent represents salaries and wages paid to employees, such as educational institution employees not participating in the System, and those employees who are classified as other than "permanent" and are not eligible for participation. Information on participating employees and retirement system membership at June 30, 2013, unless otherwise noted is as follows:

State of Kansas  
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**IV. Other Information**

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<u>Participating Employers</u>	<u>Membership</u>
KPERS	1,410
KP&F	95
Judges	1
Total	<u><u>1,506</u></u>

MEMBERSHIP BY RETIREMENT SYSTEMS \*

	KPERS	KP&F	Judges	Total
Retirees and beneficiaries currently receiving benefits**	79,545	4,545	228	84,318
Terminated employees entitled to benefits but not yet receiving them	15,845	189	6	16,040
Inactive members, deferred disabled	2,575	203	0	2,778
Inactive members not entitled to benefits	26,146	1,005	0	27,151
Current employees	148,605	7,187	261	156,053
Total	<u><u>272,716</u></u>	<u><u>13,129</u></u>	<u><u>495</u></u>	<u><u>286,340</u></u>

\*Represents KPERS membership at December 31, 2012.

\*\* Number of retirement payees as of December 31, 2012.

***KPERS Plan Benefits***

Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points". Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

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

***KPERS Contributions***

Member contributions (from 4.0 to 7.0 percent of gross compensation), employer contributions and net investment income fund KPERS reserves. Member contribution rates are established by state law, and are paid by the employee according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. The contributions and assets of all three systems are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on a actuarial reserve basis. For fiscal years beginning in 1995, Kansas legislation placed a statutory limit of 0.1 percent of payroll increases in contribution rates for KPERS employers. During the 1995 legislative session, the statutory limits were increased to 0.2 percent of payroll over the

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prior year for fiscal years beginning in 1996 for state and school employers. The statutory increase for local units of government was amended to limit increases to no more than 0.15 percent over the prior year for calendar years beginning in 1997. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. Legislation passed in 2003 amended the annual increases in future years. The statutory cap for the State/School group increased to 0.4 percent in fiscal year 2006, with subsequent increases of 0.5 percent in fiscal year 2007 and 0.6 percent in fiscal year 2008 and beyond. Legislation passed in 2004 amended the annual increases in future years for local employers. The statutory cap for the Local group increased to 0.4 percent in calendar year 2006, with subsequent increases of 0.5 percent in fiscal year 2007 and 0.6 percent in fiscal year 2008 and beyond. Legislation passed in 2012 again amended the statutory cap on annual increases in contribution rates. Beginning in 2014, the cap on employer contributions has been increased to 0.9 percent in fiscal year 2014, 1.0 percent in fiscal year 2015, 1.1 percent in fiscal year 2016 and 1.2 percent in fiscal year 2017 and beyond. The amortization period for the unfunded liability of all three systems is 40 years from July 1, 1993.

The State's contributions to each retirement system in fiscal years 2011 to 2013 are as follows:

	Fiscal Year	Actuarially Required Funding Rate	Actual Contribution	Actual Contribution as a Percentage of Required Contribution
KPERS	2013	13.46%	\$ 444,533,979	69.61%
	2012	14.09%	375,569,726	62.24%
	2011	11.30%	353,443,409	72.30%
KP&F	2013	17.26%	\$ 6,579,616	100.00% *
	2012	16.54%	5,835,093	100.00%
	2011	12.72%	3,025,190	100.00%
Judges	2013	23.75%	\$ 6,807,236	100.00%
	2012	21.28%	5,841,834	100.00%
	2011	19.49%	5,322,341	100.00%

\* Corridor issue due to prior year actuarial valuation - required contribution revised due to magnitude of change  
KP&F Contributions viewed as 100% for 2011

***Basis of Accounting***

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

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**IV. Other Information**

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***Schedule of Funding Status and Funding Progress per KPERS 2013 CAFR***

The funding status of KPERS at December 31, 2012, the most recent actuarial valuation date (expressed in thousands):

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (AAL) (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
12/31/2012	\$13,278,490	\$ 23,531,423	\$10,252,933	56%	\$ 6,498,962	158%

Additional information as of the latest actuarial valuation follows:

	KPERS	KP&F	Judges
Valuation Date	12/31/2012	12/31/2012	12/31/2012
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent closed	Level Percent closed	Level Dollar closed
Remaining amortization period	20 years	20 years	20 years
Asset valuation method	Difference between actual return and expected return on market value recognized evenly over five-year period. Value must be within corridor of 80 percent to 120 percent of market value.		
Actuarial assumptions:			
Investment rate of return*	8%	8%	8%
Projected salary increases*	4.0% - 12.0%	4.0% - 12.5%	4.50%
Cost of Living Adjustment	none	none	none

\*Salary increases and investment rate of return include an inflation component of 3.0 percent.

***Other Retirement Plans***

Faculty and other eligible unclassified 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 2013, employees contributed approximately \$42 million. During fiscal year 2013, the 8.5 percent employer contribution totaled \$65.8 million, representing covered wages of approximately \$781 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.

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## IV. Other Information

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The retirement plan for the School for the Blind and the School for the Deaf are also covered by KPERS in the 401(a) defined benefit plan. The KPERS employee rate is 4 percent and 7.97 percent employer rate (6.97 percent employer and one percent death & disability).

### F. Subsequent Events

#### *Bonds and Notes*

##### Short-term Debt

*Certificate of Indebtedness* – On July 2, 2013, the Pooled Money Investment Board (PMIB) issued a \$300 million Certificate of Indebtedness per K.S.A. 75-3725a. See Section III-H, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

*Accrued Receivables for Children’s Initiatives Fund* – In July 2013, receivables were posted to the State Treasurer’s receivables for the Children’s Initiatives Fund in the amount of \$28.1 million per Senate Bill No. 171, Section 111(h), Session of 2013. See Section III-H, Short-term Obligations, for additional information.

*Accrued Receivables for Economic Development Initiatives Fund* – In July 2013, receivables were posted to the State Treasurer’s receivables for the Economic Development Initiatives Fund in the amount of \$21.2 million per Senate Bill No. 171, Section 111(h), Session of 2013.

*Accrued Receivables for Correctional Institutions’ Building Fund* – In July 2013, receivables were posted to the State Treasurer’s receivables for the Correctional Institutions’ Building Fund in the amount of \$4.0 million per Senate Bill No. 171, Section 111(j), Session of 2013.

*Accrued Receivables for Kansas Endowment for Youth Fund* – In July 2013, receivables were posted to the State Treasurer’s receivables for the Kansas Endowment for Youth Fund in the amount of \$195 thousand per Senate Bill No. 171, Section 111(k), Session of 2013.

*Accrued Receivables for Expanded Lottery Act Revenues Fund* – In July 2013, receivables were posted to the State Treasurer’s receivables for the Expanded Lottery Act Revenues Fund in the amount of \$83.9 million per Senate Bill No. 171, Section 111(r), Session of 2013.

##### Long-term Debt

*Revenue Bonds* – In July 2013, the K DFA issued Revenue Bonds Series 2013A in the amount of \$71.9 million. The purpose of these bonds were to: a) provide approximately \$11.8 million for State Capitol restoration; b) provide permanent financing for a KWPT project of approximately \$1.6 million; c) provide a grant to the DHS for a portion of the State’s cost share participation in NBAF of approximately \$45.5 million; d) to refund for economic savings a portion of K DFA Series 2004A-2; e) to refund for economic savings a portion of K DFA Series 2004G-1; and, f) to pay the costs associated with their issuance. The bonds were issued as premium bonds with coupons of 4.0% and 5.0% with final maturity on May 1, 2033.

*Revenue Bonds* – In July 2013, the K DFA issued Refunding Revenue Bonds Series 2013B in the amount of \$40.6 million. The purpose of these bonds were to: a) to refund \$25.6 million of the callable Series 2001D for economic savings; b) to advance refund \$18.8 million of the Series 2004A-1 for economic savings; and, c) to pay the costs associated with their issuance. The bonds were issued as combination premium and par bonds with coupons of 3.0%, 3.25% and 5.0% with final maturity on May 1, 2024.

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## **IV. Other Information**

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*Revenue Bonds* – In August 2013, the K DFA issued Revenue Bonds Series 2013F-1 in the amount of \$40.6 million for the Wichita State University Union to fund construction of a new student housing facility on the campus and to redeem K DFA Series 2010D. The bonds were issued in a combination of premium and discount bonds with coupons ranging from 4.0% to 5.25% with final maturity on June 1, 2046.

*Revenue Bonds* – In August 2013, the K DFA issued Taxable Revenue Bonds Series 2013F-2 in the amount of \$8.3 million for the Wichita State University Union to fund construction of a new student dining facility on the campus. The bonds were issued in a combination of premium and par bonds with coupons ranging from 2.0% to 3.8% with final maturity on June 1, 2023.

*Revenue Bonds* – In September 2013, the K DFA issued Revenue Bonds Series 2013D-1 in the amount of \$7.6 million for the Kansas State University Foundation to fund a portion of the construction of a new office/research building adjacent to the university that will be leased to the Kansas Department of Agriculture. The bonds were issued in a combination of premium and discount bonds with coupons ranging from 4.0% to 5.0% with final maturity on October 1, 2033.

*Revenue Bonds* – In September 2013, the K DFA issued Taxable Revenue Bonds Series 2013D-2 in the amount of \$1.5 million for the Kansas State University Foundation to fund a portion of the construction of a new office/research building adjacent to the university that will be leased to the Kansas Department of Agriculture. The bonds were issued as premium bonds with coupons of 2.0% and 3.0% with final maturity on October 1, 2019.

*Revenue Bonds* – In October 2013, the K DFA issued Revenue Bonds Series 2013G-1 in the amount of \$74.4 million for the University of Kansas to construct a new Engineering School building on the campus. The bonds were issued in a combination of premium and discount bonds with coupons ranging from 4.0% to 5.0% with final maturity on May 1, 2038.

*Revenue Bonds* – In October 2013, the K DFA issued Revenue Bonds Series 2013G-2 in the amount of \$3.0 million for the University of Kansas to redeem a portion of K DFA Series 2003J-1. The bonds were issued as premium bonds with coupons of 4.0% and 5.0% with final maturity on May 1, 2019.

*Promissory Note* – In November 2013, the Pittsburg State University Foundation signed a promissory note and credit agreement for the construction of the indoor event center with a maximum balance of \$9.5 million that bears interest at the Wall Street Journal Prime Rate less 0.5% with limitations that the interest rate cannot go below 4.5% or above 9% with final maturity on November 1, 2018.

### ***Other***

The Kansas Turnpike Authority (KTA) was formed in 1953 pursuant to K.S.A. 68-2003. During the 2013 Kansas legislative session statutory amendments passed regarding the appointment of KTA Board members and the director of operations. Effective July 1, 2013 the five member Board is comprised of two gubernatorial appointees, the Secretary of the Kansas Department of Transportation (also a gubernatorial appointee pursuant to K.S.A 75-5001) and the chairpersons of the Standing Committees on Transportation of the Kansas Senate and House of Representatives. Additionally, the amendments designated the Secretary of Kansas Department of Transportation as the director of operations of the KTA which has responsibility for the daily administration of the KTA. These statutory changes will result in the KTA meeting the definition of a component unit of the State of Kansas effective as of July 1, 2013.

In December 2013, subsequent to year end, K DFA issued Kansas Revolving Funds Revenue Bonds Series 2013SRF-2, for \$5.1 million related to the Water Funds to provide the State match for the Water Pollution Control Revolving Fund and the Public Water Supply Loan Fund. The interest rate on the bonds is variable, with the initial rate of 0.5% that resets each January 1<sup>st</sup> and July 1<sup>st</sup>. The bonds mature on December 18, 2014.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

## **Budgetary Information**

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

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

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



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**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2013  
(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	\$ 23,000	\$ 29,000	\$ 28,867	\$ (133)
Income and inheritance tax	3,229,000	3,252,181	3,334,489	82,308
State sales tax	2,120,000	2,190,000	2,184,573	(5,427)
Consumer's and retailer's compensating use tax	330,000	335,000	340,044	5,044
Tobacco and liquor taxes	188,400	188,300	190,211	1,911
Severance taxes	108,700	97,900	100,130	2,230
Insurance premiums taxes	142,000	155,000	156,977	1,977
Other taxes	12,500	(2,500)	(8,575)	(6,075)
Investment earnings	10,400	12,750	9,144	(3,606)
Transfers	180,500	(63,217)	(111,104)	(47,887)
Charges for services, other revenues and financing sources	59,800	56,000	63,628	7,628
Total revenues and other financing sources	<u>6,404,300</u>	<u>6,250,414</u>	<u>6,288,384</u>	<u>37,970</u>
<b>Expenditures and other financing uses:</b>				
Current:				
General government	311,300	312,907	308,981	3,926
Human resources	967,799	941,050	924,036	17,014
Education	3,867,971	3,893,881	3,883,952	9,929
Public safety	379,329	399,604	385,258	14,346
Agriculture and natural resources	25,411	25,434	25,424	10
Health and environment	694,642	674,130	673,786	344
Total expenditures and other financing uses	<u>6,246,452</u>	<u>6,247,006</u>	<u>6,201,437</u>	<u>45,569</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>157,848</u>	<u>3,408</u>	<u>86,947</u>	<u>\$ 83,539</u>
Fund balances, beginning of year	513,297	513,297	513,297	
Adjustment for released encumbrances	0	0	0	
Fund balances, end of year	<u>\$ 671,145</u>	<u>\$ 516,705</u>	<u>\$ 600,244</u>	

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June 30, 2013

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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, 2013**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ 86,947
Current year encumbrances are reported as expenditures for budgetary reporting purposes	46,128
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(21,120)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(553,099)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>624,357</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 183,213</u></u>

State of Kansas  
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**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual**

*Social Services*

**For the Fiscal Year Ended June 30, 2013**

*(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	\$ 2,800	\$ 2,650	\$ 3,070	\$ 420
Operating grants	402,254	406,640	842,253	435,613
Investment earnings	4	4	(37)	(41)
Transfers	877,857	828,845	801,010	(27,835)
Charges for services, other revenues and financing sources	76,402	76,402	118,129	41,727
Total revenues and other financing sources	<u>1,359,317</u>	<u>1,314,541</u>	<u>1,764,425</u>	<u>449,884</u>
<b>Expenditures and other financing uses:</b>				
Current:				
Human resources	<u>1,687,032</u>	<u>1,687,032</u>	<u>1,687,032</u>	<u>0</u>
Total expenditures and other financing uses	<u>1,687,032</u>	<u>1,687,032</u>	<u>1,687,032</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (327,715)</u>	<u>\$ (372,491)</u>	<u>\$ 77,393</u>	<u>\$ 449,884</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2013

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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, 2013**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ 77,393
Current year encumbrances are reported as expenditures for budgetary reporting purposes	43,451
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(17,003)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(29,444)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>(70,129)</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 4,268</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2013

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual**  
*Transportation Fund*  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over
	Original	Final	Budgetary Basis	(Under)
<b>Revenues:</b>				
Motor fuel taxes	\$ 292,302	\$ 286,191	\$ 273,157	\$ (13,034)
Vehicle registrations and permits	192,367	193,593	198,452	4,859
Intergovernmental	433,408	424,630	442,414	17,784
Sales and use taxes	311,561	325,376	319,546	(5,830)
Investment earnings	706	234	269	35
Other	11,772	9,016	20,487	11,471
Transfers from other state funds	0	8	461	453
Total revenues	<u>1,242,116</u>	<u>1,239,048</u>	<u>1,254,786</u>	<u>15,738</u>
<b>Expenditures, with legal limits:</b>				
Current operating:				
Maintenance	154,336	138,745	134,886	3,859
Construction	72,224	66,935	64,673	2,262
Local support	8,694	7,235	6,427	808
Management	62,440	55,511	50,364	5,147
Transfers to other state funds	103,057	110,723	110,097	626
Expenditures with legal limits	<u>400,751</u>	<u>379,149</u>	<u>366,447</u>	<u>12,702</u>
<b>Expenditures, without legal limits:</b>				
Current operating:				
Maintenance	499	540	512	28
Local support	713,307	807,673	607,902	199,771
Management	30,325	33,355	28,625	4,730
Capital improvements	885	9,904	2,690	7,214
Transfers to other state funds	0	0	0	0
Expenditures without legal limits	<u>745,016</u>	<u>851,472</u>	<u>639,729</u>	<u>211,743</u>
Total expenditures	<u>1,145,767</u>	<u>1,230,621</u>	<u>1,006,176</u>	<u>224,445</u>
Excess of revenues over expenditures	<u>96,349</u>	<u>8,427</u>	<u>248,610</u>	<u>240,183</u>
<b>Other financing sources (uses):</b>				
Transfers-in	253,421	337,157	253,878	(83,279)
Transfers-out	<u>(200,474)</u>	<u>(191,474)</u>	<u>(178,119)</u>	<u>13,355</u>
Total other financing sources (uses)	<u>52,947</u>	<u>145,683</u>	<u>75,759</u>	<u>(69,924)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 149,296</u>	<u>\$ 154,110</u>	<u>\$ 324,369</u>	<u>\$ 170,259</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2013

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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, 2013**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$	324,369
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis		(251,279)
Current year encumbrances are reported as expenditures for budgetary reporting purposes		(58,125)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis		<u>175,310</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	\$	<u><u>190,275</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2013

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
Health and Environment  
For the Fiscal Year Ended June 30, 2013  
(expressed in thousands)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and Other Financing Sources:</b>				
Other taxes	\$ 0	\$ 0	\$ 696	\$ 696
Operating grants	1,219,719	1,337,812	1,742,836	405,024
Investment earnings	0	0	109	109
Transfers	37,639	(211,890)	(708,033)	(496,143)
Charges for services, other revenues & financing sources	183,973	183,973	300,820	116,847
Total revenues and other financing sources	<u>1,441,331</u>	<u>1,309,895</u>	<u>1,336,428</u>	<u>26,533</u>
<b>Expenditures and Other Financing Uses:</b>				
Current:				
Health and environment	1,328,995	1,328,995	1,328,995	0
Total expenditures and other financing uses	<u>1,328,995</u>	<u>1,328,995</u>	<u>1,328,995</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 112,336</u>	<u>\$ (19,100)</u>	<u>\$ 7,433</u>	<u>\$ 26,533</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2013

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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, 2013**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ 7,433
Current year encumbrances are reported as expenditures for budgetary reporting purposes	93,167
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(33,016)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(134,154)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>88,971</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 22,401</u></u>



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

**Roadway Pavement**

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

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

KDOT has goals to maintain these systems at levels higher than the minimum acceptable condition. The cost to repair or replace deteriorated pavement far exceeds the cost to maintain pavement that is already in good condition, so maintaining pavement at levels above minimum acceptable condition requires a pavement management strategy that accounts for life-cycle costs. In fiscal year 2012, KDOT decided to raise the minimum acceptable condition level to be more in line with its goals. KDOT has redefined the minimum acceptable condition level as having at least 85 percent of the interstate miles in PL-1 and at least 80 percent of the non-interstate miles in PL-1. The following table compares the minimum acceptable condition level with the actual condition for the current and prior years.

Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition	Actual Condition	Minimum Acceptable Condition	Actual Condition
	Level*	Level*	Level*	Level*
2011	80	96	75	84
2012	85	98	80	83
2013	85	96	80	83

\*Percent of miles in PL-1

KDOT's goal is to continually maintain and improve the condition of the State Highway System. To achieve this goal it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. KDOT concentrates resources on items that are measured. To maintain the Interstate Highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$87 million in fiscal year 2013. To maintain the Non-interstate Highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$215 million in fiscal year 2013. The estimated expenditure amounts are based on the projected T-WORKS program funding levels for preservation that are anticipated to be needed to maintain the system. The actual expenses are based on these project expenditures during the fiscal year. The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years (expressed in thousands).

State of Kansas  
**Required Supplementary Information**  
June 30, 2013

Fiscal Year	Acceptable	Actual	Acceptable	Actual
	Condition Level	Expenses	Condition Level	Expenses
2009	\$ 110,000	\$ 67,603	\$ 260,000	\$ 392,237
2010	110,000	54,807	260,000	335,108
2011	110,000	57,550	260,000	395,726
2012	84,000	81,893	208,000	244,733
2013	87,000	119,170	215,000	412,050

**Bridges**

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

Prior to 2012, the metric was the average health index of the entire system. In 2012, the bridge Performance Measure for KDOT was changed. The current metric is the percent of state-owned bridges in Good Condition, with the condition state of a bridge being defined as follows:

- Good Condition: BHI ≥ 85
- Fair Condition: 70 ≤ BHI < 85
- Deteriorated Condition: BHI < 70

KDOT’s goal is to maintain the bridge system at a higher level. In fiscal year 2012, KDOT realigned the minimum health index level to be closer to its goals. The minimum acceptable health index has been redefined to an overall state-wide health index of 85 as the minimum acceptable condition level. This table compares the minimum acceptable health index with the actual health index for the current and prior years.

Fiscal Year	Minimum Acceptable Health Index	Actual Health Index
2011	80	94
2012	85	95
2013	85	95

KDOT’s goal is to continually improve the condition of the State’s bridge system. To achieve this goal it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. To maintain the State’s bridges at or above the stated minimum acceptable health index it is estimated that annual preservation and replacement expenditures must be approximately \$76 million for fiscal year 2013. 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	Minimum Acceptable Health Index	Actual Expenses
2009	\$ 75,000	\$ 50,992
2010	75,000	29,219
2011	75,000	69,620
2012	73,000	87,890
2013	76,000	82,046

State of Kansas  
**Required Supplementary Information**  
June 30, 2013

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

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Accrued Liability (AAL) ( b )	Unfunded AAL ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	Percent of Covered Payroll ((b-a)/c)
6/30/2011	0	305,489	305,489	0%	2,042,911	14.95%
6/30/2012	0	282,586	282,586	0%	2,032,592	13.90%
6/30/2013	0	278,153	278,153	0%	2,062,709	13.48%

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**Listing of Non-Major Governmental Funds**

**Special Revenue Funds**

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

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

**Capital Projects Funds**

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

State Buildings (Appropriated)  
Capitol Complex Buildings  
State Library

### **Debt Service Funds**

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

Master Lease Program  
Corrections  
Pooled Fund  
Armories  
Public Broadcasting Digital  
Vital Statistics Project  
Highway Patrol  
Labor  
Social Services  
Bond and Interest  
Highway Debt Service  
STAR bond liability fund for GAAP purposes

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2013**  
*(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	\$ 83,563	\$ 8,926	\$ 22,456	\$ 8,048
Investments	0	0	0	0
Receivables, net	8,365	692	0	4,404
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 91,928</u>	<u>\$ 9,618</u>	<u>\$ 22,456</u>	<u>\$ 12,452</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 8,601	\$ 1,215	\$ 3,408	\$ 5,009
Deferred revenue	0	0	0	0
Advances from other funds	0	192	0	0
<b>Total liabilities</b>	<u>8,601</u>	<u>1,407</u>	<u>3,408</u>	<u>5,009</u>
Fund balances:				
Nonspendable:				
Long-term receivable	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	52,558	0	0	0
Human Resources	1,544	0	19,048	0
Education	3	0	0	0
Public Safety	24,555	8,211	0	7,443
Agriculture and natural resources	4,667	0	0	0
Highways and other transportation	0	0	0	0
Assigned to:				
Debt Service	0	0	0	0
<b>Total fund balance</b>	<u>83,327</u>	<u>8,211</u>	<u>19,048</u>	<u>7,443</u>
<b>Total liabilities and fund balance</b>	<u>\$ 91,928</u>	<u>\$ 9,618</u>	<u>\$ 22,456</u>	<u>\$ 12,452</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
	Agriculture	Attorney General	Administration	Highway Patrol
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,695	\$ 31,048	\$ 10,962	\$ 20,171
Investments	0	0	0	0
Receivables, net	41	2	0	957
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<b>\$ 12,736</b>	<b>\$ 31,050</b>	<b>\$ 10,962</b>	<b>\$ 21,128</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 1,840	\$ 2,220	\$ 2,246	\$ 5,054
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
<b>Total liabilities</b>	<b>1,840</b>	<b>2,220</b>	<b>2,246</b>	<b>5,054</b>
Fund balances:				
Nonspendable:				
Long-term receivable	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	0	23,792	8,716	0
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	5,038	0	16,074
Agriculture and natural resources	10,896	0	0	0
Highways and other transportation	0	0	0	0
Assigned to:				
Debt Service	0	0	0	0
<b>Total fund balance</b>	<b>10,896</b>	<b>28,830</b>	<b>8,716</b>	<b>16,074</b>
<b>Total liabilities and fund balance</b>	<b>\$ 12,736</b>	<b>\$ 31,050</b>	<b>\$ 10,962</b>	<b>\$ 21,128</b>



State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2013**  
*(expressed in thousands)*

Special Revenue Funds

<b>ASSETS</b>	Historical Society	Labor	Commerce	Insurance
Cash and cash equivalents	\$ 6,164	\$ 15,605	\$ 192,574	\$ 10,337
Investments	0	0	0	0
Receivables, net	538	919	99	0
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	71	0
Restricted investments	0	0	18,823	0
<b>Total assets</b>	<b>\$ 6,702</b>	<b>\$ 16,524</b>	<b>\$ 211,567</b>	<b>\$ 10,337</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 232	\$ 2,187	\$ 4,012	\$ 1,109
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
<b>Total liabilities</b>	<b>232</b>	<b>2,187</b>	<b>4,012</b>	<b>1,109</b>
Fund balances:				
Nonspendable:				
Long-term receivable	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	0	0	207,555	9,228
Human Resources	0	14,337	0	0
Education	6,470	0	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Assigned to:				
Debt Service	0	0	0	0
<b>Total fund balance</b>	<b>6,470</b>	<b>14,337</b>	<b>207,555</b>	<b>9,228</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,702</b>	<b>\$ 16,524</b>	<b>\$ 211,567</b>	<b>\$ 10,337</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
	Judicial	State Library	Revenue	Education
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,866	\$ 347	\$ 32,006	\$ 9,465
Investments	0	0	0	0
Receivables, net	187	0	4	2,676
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<b>\$ 15,053</b>	<b>\$ 347</b>	<b>\$ 32,010</b>	<b>\$ 12,141</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 2,004	\$ 30	\$ 4,087	\$ 1,094
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
<b>Total liabilities</b>	<b>2,004</b>	<b>30</b>	<b>4,087</b>	<b>1,094</b>
Fund balances:				
Nonspendable:				
Long-term receivable	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	13,049	0	27,923	0
Human Resources	0	0	0	0
Education	0	317	0	11,047
Public Safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Assigned to:				
Debt Service	0	0	0	0
<b>Total fund balance</b>	<b>13,049</b>	<b>317</b>	<b>27,923</b>	<b>11,047</b>
<b>Total liabilities and fund balance</b>	<b>\$ 15,053</b>	<b>\$ 347</b>	<b>\$ 32,010</b>	<b>\$ 12,141</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
	Secretary of State	State Treasurer	Wildlife, Parks and Tourism	Executive
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,872	\$ 4,132	\$ 30,558	\$ 1,736
Investments	0	0	0	0
Receivables, net	1	0	4,914	0
Due from other funds	0	17,090	1	0
Advances to other funds	0	69,890	0	0
Restricted cash and cash equivalents	0	0	691	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 7,873</u>	<u>\$ 91,112</u>	<u>\$ 36,164</u>	<u>\$ 1,736</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 298	\$ 87,265	\$ 6,352	\$ 192
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
<b>Total liabilities</b>	<u>298</u>	<u>87,265</u>	<u>6,352</u>	<u>192</u>
Fund balances:				
Nonspendable:				
Long-term receivable	0	0	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	7,575	3,847	0	1,544
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	0	29,812	0
Highways and other transportation	0	0	0	0
Assigned to:				
Debt Service	0	0	0	0
<b>Total fund balance</b>	<u>7,575</u>	<u>3,847</u>	<u>29,812</u>	<u>1,544</u>
<b>Total liabilities and fund balance</b>	<u>\$ 7,873</u>	<u>\$ 91,112</u>	<u>\$ 36,164</u>	<u>\$ 1,736</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
ASSETS	Legislative	Transportation Special Revenue	State Water Plan	Peace Officer Training
Cash and cash equivalents	\$ 120	\$ 22,330	\$ 10,856	\$ 657
Investments	0	0	0	0
Receivables, net	0	5,522	2,080	0
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 120</u>	<u>\$ 27,852</u>	<u>\$ 12,936</u>	<u>\$ 657</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 0	\$ 4,017	\$ 1,035	\$ 47
Deferred revenue	0	0	755	0
Advances from other funds	0	0	0	0
<b>Total liabilities</b>	<u>0</u>	<u>4,017</u>	<u>1,790</u>	<u>47</u>
Fund balances:				
Nonspendable:				
Long-term receivable	0	4,487	0	0
Restricted for:				
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
General government	120	0	0	0
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	0	0	610
Agriculture and natural resources	0	0	11,146	0
Highways and other transportation	0	19,348	0	0
Assigned to:				
Debt Service	0	0	0	0
<b>Total fund balance</b>	<u>120</u>	<u>23,835</u>	<u>11,146</u>	<u>610</u>
<b>Total liabilities and fund balance</b>	<u>\$ 120</u>	<u>\$ 27,852</u>	<u>\$ 12,936</u>	<u>\$ 657</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2013**  
*(expressed in thousands)*

	Capital Projects Funds			Debt Service Funds
	State Buildings (Appropriated)	Capitol Complex Buildings	State Library	Master Lease Program
<b>ASSETS</b>				
Cash and cash equivalents	\$ 41,141	\$ 4	\$ 207	\$ 3,616
Investments	0	0	0	0
Receivables, net	0	0	0	22,856
Due from other funds	0	0	0	3,108
Advances to other funds	0	0	0	4,174
Restricted cash and cash equivalents	0	14,532	0	0
Restricted investments	0	0	0	0
<b>Total assets</b>	<u>\$ 41,141</u>	<u>\$ 14,536</u>	<u>\$ 207</u>	<u>\$ 33,754</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 1,406	\$ 1,694	\$ (5)	\$ 58
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
<b>Total liabilities</b>	<u>1,406</u>	<u>1,694</u>	<u>(5)</u>	<u>58</u>
Fund balances:				
Nonspendable:				
Long-term receivable	0	0	0	0
Restricted for:				
Capital Projects	39,735	12,842	212	0
Debt Service	0	0	0	33,696
General government	0	0	0	0
Human Resources	0	0	0	0
Education	0	0	0	0
Public Safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Assigned to:				
Debt Service	0	0	0	0
<b>Total fund balance</b>	<u>39,735</u>	<u>12,842</u>	<u>212</u>	<u>33,696</u>
<b>Total liabilities and fund balance</b>	<u>\$ 41,141</u>	<u>\$ 14,536</u>	<u>\$ 207</u>	<u>\$ 33,754</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Balance Sheet - Nonmajor Governmental Funds - Continued**  
**June 30, 2013**  
*(expressed in thousands)*

	Debt Service Funds				
	Corrections	Pooled Funds	Armories	Public Broadcasting Digital	Vital Statistics Project
<b>ASSETS</b>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Investments	0	0	0	0	0
Receivables, net	0	0	0	0	0
Due from other funds	0	0	0	0	0
Advances to other funds	0	0	0	0	0
Restricted cash and cash equivalents	32	62	118	12	1
Restricted investments	0	0	0	0	0
<b>Total assets</b>	<u>\$ 32</u>	<u>\$ 62</u>	<u>\$ 118</u>	<u>\$ 12</u>	<u>\$ 1</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	0	0	0	0
<b>Total liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:					
Nonspendable:					
Long-term receivable	0	0	0	0	0
Restricted for:					
Capital Projects	0	0	0	0	0
Debt Service	32	62	118	12	1
General government	0	0	0	0	0
Human Resources	0	0	0	0	0
Education	0	0	0	0	0
Public Safety	0	0	0	0	0
Agriculture and natural resources	0	0	0	0	0
Highways and other transportation	0	0	0	0	0
Assigned to:					
Debt Service	0	0	0	0	0
<b>Total fund balance</b>	<u>32</u>	<u>62</u>	<u>118</u>	<u>12</u>	<u>1</u>
<b>Total liabilities and fund balance</b>	<u>\$ 32</u>	<u>\$ 62</u>	<u>\$ 118</u>	<u>\$ 12</u>	<u>\$ 1</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Balance Sheet - Nonmajor Governmental Funds - Concluded**  
**June 30, 2013**  
*(expressed in thousands)*

	Debt Service Funds				Total Nonmajor Governmental
	Labor	Bond and Interest	Highway Debt Service	STAR Bonds Debt Service	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 602,462
Investments	0	0	23,997	0	23,997
Receivables, net	0	0	247	0	54,504
Due from other funds	0	0	0	0	20,199
Advances to other funds	0	0	0	0	74,064
Restricted cash and cash equivalents	7	106	84,987	26,722	127,341
Restricted investments	0	0	0	0	18,823
<b>Total assets</b>	<u>\$ 7</u>	<u>\$ 106</u>	<u>\$ 109,231</u>	<u>\$ 26,722</u>	<u>\$ 921,390</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 146,707
Deferred revenue	0	0	0	0	755
Advances from other funds	0	0	0	0	192
<b>Total liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>147,654</u>
Fund balances:					
Nonspendable:					
Long-term receivable	0	0	0	0	4,487
Restricted for:					
Capital Projects	0	0	0	0	52,789
Debt Service	7	106	0	26,722	60,756
General government	0	0	0	0	355,907
Human Resources	0	0	0	0	34,929
Education	0	0	0	0	17,837
Public Safety	0	0	0	0	61,931
Agriculture and natural resources	0	0	0	0	56,521
Highways and other transportation	0	0	0	0	19,348
Assigned to:					
Debt Service	0	0	109,231	0	109,231
<b>Total fund balance</b>	<u>7</u>	<u>106</u>	<u>109,231</u>	<u>26,722</u>	<u>773,736</u>
<b>Total liabilities and fund balance</b>	<u>\$ 7</u>	<u>\$ 106</u>	<u>\$ 109,231</u>	<u>\$ 26,722</u>	<u>\$ 921,390</u>

State of Kansas  
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June 30, 2013

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Regulatory Boards and Commission	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	6,174	0	0	0
Charges for services	113,031	16,925	67,998	4
Operating grants	10,009	1,777	0	92,927
Capital grants	0	0	0	0
Investment earnings	12	1	65	0
Other revenues	3,381	2,731	29	15
<b>Total revenues</b>	<u>132,607</u>	<u>21,434</u>	<u>68,092</u>	<u>92,946</u>
<b>Expenditures:</b>				
Current:				
General government	56,399	0	0	0
Human resources	13,876	0	30,961	0
Education	19	0	12,037	0
Public safety	24,660	28,413	0	96,191
Agriculture and natural resources	7,560	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	8,463	0
Debt service:				
Principal	12,242	235	0	0
Interest	1,171	10	0	0
<b>Total expenditures</b>	<u>115,927</u>	<u>28,658</u>	<u>51,461</u>	<u>96,191</u>
<b>Excess of revenues over (under) expenditures</b>	<u>16,680</u>	<u>(7,224)</u>	<u>16,631</u>	<u>(3,245)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Transfers, net	(3,741)	8,068	(9,986)	841
<b>Total other financing sources (uses)</b>	<u>(3,741)</u>	<u>8,068</u>	<u>(9,986)</u>	<u>841</u>
<b>Net change in fund balances</b>	<u>12,939</u>	<u>844</u>	<u>6,645</u>	<u>(2,404)</u>
<b>Fund balances, beginning of year</b>	56,502	7,367	12,403	9,847
Revisions to beginning fund balances	13,886	0	0	0
Fund balances, beginning of year (restated)	<u>70,388</u>	<u>7,367</u>	<u>12,403</u>	<u>9,847</u>
<b>Fund balances, end of year</b>	<u>\$ 83,327</u>	<u>\$ 8,211</u>	<u>\$ 19,048</u>	<u>\$ 7,443</u>



State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
	Agriculture	Attorney General	Administration	Highway Patrol
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	2,463
Gross receipts tax	0	0	0	0
Charges for services	17,514	19,934	3,790	10,769
Operating grants	5,715	7,341	324	14,820
Capital grants	330	0	0	0
Investment earnings	1	2	2	7
Other revenues	235	10,036	17,024	187
<b>Total revenues</b>	<u>23,795</u>	<u>37,313</u>	<u>21,140</u>	<u>28,246</u>
<b>Expenditures:</b>				
Current:				
General government	0	15,023	20,124	0
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	15,093	0	82,882
Agriculture and natural resources	26,515	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	11,745	0
Interest	0	0	24,395	0
<b>Total expenditures</b>	<u>26,515</u>	<u>30,116</u>	<u>56,264</u>	<u>82,882</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(2,720)</u>	<u>7,197</u>	<u>(35,124)</u>	<u>(54,636)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Transfers, net	818	332	32,220	56,172
<b>Total other financing sources (uses)</b>	<u>818</u>	<u>332</u>	<u>32,220</u>	<u>56,172</u>
<b>Net change in fund balances</b>	<u>(1,902)</u>	<u>7,529</u>	<u>(2,904)</u>	<u>1,536</u>
<b>Fund balances, beginning of year</b>	12,798	21,301	11,620	14,538
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>12,798</u>	<u>21,301</u>	<u>11,620</u>	<u>14,538</u>
<b>Fund balances, end of year</b>	<u>\$ 10,896</u>	<u>\$ 28,830</u>	<u>\$ 8,716</u>	<u>\$ 16,074</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
	Historical Society	Labor	Commerce	Insurance
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	25,421	0
Sales and excise tax	1,194	0	0	0
Gross receipts tax	0	0	42	12,028
Charges for services	1,264	2,901	243	12,554
Operating grants	911	23,733	54,041	765
Capital grants	0	0	0	0
Investment earnings	3	0	270	0
Other revenues	48	13,276	7,886	43
<b>Total revenues</b>	<u>3,420</u>	<u>39,910</u>	<u>87,903</u>	<u>25,390</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	110,043	22,003
Human resources	0	34,887	0	0
Education	3,233	0	3,718	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	16,500	0
Interest	0	0	9,455	0
<b>Total expenditures</b>	<u>3,233</u>	<u>34,887</u>	<u>139,716</u>	<u>22,003</u>
<b>Excess of revenues over (under) expenditures</b>	<u>187</u>	<u>5,023</u>	<u>(51,813)</u>	<u>3,387</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Transfers, net	475	(779)	52,897	(14,997)
<b>Total other financing sources (uses)</b>	<u>475</u>	<u>(779)</u>	<u>52,897</u>	<u>(14,997)</u>
<b>Net change in fund balances</b>	<u>662</u>	<u>4,244</u>	<u>1,084</u>	<u>(11,610)</u>
<b>Fund balances, beginning of year</b>	5,808	10,093	206,471	20,838
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>5,808</u>	<u>10,093</u>	<u>206,471</u>	<u>20,838</u>
<b>Fund balances, end of year</b>	<u>\$ 6,470</u>	<u>\$ 14,337</u>	<u>\$ 207,555</u>	<u>\$ 9,228</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
	Judicial	State Library	Revenue	Education
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	12,987	0
Gross receipts tax	0	0	126	0
Charges for services	23,554	1	17,238	5,088
Operating grants	417	789	753	479,185
Capital grants	0	0	0	0
Investment earnings	5	0	0	0
Other revenues	1,247	246	127	48,296
<b>Total revenues</b>	25,223	1,036	31,231	532,569
<b>Expenditures:</b>				
Current:				
General government	24,757	0	71,303	0
Human resources	0	0	0	0
Education	0	1,976	0	640,097
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	24,757	1,976	71,303	640,097
<b>Excess of revenues over (under) expenditures</b>	466	(940)	(40,072)	(107,528)
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Transfers, net	77	0	44,600	109,993
<b>Total other financing sources (uses)</b>	77	0	44,600	109,993
<b>Net change in fund balances</b>	543	(940)	4,528	2,465
<b>Fund balances, beginning of year</b>	12,506	1,257	23,395	8,582
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	12,506	1,257	23,395	8,582
<b>Fund balances, end of year</b>	\$ 13,049	\$ 317	\$ 27,923	\$ 11,047

State of Kansas  
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June 30, 2013

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
	Secretary of State	State Treasurer	Wildlife, Parks and Tourism	Executive
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	843	0
Gross receipts tax	0	0	0	0
Charges for services	3,986	942	37,567	0
Operating grants	68	0	28,869	10,382
Capital grants	0	0	0	0
Investment earnings	7	3,183	17	4
Other revenues	0	17,392	174	92
<b>Total revenues</b>	<u>4,061</u>	<u>21,517</u>	<u>67,470</u>	<u>10,478</u>
<b>Expenditures:</b>				
Current:				
General government	5,539	18,610	0	8,927
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	71,195	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	1,668	0
Interest	0	0	92	0
<b>Total expenditures</b>	<u>5,539</u>	<u>18,610</u>	<u>72,955</u>	<u>8,927</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(1,478)</u>	<u>2,907</u>	<u>(5,485)</u>	<u>1,551</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	1,616	0
Transfers, net	0	(2,601)	5,711	(2,531)
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>(2,601)</u>	<u>7,327</u>	<u>(2,531)</u>
<b>Net change in fund balances</b>	<u>(1,478)</u>	<u>306</u>	<u>1,842</u>	<u>(980)</u>
<b>Fund balances, beginning of year</b>	9,053	3,541	27,970	2,524
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>9,053</u>	<u>3,541</u>	<u>27,970</u>	<u>2,524</u>
<b>Fund balances, end of year</b>	<u>\$ 7,575</u>	<u>\$ 3,847</u>	<u>\$ 29,812</u>	<u>\$ 1,544</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Special Revenue Funds			
	Legislative	Transportation- Special Revenue	State Water Plan	Peace Officer Training
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	3,321	0
Gross receipts tax	0	0	0	0
Charges for services	116	0	4,965	567
Operating grants	0	4,560	42	0
Capital grants	0	0	0	0
Investment earnings	0	139	0	0
Other revenues	0	2,375	4,703	227
<b>Total revenues</b>	<u>116</u>	<u>7,074</u>	<u>13,031</u>	<u>794</u>
<b>Expenditures:</b>				
Current:				
General government	54	0	0	0
Human resources	0	0	0	0
Education	0	0	26	0
Public safety	0	0	0	776
Agriculture and natural resources	0	0	11,617	0
Highways and other transportation	0	17,820	0	0
Health and environment	0	0	1,909	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<u>54</u>	<u>17,820</u>	<u>13,552</u>	<u>776</u>
<b>Excess of revenues over (under) expenditures</b>	<u>62</u>	<u>(10,746)</u>	<u>(521)</u>	<u>18</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Transfers, net	0	9,000	1,738	0
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>9,000</u>	<u>1,738</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>62</u>	<u>(1,746)</u>	<u>1,217</u>	<u>18</u>
<b>Fund balances, beginning of year</b>	58	25,581	9,929	592
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>58</u>	<u>25,581</u>	<u>9,929</u>	<u>592</u>
<b>Fund balances, end of year</b>	<u>\$ 120</u>	<u>\$ 23,835</u>	<u>\$ 11,146</u>	<u>\$ 610</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2013  
(expressed in thousands)**

	Capital Projects Funds			Debt Service Funds
	State Buildings (Appropriated)	Capitol Complex Buildings	State Library	Master Lease Program
<b>Revenues:</b>				
Property tax	\$ 50,609	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	0	0	0
Operating grants	0	0	324	0
Capital grants	0	0	0	0
Investment earnings	0	38	0	4
Other revenues	0	0	30	200
<b>Total revenues</b>	<u>50,609</u>	<u>38</u>	<u>354</u>	<u>204</u>
<b>Expenditures:</b>				
Current:				
General government	280	25,707	0	68
Human resources	3,348	0	0	0
Education	26,684	0	307	0
Public safety	3,762	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	19,760	0	7,366
Interest	0	9,284	0	1,360
<b>Total expenditures</b>	<u>34,074</u>	<u>54,751</u>	<u>307</u>	<u>8,794</u>
<b>Excess of revenues over (under) expenditures</b>	<u>16,535</u>	<u>(54,713)</u>	<u>47</u>	<u>(8,590)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	1,161
Transfers, net	(5,713)	28,979	0	0
<b>Total other financing sources (uses)</b>	<u>(5,713)</u>	<u>28,979</u>	<u>0</u>	<u>1,161</u>
<b>Net change in fund balances</b>	<u>10,822</u>	<u>(25,734)</u>	<u>47</u>	<u>(7,429)</u>
<b>Fund balances, beginning of year</b>	28,913	38,576	165	41,125
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>28,913</u>	<u>38,576</u>	<u>165</u>	<u>41,125</u>
<b>Fund balances, end of year</b>	<u>\$ 39,735</u>	<u>\$ 12,842</u>	<u>\$ 212</u>	<u>\$ 33,696</u>

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Debt Service Funds			
	Corrections	Pooled Funds	Armories	Public Broadcasting Digital
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	0	0	0
Operating grants	0	0	0	0
Capital grants	0	0	0	0
Investment earnings	0	0	1	0
Other revenues	0	0	0	0
<b>Total revenues</b>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	0	0
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	(2)	0	803	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	2,520	4,885	2,110	1,385
Interest	1,476	7,823	1,486	88
<b>Total expenditures</b>	<u>3,994</u>	<u>12,708</u>	<u>4,399</u>	<u>1,473</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(3,994)</u>	<u>(12,708)</u>	<u>(4,398)</u>	<u>(1,473)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Transfers, net	3,995	12,708	3,595	1,473
<b>Total other financing sources (uses)</b>	<u>3,995</u>	<u>12,708</u>	<u>3,595</u>	<u>1,473</u>
<b>Net change in fund balances</b>	<u>1</u>	<u>0</u>	<u>(803)</u>	<u>0</u>
<b>Fund balances, beginning of year</b>	35	62	917	12
Revisions to beginning fund balances	(4)	0	4	0
Fund balances, beginning of year (restated)	<u>31</u>	<u>62</u>	<u>921</u>	<u>12</u>
<b>Fund balances, end of year</b>	<u>\$ 32</u>	<u>\$ 62</u>	<u>\$ 118</u>	<u>\$ 12</u>

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Debt Service Funds			
	Vital Statistics Project	Highway Patrol	Labor	Social Services
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	0	0	0
Operating grants	0	0	0	0
Capital grants	0	0	0	0
Investment earnings	0	0	0	0
Other revenues	0	0	0	0
<b>Total revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenditures:</b>				
Current:				
General government	0	0	0	0
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	280	2,390	0
Interest	0	92	533	0
<b>Total expenditures</b>	<b>0</b>	<b>372</b>	<b>2,923</b>	<b>0</b>
<b>Excess of revenues over (under) expenditures</b>	<b>0</b>	<b>(372)</b>	<b>(2,923)</b>	<b>0</b>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Transfers, net	0	372	2,923	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>372</b>	<b>2,923</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund balances, beginning of year</b>	<b>1</b>	<b>0</b>	<b>7</b>	<b>0</b>
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	1	0	7	0
<b>Fund balances, end of year</b>	<b>\$ 1</b>	<b>\$ 0</b>	<b>\$ 7</b>	<b>\$ 0</b>



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in Fund Balances - Nonmajor Governmental Funds - Concluded  
For the Fiscal Year Ended June 30, 2013  
(expressed in thousands)**

	Debt Service Funds			
	Bond and Interest	Highway Debt Service	STAR Bonds Debt Service	Total Nonmajor Governmental
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 50,609
Income and inheritance tax	0	0	0	25,421
Sales and excise tax	0	0	45,729	66,537
Gross receipts tax	0	0	0	18,370
Charges for services	0	0	0	360,951
Operating grants	0	0	0	737,752
Capital grants	0	0	0	330
Investment earnings	0	343	0	4,104
Other revenues	1,805	0	0	131,805
<b>Total revenues</b>	<u>1,805</u>	<u>343</u>	<u>45,729</u>	<u>1,395,879</u>
<b>Expenditures:</b>				
Current:				
General government	45,400	0	(2,741)	421,496
Human resources	0	0	0	83,072
Education	0	0	0	688,097
Public safety	0	0	0	252,578
Agriculture and natural resources	0	0	0	116,887
Highways and other transportation	0	0	0	17,820
Health and environment	0	0	0	10,372
Debt service:				
Principal	10,535	75,320	69,557	238,498
Interest	4,574	76,354	2,351	140,544
<b>Total expenditures</b>	<u>60,509</u>	<u>151,674</u>	<u>69,167</u>	<u>1,969,364</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(58,704)</u>	<u>(151,331)</u>	<u>(23,438)</u>	<u>(573,485)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	45,400	0	9,589	57,766
Transfers, net	13,304	146,695	0	496,638
<b>Total other financing sources (uses)</b>	<u>58,704</u>	<u>146,695</u>	<u>9,589</u>	<u>554,404</u>
<b>Net change in fund balances</b>	<u>0</u>	<u>(4,636)</u>	<u>(13,849)</u>	<u>(19,081)</u>
<b>Fund balances, beginning of year</b>	106	113,867	40,571	778,931
Revisions to beginning fund balances	0	0	0	13,886
Fund balances, beginning of year (restated)	<u>106</u>	<u>113,867</u>	<u>40,571</u>	<u>792,817</u>
<b>Fund balances, end of year</b>	<u>\$ 106</u>	<u>\$ 109,231</u>	<u>\$ 26,722</u>	<u>\$ 773,736</u>

**Listing of Non-Major Proprietary Funds**

**Enterprise Funds**

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

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

State of Kansas  
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**Combining Statement of Net Position - Nonmajor Proprietary Funds**  
**June 30, 2013**

(expressed in thousands)

	Business-Type Activities					Total
	Workers Compensa- tion	Lottery	Intergovern- mental Transfer Program	Transporta- tion Revolving Fund	Communica- tion Systems Revolving Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 7,615	\$ 10,057	\$ 1,311	\$ 19,795	\$ 2,153	\$ 40,931
Restricted cash and cash equivalents	0	0	0	30,798	0	30,798
Receivables, net	0	15,108	0	5,925	451	21,484
Inventories	0	2,154	0	0	0	2,154
Total current assets	<u>7,615</u>	<u>27,319</u>	<u>1,311</u>	<u>56,518</u>	<u>2,604</u>	<u>95,367</u>
Noncurrent assets:						
Investments	0	0	0	15,277	0	15,277
Receivables, net	0	0	0	44,970	2,668	47,638
Capital assets (net of accumulated depreciation)	0	43,828	0	0	0	43,828
Other noncurrent assets	0	0	0	462	35	497
Total noncurrent assets	<u>0</u>	<u>43,828</u>	<u>0</u>	<u>60,709</u>	<u>2,703</u>	<u>107,240</u>
<b>Total assets</b>	<u>\$ 7,615</u>	<u>\$ 71,147</u>	<u>\$ 1,311</u>	<u>\$ 117,227</u>	<u>\$ 5,307</u>	<u>\$ 202,607</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ (2)	\$ 17,489	\$ 0	\$ 725	\$ 17	\$ 18,229
Deferred revenue	0	0	0	0	1,289	1,289
Due to other funds	0	5,579	0	0	143	5,722
Short-term compensated absences	4	0	0	0	0	4
Short-term portion of long-term liabilities	5,069	0	0	6,100	191	11,360
Total current liabilities	<u>5,071</u>	<u>23,068</u>	<u>0</u>	<u>6,825</u>	<u>1,640</u>	<u>36,604</u>
Noncurrent liabilities:						
Compensated absences	1	0	0	0	0	1
Claims and judgements	26,590	0	0	0	0	26,590
Bonds, notes and loans payable	0	0	0	51,936	1,196	53,132
Arbitrage rebate payable	0	0	0	196	0	196
Other noncurrent liabilities	0	332	0	0	0	332
Total noncurrent liabilities	<u>26,591</u>	<u>332</u>	<u>0</u>	<u>52,132</u>	<u>1,196</u>	<u>80,251</u>
<b>Total liabilities</b>	<u>31,662</u>	<u>23,400</u>	<u>0</u>	<u>58,957</u>	<u>2,836</u>	<u>116,855</u>
<b>NET POSITION</b>						
Net investment in capital assets	0	43,828	0	0	0	43,828
Restricted for:						
Debt service	0	0	0	38,475	0	38,475
Unrestricted	(24,047)	3,919	1,311	19,795	2,471	3,449
<b>Total net position</b>	<u>(24,047)</u>	<u>47,747</u>	<u>1,311</u>	<u>58,270</u>	<u>2,471</u>	<u>85,752</u>
<b>Total liabilities and net position</b>	<u>\$ 7,615</u>	<u>\$ 71,147</u>	<u>\$ 1,311</u>	<u>\$ 117,227</u>	<u>\$ 5,307</u>	<u>\$ 202,607</u>

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**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2013**  
*(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	\$ 1,779	\$ 605,299	\$ 0	\$ 149	\$ 2,065	\$ 609,292
Other revenue	31	4,454	714	2,185	0	7,384
<b>Total operating revenues</b>	<u>1,810</u>	<u>609,753</u>	<u>714</u>	<u>2,334</u>	<u>2,065</u>	<u>616,676</u>
<b>Operating expenses:</b>						
Personal services	172	5,508	0	0	0	5,680
Supplies and services	1,277	285,055	0	24	68	286,424
Lottery prize awards	0	138,555	0	0	0	138,555
Depreciation	0	15,561	0	0	0	15,561
Insurance claims and expenses	1,324	0	0	0	0	1,324
Other expenses	950	20,868	0	172	936	22,926
<b>Total operating expenses</b>	<u>3,723</u>	<u>465,547</u>	<u>0</u>	<u>196</u>	<u>1,004</u>	<u>470,470</u>
<b>Operating income (loss)</b>	<u>(1,913)</u>	<u>144,206</u>	<u>714</u>	<u>2,138</u>	<u>1,061</u>	<u>146,206</u>
<b>Nonoperating revenues (expenses):</b>						
Capital grants	0	5,018	0	0	0	5,018
Investment earnings	0	0	111	741	3	855
Interest expense	0	0	0	(2,362)	(346)	(2,708)
Other expenses	0	(8)	0	0	0	(8)
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>5,010</u>	<u>111</u>	<u>(1,621)</u>	<u>(343)</u>	<u>3,157</u>
<b>Net income (loss)</b>	<u>(1,913)</u>	<u>149,216</u>	<u>825</u>	<u>517</u>	<u>718</u>	<u>149,363</u>
Transfers out	(4)	(161,695)	0	0	(8)	(161,707)
Change in net position	(1,917)	(12,479)	825	517	710	(12,344)
Net position - beginning	<u>(22,130)</u>	<u>60,226</u>	<u>486</u>	<u>57,753</u>	<u>1,761</u>	<u>98,096</u>
<b>Net position - ending</b>	<u>\$ (24,047)</u>	<u>\$ 47,747</u>	<u>\$ 1,311</u>	<u>\$ 58,270</u>	<u>\$ 2,471</u>	<u>\$ 85,752</u>

### **Internal Service Funds**

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

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

State of Kansas  
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**Combining Statement of Net Position - Internal Service Funds**  
**June 30, 2013**  
*(expressed in thousands)*

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,606	\$ 10,035	\$ 492	\$ 859	\$ 5	\$ 17,248
Receivables, net	163	22	0	3,818	0	0
Total current assets	<u>1,769</u>	<u>10,057</u>	<u>492</u>	<u>4,677</u>	<u>5</u>	<u>17,248</u>
Noncurrent assets:						
Capital assets not being depreciated	0	0	0	0	0	460
Capital assets (net of accumulated depreciation)	1,670	25,660	243	13,296	0	62,097
Total noncurrent assets	<u>1,670</u>	<u>25,660</u>	<u>243</u>	<u>13,296</u>	<u>0</u>	<u>62,557</u>
<b>Total assets</b>	<u>\$ 3,439</u>	<u>\$ 35,717</u>	<u>\$ 735</u>	<u>\$ 17,973</u>	<u>\$ 5</u>	<u>\$ 79,805</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 279	\$ 369	\$ 22	\$ 1,047	\$ 0	\$ 1,396
Due to other funds	0	0	40	1,309	0	0
Short-term compensated absences	143	282	0	467	0	344
Short-term portion of long-term liabilities	0	34,063	0	0	0	2,472
Total current liabilities	<u>422</u>	<u>34,714</u>	<u>62</u>	<u>2,823</u>	<u>0</u>	<u>4,212</u>
Noncurrent liabilities:						
Compensated absences	28	55	0	92	0	68
Claims and judgements	0	54	0	0	0	0
Bonds, notes and loans payable	0	0	0	0	0	49,422
Advances from other funds	0	0	51	794	0	0
Total noncurrent liabilities	<u>28</u>	<u>109</u>	<u>51</u>	<u>886</u>	<u>0</u>	<u>49,490</u>
<b>Total liabilities</b>	<u>450</u>	<u>34,823</u>	<u>113</u>	<u>3,709</u>	<u>0</u>	<u>53,702</u>
<b>NET POSITION</b>						
Net investment in capital assets	1,670	25,660	243	13,296	0	62,557
Unrestricted	1,319	(24,766)	379	968	5	(36,454)
<b>Total net position</b>	<u>2,989</u>	<u>894</u>	<u>622</u>	<u>14,264</u>	<u>5</u>	<u>26,103</u>
<b>Total liabilities and net position</b>	<u>\$ 3,439</u>	<u>\$ 35,717</u>	<u>\$ 735</u>	<u>\$ 17,973</u>	<u>\$ 5</u>	<u>\$ 79,805</u>

State of Kansas  
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**Combining Statement of Net Position - Internal Service Funds - Concluded**  
**June 30, 2013**  
*(expressed in thousands)*

	Architectural Services	State Workers Compensation	Capitol Security	Osawatomie Motor Pool	Wildlife Aircraft	Personnel Services	Total
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 3,130	\$ 12,339	\$ 189	\$ 58	\$ 212	\$ 4	\$ 46,177
Receivables, net	58	0	0	0	0	0	4,061
Total current assets	<u>3,188</u>	<u>12,339</u>	<u>189</u>	<u>58</u>	<u>212</u>	<u>4</u>	<u>50,238</u>
Noncurrent assets:							
Infrastructure	0	0	0	0	0	0	460
Capital assets (net of accumulated depreciation)	22	0	0	0	0	0	102,988
Total noncurrent assets	<u>22</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>103,448</u>
<b>Total assets</b>	<u>\$ 3,210</u>	<u>\$ 12,339</u>	<u>\$ 189</u>	<u>\$ 58</u>	<u>\$ 212</u>	<u>\$ 4</u>	<u>\$ 153,686</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and other liabilities	\$ 108	\$ 118	\$ 33	\$ 0	\$ 0	\$ 0	\$ 3,372
Due to other funds	0	0	0	0	0	0	1,349
Short-term compensated absences	66	42	0	0	0	0	1,344
Short-term portion of long-term liabilities	0	15,135	0	0	0	0	51,670
Total current liabilities	<u>174</u>	<u>15,295</u>	<u>33</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,735</u>
Noncurrent liabilities:							
Compensated absences	13	8	0	0	0	0	264
Claims and judgements	0	39,965	0	0	0	0	40,019
Bonds, notes and loans payable	0	0	0	0	0	0	49,422
Advances from other funds	0	0	0	0	0	0	845
Total noncurrent liabilities	<u>13</u>	<u>39,973</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>90,550</u>
<b>Total liabilities</b>	<u>187</u>	<u>55,268</u>	<u>33</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>148,285</u>
<b>NET POSITION</b>							
Net investment in capital assets	22	0	0	0	0	0	103,448
Unrestricted	3,001	(42,929)	156	58	212	4	(98,047)
<b>Total net position</b>	<u>3,023</u>	<u>(42,929)</u>	<u>156</u>	<u>58</u>	<u>212</u>	<u>4</u>	<u>5,401</u>
<b>Total liabilities and net position</b>	<u>\$ 3,210</u>	<u>\$ 12,339</u>	<u>\$ 189</u>	<u>\$ 58</u>	<u>\$ 212</u>	<u>\$ 4</u>	<u>\$ 153,686</u>

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Fund Net Position - Internal Service Funds  
For the Fiscal Year Ended June 30, 2013  
(expressed in thousands)**

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
<b>Operating revenues:</b>						
Charges for services	\$ 7,677	\$ 15,113	\$ 496	\$ 37,104	\$ 94	\$ 30,976
Other revenue	1	93	1,594	1	0	1,612
<b>Total operating revenues</b>	<u>7,678</u>	<u>15,206</u>	<u>2,090</u>	<u>37,105</u>	<u>94</u>	<u>32,588</u>
<b>Operating expenses:</b>						
Salaries and wages	2,375	4,893	0	8,474	0	8,370
Supplies and services	4,331	3,903	747	21,680	116	11,091
Depreciation	212	5,150	56	2,940	0	2,109
Insurance claims and expenses	0	0	0	0	0	0
Other expenses	0	17	0	146	0	44
<b>Total operating expenses</b>	<u>6,918</u>	<u>13,963</u>	<u>803</u>	<u>33,240</u>	<u>116</u>	<u>21,614</u>
<b>Operating income (loss)</b>	<u>760</u>	<u>1,243</u>	<u>1,287</u>	<u>3,865</u>	<u>(22)</u>	<u>10,974</u>
<b>Nonoperating revenues (expenses):</b>						
Interest expense	0	(393)	0	0	0	(2,376)
Other expenses	0	0	0	0	0	(14)
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>(393)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,390)</u>
<b>Net income (loss)</b>	760	850	1,287	3,865	(22)	8,584
Transfers in	52	642	0	3,584	0	930
Transfers out	(122)	(489)	(1,387)	(3,846)	0	(4,690)
<b>Change in net position</b>	<u>690</u>	<u>1,003</u>	<u>(100)</u>	<u>3,603</u>	<u>(22)</u>	<u>4,824</u>
Net position - beginning	2,299	(109)	722	10,661	27	21,279
Revisions to beginning net position	0	0	0	0	0	0
Net position - beginning (restated)	<u>2,299</u>	<u>(109)</u>	<u>722</u>	<u>10,661</u>	<u>27</u>	<u>21,279</u>
<b>Net position - ending</b>	<u>\$ 2,989</u>	<u>\$ 894</u>	<u>\$ 622</u>	<u>\$ 14,264</u>	<u>\$ 5</u>	<u>\$ 26,103</u>



State of Kansas  
**Other Supplementary Information**  
June 30, 2013

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Internal Service Funds - Concluded  
For the Fiscal Year Ended June 30, 2013**  
*(expressed in thousands)*

	Architectural Services	State Workers Compensation	Capitol Security	Osawatomie Motor Pool	Wildlife Aircraft	Personnel Services	Total
<b>Operating revenues:</b>							
Charges for services	\$ 2,264	\$ 0	\$ 190	\$ 6	\$ 28	\$ 0	\$ 93,948
Other revenue	62	33,834	0	52	0	0	37,249
<b>Total operating revenues</b>	<u>2,326</u>	<u>33,834</u>	<u>190</u>	<u>58</u>	<u>28</u>	<u>0</u>	<u>131,197</u>
<b>Operating expenses:</b>							
Salaries and wages	1,257	1,086	161	0	0	190	26,806
Supplies and services	187	1,896	37	2	0	0	43,990
Depreciation	6	0	0	0	0	0	10,473
Insurance claims and expenses	0	19,043	0	0	0	0	19,043
Other expenses	0	49	0	0	0	0	256
<b>Total operating expenses</b>	<u>1,450</u>	<u>22,074</u>	<u>198</u>	<u>2</u>	<u>0</u>	<u>190</u>	<u>100,568</u>
<b>Operating income (loss)</b>	<u>876</u>	<u>11,760</u>	<u>(8)</u>	<u>56</u>	<u>28</u>	<u>(190)</u>	<u>30,629</u>
<b>Nonoperating revenues (expenses):</b>							
Interest expense	0	0	0	0	0	0	(2,769)
Other expenses	0	0	0	0	0	0	(14)
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,783)</u>
<b>Net income (loss)</b>	<u>876</u>	<u>11,760</u>	<u>(8)</u>	<u>56</u>	<u>28</u>	<u>(190)</u>	<u>27,846</u>
Transfers in	0	15	0	0	0	0	5,223
Transfers out	0	0	0	0	0	0	(10,534)
<b>Change in net position</b>	<u>876</u>	<u>11,775</u>	<u>(8)</u>	<u>56</u>	<u>28</u>	<u>(190)</u>	<u>22,535</u>
Net position - beginning	2,147	(54,161)	164	2	184	194	(16,591)
Revisions to beginning net position	0	(543)	0	0	0	0	(543)
Net position - beginning (restated)	<u>2,147</u>	<u>(54,704)</u>	<u>164</u>	<u>2</u>	<u>184</u>	<u>194</u>	<u>(17,134)</u>
<b>Net position - ending</b>	<u>\$ 3,023</u>	<u>\$ (42,929)</u>	<u>\$ 156</u>	<u>\$ 58</u>	<u>\$ 212</u>	<u>\$ 4</u>	<u>\$ 5,401</u>



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**STATISTICAL  
SECTION**

State of Kansas  
**Statistical Section**  
June 30, 2013

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	145
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>	156
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>	158
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>	161
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>	163
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	

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

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

State of Kansas  
**Statistical Section**  
June 30, 2013

**Financial Trends**

**Net Position by Fund Type**

**Last Ten Fiscal Years**

*(expressed in thousands)*

	<b>2004</b>	<b>2005</b>	<b>2006</b>
Governmental activities			
Net investment in capital assets	\$ 7,855,107	\$ 435,125	\$ 8,144,626
Restricted	142,188	89,640	97,386
Unrestricted	831,722	762,257	1,309,066
Total governmental activities net position	<u>\$ 8,829,017</u>	<u>\$ 9,287,022</u>	<u>\$ 9,551,078</u>
Business-type activities <sup>1</sup>			
Net investment in capital assets	\$ 479	\$ 247	\$ 388
Restricted	589,332	766,234	950,950
Unrestricted	57,317	5,642	20,004
Total business-type activities net position	<u>\$ 647,128</u>	<u>\$ 772,123</u>	<u>\$ 971,342</u>
Primary government			
Net investment in capital assets	\$ 7,855,586	\$ 8,435,372	\$ 8,145,014
Restricted	731,520	855,874	1,048,336
Unrestricted	889,039	767,899	1,329,110
Total primary government net position	<u>\$ 9,476,145</u>	<u>\$ 10,059,145</u>	<u>\$ 10,522,460</u>

<sup>1</sup> In fiscal year 2004 the State University System was changed from a business-type activity to a component unit of the State

State of Kansas  
**Statistical Section**  
June 30, 2013

**Financial Trends**

**Net Position by Fund Type**

**Last Ten Fiscal Years**

*(expressed in thousands)*

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 9,538,694	\$ 9,800,244	\$ 9,509,615	\$ 9,601,110	\$ 9,219,935	\$ 9,279,477	\$ 9,323,734
93,923	87,640	143,946	209,443	869,678	920,031	1,162,509
331,906	86,523	105,512	155,995	122,947	286,900	512,524
<u>\$ 9,964,523</u>	<u>\$ 9,974,407</u>	<u>\$ 9,759,073</u>	<u>\$ 9,966,548</u>	<u>\$ 10,212,560</u>	<u>\$ 10,486,408</u>	<u>\$ 10,998,767</u>
\$ 256	\$ 364	\$ 478	\$ 8,351	\$ 6,194	\$ 54,273	\$ 43,844
1,087,458	1,066,936	779,479	433,809	466,317	474,957	496,714
6,768	18,330	(6,394)	118,772	90,826	171,381	215,568
<u>\$ 1,094,482</u>	<u>\$ 1,085,630</u>	<u>\$ 773,563</u>	<u>\$ 560,932</u>	<u>\$ 563,337</u>	<u>\$ 700,611</u>	<u>\$ 756,126</u>
\$ 9,538,950	\$ 9,800,608	\$ 9,510,093	\$ 9,609,461	\$ 9,226,129	\$ 9,333,750	\$ 9,367,578
1,181,381	1,154,576	923,425	643,252	1,335,995	1,394,988	1,659,223
338,674	104,853	99,118	274,767	213,773	458,281	728,092
<u>\$ 11,059,005</u>	<u>\$ 11,060,037</u>	<u>\$ 10,532,636</u>	<u>\$ 10,527,480</u>	<u>\$ 10,775,897</u>	<u>\$ 11,187,019</u>	<u>\$ 11,754,893</u>

State of Kansas  
**Statistical Section**  
June 30, 2013

**Financial Trends**

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

*(expressed in thousands)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,615,560	\$ 1,215,280	\$ 975,416	\$ 1,074,391
Human resources	3,106,382	3,124,978	2,979,056	3,080,465
Education	3,201,981	3,393,376	4,378,010	4,696,343
Public safety	438,540	514,904	583,340	607,343
Agriculture and natural resources	88,870	93,528	98,116	102,471
Highways and other transportation	777,697	679,952	893,582	639,384
Health and environment	176,436	189,908	197,884	199,996
Economic development	0	3,293	3,780	3,125
Interest expense	0	0	0	149,550
Total governmental activities expenses	<u>9,405,466</u>	<u>9,215,219</u>	<u>10,109,184</u>	<u>10,553,068</u>
Business-type activities:				
Water pollution and safety	28,975	30,499	33,995	33,845
Health care stabilization	33,874	39,897	32,500	24,013
Employment security	468,413	280,644	253,055	245,910
Workers' compensation	2,842	2,273	4,888	4,342
Lottery	154,774	145,496	167,623	170,928
Universities	0	0	0	0
Intergovernmental transfer program	1,210	9,287	1,084	583
Transportation revolving loans	0	0	1,145	1,977
Total business-type activities expenses	<u>690,088</u>	<u>508,096</u>	<u>494,290</u>	<u>481,598</u>
Total primary government expenses	<u>\$ 10,095,554</u>	<u>\$ 9,723,315</u>	<u>\$ 10,603,474</u>	<u>\$ 11,034,666</u>
<b>Program Revenues</b>				
Governmental activities:				
General government	\$ 298,640	\$ 320,129	\$ 274,969	\$ 281,027
Human resources	1,982,802	1,861,855	2,090,961	2,099,064
Education	359,415	386,369	390,180	395,050
Public safety	79,468	126,632	149,638	165,609
Agriculture and natural resources	58,116	65,012	63,533	66,477
Highways and other transportation	493,479	563,126	586,235	697,979
Health and environment	130,810	131,568	129,227	122,938
Total governmental activities revenues	<u>3,402,730</u>	<u>3,454,691</u>	<u>3,684,743</u>	<u>3,828,144</u>
Business-type activities <sup>1</sup> :				
Water pollution and safety	50,634	44,542	42,992	35,393
Health care stabilization	22,236	21,244	27,402	36,010
Employment security	370,895	348,021	349,919	275,733
Workers' compensation	3,859	3,464	1,182	7,395
Lottery	225,457	207,772	237,270	241,441
Universities	0	0	0	0
Intergovernmental transfer program	191	167	133	157
Transportation revolving fund	0	0	70	912
Total business-type activities revenues	<u>673,272</u>	<u>625,210</u>	<u>658,968</u>	<u>597,041</u>
Total primary government revenues	<u>\$ 4,076,002</u>	<u>\$ 4,079,901</u>	<u>\$ 4,343,711</u>	<u>\$ 4,425,185</u>
<b>Net (Expense) Revenue</b>				
Government activities	\$ (6,002,736)	\$ (5,760,528)	\$ (6,424,441)	\$ (6,724,924)
Business-type activities	(16,816)	117,114	164,678	115,443
Total primary net (expense) revenue	<u>\$ (6,019,552)</u>	<u>\$ (5,643,414)</u>	<u>\$ (6,259,763)</u>	<u>\$ (6,609,481)</u>

<sup>1</sup> In fiscal year 2004 the State University System was changed from a business-type activity to a component unit of the State.

State of Kansas  
**Statistical Section**  
June 30, 2013

**Financial Trends**

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

(expressed in thousands)

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 1,002,719	\$ 955,701	\$ 851,373	\$ 1,084,268	\$ 1,199,474	\$ 822,456
3,279,850	3,691,535	3,785,792	4,053,711	2,736,768	2,702,954
5,011,242	5,183,287	5,028,780	5,091,475	5,014,709	5,130,332
742,254	754,869	786,682	711,734	589,676	610,878
111,445	126,940	109,672	105,710	120,242	124,244
848,375	437,099	516,629	885,153	1,006,995	928,140
225,740	229,198	232,955	258,964	1,425,544	2,129,953
251	0	0	0	0	0
145,246	151,702	144,125	144,443	152,361	139,500
<u>11,367,122</u>	<u>11,530,331</u>	<u>11,456,008</u>	<u>12,335,458</u>	<u>12,245,769</u>	<u>12,588,457</u>
33,794	35,479	33,366	44,780	59,646	36,301
56,030	45,641	30,347	30,286	6,442	37,160
277,545	735,844	1,381,286	971,158	736,736	527,345
5,050	4,511	4,540	5,217	4,718	3,723
171,216	165,048	184,080	199,015	335,018	465,555
0	0	0	0	0	0
470	102	139	170	695	0
2,681	3,384	4,561	3,429	3,488	3,908
<u>546,786</u>	<u>990,009</u>	<u>1,638,319</u>	<u>1,254,055</u>	<u>1,146,743</u>	<u>1,073,992</u>
<u>\$ 11,913,908</u>	<u>\$ 12,520,340</u>	<u>\$ 13,094,327</u>	<u>\$ 13,589,513</u>	<u>\$ 13,392,512</u>	<u>\$ 13,662,449</u>
\$ 308,030	\$ 322,789	\$ 344,150	\$ 342,849	\$ 446,341	\$ 327,902
2,163,300	2,609,468	2,839,446	2,988,161	983,660	1,003,914
407,737	425,331	747,276	692,079	484,634	488,135
255,683	266,768	350,512	312,685	175,242	173,663
68,020	72,042	74,804	80,324	92,906	103,625
697,233	579,323	690,597	850,859	672,116	639,443
139,367	138,245	159,009	190,052	1,939,093	1,911,061
<u>4,039,370</u>	<u>4,413,966</u>	<u>5,205,794</u>	<u>5,457,009</u>	<u>4,793,992</u>	<u>4,647,743</u>
32,139	34,029	67,258	46,056	36,902	51,651
38,079	43,108	26,719	31,570	29,350	27,027
224,745	220,886	310,145	401,477	435,729	422,553
5,508	4,049	3,148	9,004	4,932	1,779
238,349	232,139	258,494	273,995	499,479	610,317
0	0	0	0	0	0
191	197	0	0	0	0
127	901	674	730	815	2,214
<u>539,138</u>	<u>535,309</u>	<u>666,438</u>	<u>762,832</u>	<u>1,007,207</u>	<u>1,115,541</u>
<u>\$ 4,578,508</u>	<u>\$ 4,949,275</u>	<u>\$ 5,872,232</u>	<u>\$ 6,219,841</u>	<u>\$ 5,801,199</u>	<u>\$ 5,763,284</u>
\$ (7,327,752)	\$ (7,116,365)	\$ (6,250,214)	\$ (6,878,449)	\$ (7,451,777)	\$ (7,940,714)
(7,648)	(454,700)	(971,881)	(491,223)	(139,536)	41,549
<u>\$ (7,335,400)</u>	<u>\$ (7,571,065)</u>	<u>\$ (7,222,095)</u>	<u>\$ (7,369,672)</u>	<u>\$ (7,591,313)</u>	<u>\$ (7,899,165)</u>



State of Kansas  
**Statistical Section**  
June 30, 2013

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

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	<b>2004</b>	<b>2005</b>	<b>2006</b>
Governmental activities:			
Taxes			
Property tax	\$ 648,604	\$ 666,698	\$ 548,725
Income and inheritance tax	2,104,072	2,385,369	2,866,019
Sales and excise tax	2,510,227	2,660,026	2,789,933
Gross receipts tax	127,953	127,336	132,928
Investment earnings	11,437	26,401	61,617
Other revenue	232,168	275,320	244,009
Extraordinary items	68,294	77,383	0
Transfers	0	0	66,868
Total governmental activities revenues	5,702,755	6,218,533	6,710,099
Business-type activities: <sup>1</sup>			
Investment earnings	28,290	29,507	37,446
Other revenue	28,024	55,757	35,972
Transfers	(68,294)	(77,383)	(66,868)
Total business-type activities revenues	(11,980)	7,881	6,550
Total primary government revenues	\$ 5,690,775	\$ 6,226,414	\$ 6,716,649
 <b>Change in Net Position</b>			
Governmental activities	\$ (299,981)	\$ 458,005	\$ 285,658
Business-type activities	(28,796)	124,995	171,228
Total primary government	\$ (328,777)	\$ 583,000	\$ 456,886

<sup>1</sup> In fiscal year 2004 the State University System was changed from a business-type activity to a component unit of the State

State of Kansas  
**Statistical Section**  
June 30, 2013

**Financial Trends**

**Revenues and Other Changes in Net Position**

**Last Ten Fiscal Years**

*(Expressed in thousands)*

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 593,229	\$ 613,222	\$ 631,800	\$ 625,862	\$ 610,463	\$ 626,121	\$ 641,553
3,210,696	3,431,970	2,997,595	2,562,404	3,033,559	3,203,760	3,382,048
2,863,794	2,949,551	2,883,012	2,764,218	3,289,025	3,424,419	3,510,478
134,872	138,094	138,532	139,813	161,280	163,862	177,215
106,727	35,563	17,811	30,229	48,684	(19,548)	58,671
218,482	106,339	232,779	278,082	237,319	313,929	489,719
0	0	0	0	0	0	0
69,881	78,160	78,177	81,784	69,530	122,855	165,514
7,197,681	7,352,899	6,979,706	6,482,392	7,449,860	7,835,398	8,425,198
45,914	44,956	37,890	32,033	39,149	21,265	6,298
31,624	33,014	182,920	809,001	524,020	378,400	188,955
(69,881)	(78,160)	(78,177)	(81,784)	(69,530)	(122,855)	(165,514)
7,657	(190)	142,633	759,250	493,639	276,810	29,739
\$ 7,205,338	\$ 7,352,709	\$ 7,122,339	\$ 7,241,642	\$ 7,943,499	\$ 8,112,208	\$ 8,454,937
\$ 472,757	\$ 25,147	\$ (136,659)	\$ 232,178	\$ 571,411	\$ 383,621	\$ 484,484
123,100	(7,838)	(312,067)	(212,631)	2,416	137,274	71,288
\$ 595,857	\$ 17,309	\$ (448,726)	\$ 19,547	\$ 573,827	\$ 520,895	\$ 555,772

State of Kansas  
**Statistical Section**  
June 30, 2013

**Financial Trends**

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund			
Reserved	\$ 18,789	\$ 15,674	\$ 22,386
Unreserved	115,150	297,059	649,526
Total general fund	<u>\$ 133,939</u>	<u>\$ 312,733</u>	<u>\$ 671,912</u>
Social Services Fund <sup>1</sup>			
Reserved	\$ 15,763	\$ 19,413	\$ 18,125
Unreserved	45,747	70,426	45,558
Total social services fund	<u>\$ 61,510</u>	<u>\$ 89,839</u>	<u>\$ 63,683</u>
Transportation Fund			
Reserved	\$ 1,011,621	\$ 942,114	\$ 962,147
Unreserved	(295,037)	(168,173)	(243,585)
Total transportation fund	<u>\$ 716,584</u>	<u>\$ 773,941</u>	<u>\$ 718,562</u>
Transportation - Capital Projects Fund			
Reserved	\$ 0	\$ 0	\$ 0
Unreserved	(608,115)	(755,115)	(755,115)
Total transportation - capital projects fund	<u>\$ (608,115)</u>	<u>\$ (755,115)</u>	<u>\$ (755,115)</u>
Health Policy Authority Fund			
Reserved	\$ 0	\$ 0	\$ 4,152
Unreserved	0	0	4,917
Total health policy authority fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,069</u>
All Other Governmental Funds			
Reserved reported in:			
Reserved for debt service	\$ 112,572	\$ 76,143	\$ 13,489
Reserved for encumbrances	167,582	155,113	149,569
Reserved for advances to other funds	79,888	79,215	86,002
Unreserved	324,311	353,789	402,889
Total all other governmental funds	<u>\$ 684,353</u>	<u>\$ 664,260</u>	<u>\$ 651,949</u>

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

State of Kansas  
**Statistical Section**  
June 30, 2013

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**Financial Trends**

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

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2007	2008	2009	2010
\$ 28,871	\$ 7,324	\$ 24,663	\$ 29,680
791,980	414,713	(201,007)	(278,000)
\$ 820,851	\$ 422,037	\$ (176,344)	\$ (248,320)
\$ 16,708	\$ 0	\$ 0	\$ 0
7,810	0	0	0
\$ 24,518	\$ 0	\$ 0	\$ 0
\$ 977,154	\$ 735,930	\$ 1,022,259	\$ 781,308
(356,696)	(94,692)	(562,388)	(524,154)
\$ 620,458	\$ 641,238	\$ 459,871	\$ 257,154
\$ 0	\$ 0	\$ 0	\$ 0
(755,115)	(755,115)	(885,715)	(664,315)
\$ (755,115)	\$ (755,115)	\$ (885,715)	\$ (664,315)
\$ 8,405	\$ 0	\$ 7,964	\$ 5,204
15,785	1,464	8,722	4,312
\$ 24,190	\$ 1,464	\$ 16,686	\$ 9,516
\$ 13,767	\$ 32,224	\$ 165,598	\$ 209,443
189,578	11,575	237,604	199,753
41,023	78,530	78,717	73,581
416,568	722,144	251,858	326,572
\$ 660,936	\$ 844,473	\$ 733,777	\$ 809,349

State of Kansas  
**Statistical Section**  
June 30, 2013

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>General Fund</b>			
Nonspendable:			
Inventory	\$ 6,620	\$ 7,593	\$ 7,446
Unassigned	(182,683)	207,530	390,890
Total General Fund	<u>\$ (176,063)</u>	<u>\$ 215,123</u>	<u>\$ 398,336</u>
<b>Social Services Fund</b>			
Restricted for:			
Human resources	\$ 56,200	\$ 56,773	\$ 61,041
Total Social Services Fund	<u>\$ 56,200</u>	<u>\$ 56,773</u>	<u>\$ 61,041</u>
<b>Health and Environment Fund<sup>1</sup></b>			
Restricted for:			
Health and Environment	\$ 0	\$ 101,844	\$ 138,777
Total Health and Environment Fund	<u>\$ 0</u>	<u>\$ 101,844</u>	<u>\$ 138,777</u>
<b>Transportation Fund</b>			
Nonspendable:			
Inventory	\$ 23,968	\$ 24,940	\$ 24,363
Restricted for:			
Highways and other transportation	248,808	102,629	292,903
Total Transportation Fund	<u>\$ 272,776</u>	<u>\$ 127,569</u>	<u>\$ 317,266</u>
<b>Transportation - Capital Projects Fund</b>			
Unassigned	\$ (379,464)	\$ (504,312)	\$ (321,812)
Total Transportation - Capital Projects Fund	<u>\$ (379,464)</u>	<u>\$ (504,312)</u>	<u>\$ 0</u>
<b>Health Policy Authority<sup>1</sup></b>			
Unassigned	\$ (16,319)	\$ 0	\$ 0
Total Health Policy Authority Fund	<u>\$ (16,319)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>All Other Governmental Funds</b>			
Nonspendable:			
Long-Term Receivables	\$ 0	\$ 6,275	\$ 4,487
Inventory	0	4	0
Restricted for:			
Capital projects	33,134	67,654	52,789
Debt Service	101,204	82,836	60,756
General government	243,636	350,578	355,907
Human resources	22,574	24,698	34,929
Education	8,959	15,669	17,837
Public safety	40,305	44,056	61,931
Agriculture and natural resources	47,663	53,988	56,521
Highways and other transportation	25,902	19,306	19,348
Health and environment	41,293	0	0
Assigned to:			
Debt Service	106,038	113,867	109,231
Unassigned	0	0	0
Total All Other Governmental Funds	<u>\$ 670,708</u>	<u>\$ 778,931</u>	<u>\$ 773,736</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.

State of Kansas  
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**Financial Trends**

**Changes in Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>				
Taxes	\$ 5,455,211	\$ 5,827,740	\$ 6,378,200	\$ 6,828,429
Charges for services	746,995	554,851	655,564	744,423
Intergovernmental (operating and capital grants)	2,697,149	2,910,532	3,042,060	3,091,345
Investment earnings	11,473	26,411	61,625	106,733
Other revenues (includes extraordinary items)	309,115	283,470	263,737	290,090
Total revenues	<u>9,219,943</u>	<u>9,603,004</u>	<u>10,401,186</u>	<u>11,061,020</u>
<b>Expenditures</b>				
General government	1,699,154	1,274,908	999,533	1,101,740
Human resources	3,111,624	3,125,941	2,982,450	3,089,907
Education	3,206,817	3,396,304	4,380,427	3,879,673
Public safety	451,511	507,215	577,042	611,471
Agriculture and natural resources	89,161	91,512	96,026	102,387
Highways and other transportation	1,018,471	1,026,447	1,027,094	1,033,768
Health and environment	186,653	190,761	199,016	200,906
Economic Development	0	3,293	3,780	3,125
Debt service:				
Principal	73,448	85,347	93,570	112,398
Interest	82,589	139,062	142,316	147,770
Total expenditures	<u>9,919,428</u>	<u>9,840,790</u>	<u>10,501,254</u>	<u>10,283,145</u>
Excess of revenues over (under) expenditures	(699,485)	(237,786)	(100,068)	777,875
<b>Other Financing Sources (Uses)</b>				
Issuance of bonds	1,321,417	257,125	532,422	54,188
Transfers, net	77,220	84,732	37,830	(797,276)
Other financing sources (uses)	(442,781)	(1,956)	(177,402)	0
Extraordinary items	0	0	0	0
Total other financing sources (uses)	<u>955,856</u>	<u>339,901</u>	<u>392,850</u>	<u>(743,088)</u>
Net change in fund balances	<u>\$ 256,371</u>	<u>\$ 102,115</u>	<u>\$ 292,782</u>	<u>\$ 34,787</u>
Debt service as a percentage of noncapital expenditures	1.57%	2.28%	2.25%	2.53%

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**Changes in Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	7,138,723	\$ 6,625,408	\$ 6,207,094	\$ 7,032,605	\$ 7,474,894	\$ 7,637,721
	654,744	845,364	704,012	752,092	758,369	871,562
	3,391,868	3,580,727	4,486,248	4,723,639	3,955,974	3,780,418
	35,573	17,821	29,636	42,170	9,394	31,200
	127,260	240,323	260,349	213,449	319,926	435,276
	<u>11,348,168</u>	<u>11,309,643</u>	<u>11,687,339</u>	<u>12,763,955</u>	<u>12,518,557</u>	<u>12,756,177</u>
	1,044,775	1,082,627	991,136	1,052,688	1,120,050	668,180
	3,289,095	3,697,593	3,777,533	4,040,706	2,741,155	2,697,933
	5,014,160	5,185,294	5,026,615	5,090,986	5,015,177	5,132,786
	749,165	755,762	779,411	720,548	614,237	631,164
	111,419	126,182	108,018	114,677	124,041	130,156
	1,033,419	1,010,200	988,028	1,022,332	1,101,841	1,042,855
	227,102	227,159	233,173	259,139	1,426,387	2,134,837
	251	0	0	0	0	0
	135,524	134,367	190,938	187,832	204,455	238,498
	145,694	146,375	141,200	153,293	146,679	140,544
	<u>11,750,604</u>	<u>12,365,559</u>	<u>12,236,052</u>	<u>12,642,201</u>	<u>12,494,022</u>	<u>12,816,953</u>
	(402,436)	(1,055,916)	(548,713)	121,754	24,535	(60,776)
	225,171	117,248	561,972	370,053	178,448	554,016
	83,167	84,246	86,169	75,071	129,104	170,825
	(150,275)	0	0	0	0	(100,489)
	0	0	(87,359)	0	0	0
	<u>158,063</u>	<u>201,494</u>	<u>560,782</u>	<u>445,124</u>	<u>307,552</u>	<u>624,352</u>
\$	<u>(244,373)</u>	<u>(854,422)</u>	<u>12,069</u>	<u>566,878</u>	<u>332,087</u>	<u>563,576</u>
	2.39%	2.27%	2.71%	2.70%	2.81%	3.02%

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**Revenue Capacity**

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

*(expressed in thousands)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Private Earning</b>				
Agricultural, Forestry, Fishing and Hunting	\$ 214,456	\$ 210,382	\$ 228,199	\$ 234,407
Mining	882,024	1,116,737	1,328,010	1,589,409
Utilities	617,946	657,098	690,152	722,574
Construction	3,328,533	3,484,446	3,776,521	4,094,066
Manufacturing	10,273,532	11,051,694	11,661,073	12,504,265
Wholesale trade	3,342,670	3,545,216	3,772,210	3,991,402
Retail trade	4,205,076	4,288,788	4,362,037	4,582,546
Transportation and warehousing	2,322,320	2,410,973	2,489,576	2,611,443
Information	3,337,931	3,467,343	3,344,081	3,521,742
Finance and insurance	3,443,020	3,538,324	3,684,245	3,883,858
Real estate and rental and leasing	1,030,623	1,084,156	1,167,144	1,171,789
Professional, scientific, and technical services	3,636,298	4,119,366	4,494,448	4,875,571
Management of companies and enterprises	642,242	646,177	684,829	879,612
Administrative and waste management services	1,912,856	2,047,391	2,469,462	2,847,681
Educational services	454,982	484,165	507,546	541,281
Health care and social assistance	5,737,227	6,121,229	6,444,008	6,819,398
Arts, entertainment, and recreation	262,264	275,033	274,399	295,266
Accommodation and food services	1,529,046	1,620,859	1,655,420	1,759,646
Other services, except public administration	1,923,437	1,933,757	1,984,554	2,059,524
<b>Government</b>				
Federal, civilian	1,871,954	2,052,479	2,054,583	2,145,533
Military	1,611,419	1,732,548	1,889,902	2,096,824
State and local	8,376,916	9,482,014	9,889,548	10,239,615

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



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**Revenue Capacity**

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

*(expressed in thousands)*

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<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 280,613	\$ 285,723	\$ 304,439	\$ 317,562	\$ 476,468	\$ 424,247
1,569,892	1,288,477	1,549,581	1,119,291	1,312,659	2,450,391
792,169	795,278	865,694	880,301	1,019,849	1,072,857
4,071,929	4,413,807	3,988,070	4,192,919	4,295,913	4,584,441
13,461,380	12,736,605	11,899,007	11,217,913	12,245,199	12,858,450
4,241,222	4,657,163	4,436,794	4,549,753	4,622,713	4,804,592
4,678,343	4,920,439	4,540,800	4,893,380	5,070,180	5,137,811
2,767,873	2,970,686	2,850,770	2,824,582	3,035,855	3,383,190
3,716,215	3,479,790	3,102,540	2,362,177	2,282,041	2,393,542
4,188,156	4,361,995	4,232,883	4,512,022	4,847,908	5,012,431
1,042,920	911,215	874,085	976,563	965,612	1,040,947
5,190,583	5,215,212	5,252,448	5,294,398	5,437,098	5,606,490
1,116,081	1,325,278	1,182,450	1,503,770	1,384,309	1,474,957
2,855,338	3,098,871	2,925,202	3,163,367	3,511,110	3,702,063
527,279	617,913	658,248	684,460	720,020	761,842
7,198,640	8,139,847	8,503,526	8,893,444	9,226,828	9,466,219
312,531	326,814	318,636	338,025	356,520	424,011
1,793,797	2,102,920	2,018,859	2,114,290	2,158,100	2,318,669
2,230,187	3,084,342	2,905,835	2,986,984	3,151,597	3,199,920
2,140,546	2,197,668	2,321,229	2,560,832	2,628,836	2,344,005
2,544,087	2,844,514	3,143,234	3,490,732	3,739,591	2,886,228
9,703,924	10,333,042	10,770,093	10,799,866	10,961,004	11,282,155

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Government Activities</b>				
Revenue bonds payable (includes demand bonds)	\$ 2,164,339	\$ 1,748,407	\$ 2,764,949	\$ 2,740,099
Sales tax limited obligation	160,830	173,239	232,322	218,420
Note payable	22,549	22,391	20,448	18,278
Capital leases payable	161,801	159,781	152,483	145,366
Arbitrage rebate payable	385	388	93	97
Claims and judgements	49,396	54,642	68,033	61,593
Compensated absences	94,726	100,030	109,214	118,795
Other post employment benefits	0	0	0	0
Pollution remediation	0	0	0	0
Total governmental activities	<u>2,654,026</u>	<u>2,258,878</u>	<u>3,347,542</u>	<u>3,302,648</u>
<b>Business-Type Activities</b>				
Revenue bonds payable	584,824	650,193	720,978	714,857
Note payable	0	0	0	0
Arbitrage rebate payable	3,123	2,003	963	1,340
Unemployment benefits loan	0	0	0	0
Claims and judgements	185,909	187,474	186,871	180,802
Compensated absences	54	49	47	59
Other post employment benefits	0	0	0	0
Other	(930)	11,392	12,961	13,730
Total business-type activities	<u>772,980</u>	<u>851,111</u>	<u>921,820</u>	<u>910,788</u>
<b>Component Units</b>				
Revenue bonds payable	619,409	726,535	691,253	684,398
Note payable	82,316	68,351	109,783	20,443
Capital leases payable	0	0	4,666	16,143
Arbitrage rebate payable	16	62	80	69
Compensated absences	44,887	47,919	49,655	52,503
Other post employment benefits	0	0	0	0
Pollution remediation	0	0	0	0
Other	17,129	106,726	103,761	127,836
Total component units	<u>763,757</u>	<u>949,593</u>	<u>959,198</u>	<u>901,392</u>
Total	<u>\$ 4,190,763</u>	<u>\$ 4,059,582</u>	<u>\$ 5,228,560</u>	<u>\$ 5,114,828</u>

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

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 2,726,970	\$ 2,744,828	\$ 2,861,825	\$ 3,077,604	\$ 3,066,913	\$ 2,726,723
185,924	156,196	208,425	225,548	192,045	139,662
17,597	26,655	25,843	20,031	18,399	63,100
140,106	130,533	138,821	129,089	114,926	97,515
481	385	400	827	136	136
82,858	85,920	87,216	88,797	88,501	102,385
121,255	134,386	129,921	126,241	120,131	118,656
16,813	26,626	36,270	47,188	51,998	55,079
0	81,092	70,936	73,660	69,152	63,575
<u>3,292,004</u>	<u>3,386,621</u>	<u>3,559,657</u>	<u>3,788,985</u>	<u>3,722,201</u>	<u>3,366,831</u>
677,472	765,976	749,001	767,878	620,153	474,771
0	0	0	0	0	0
1,755	2,885	1,254	173	176	196
0	0	88,159	170,821	4,602	50,209
205,766	218,332	215,402	221,160	199,234	200,180
56	72	68	73	68	75
89	155	224	300	343	378
14,703	17,115	17,697	17,597	17,093	12,992
<u>899,841</u>	<u>1,004,535</u>	<u>1,071,805</u>	<u>1,178,002</u>	<u>841,669</u>	<u>738,801</u>
692,025	705,223	700,808	691,971	667,137	619,256
119,073	146,517	174,530	217,034	263,592	262,421
15,019	14,147	14,568	13,616	11,761	11,991
163	123	98	51	46	49
58,743	61,943	65,691	69,101	73,516	68,897
11,775	20,068	30,404	41,794	48,078	56,415
0	0	4,000	3,700	1,200	0
110,071	111,701	110,928	61,395	54,711	48,676
<u>1,006,869</u>	<u>1,059,722</u>	<u>1,101,027</u>	<u>1,098,662</u>	<u>1,120,041</u>	<u>1,067,705</u>
<u>\$ 5,198,714</u>	<u>\$ 5,450,878</u>	<u>\$ 5,732,489</u>	<u>\$ 6,065,649</u>	<u>\$ 5,683,911</u>	<u>\$ 5,173,337</u>

State of Kansas  
**Statistical Section**  
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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)
2004	2,735,502	31,003	36.1	-	484,262	4.8%
2005	2,744,687	32,948	36.1	-	466,037	5.3%
2006	2,764,075	34,743	36.0	-	465,374	4.7%
2007	2,775,997	36,483	36.7	-	465,135	4.8%
2008	2,802,134	37,978	36.2	-	471,263	4.4%
2009	2,818,747	38,886	35.9	-	503,229	7.1%
2010	2,853,118	37,916	36.0	-	478,897	6.7%
2011	2,871,238	37,418	36.1	13.28	511,258	7.3%
2012	2,885,905	40,883	36.1	-	507,259	6.4%
2013	(6)	(6)	(6)	(6)	(6)	(6)

**Data Sources:**

- (1) U.S. Bureau of the Census Web Site: <http://www.census.gov>.
- (2) State Department of Commerce and U.S. Department of Commerce, BEA Web Site: <http://kansascommerce.com> or <http://www.bea.gov>
- (3) State Department of Health and Environment: <http://www.kdheks.gov>
- (4) State Department of Education Web Site: <http://www.ksde.org>. The source for education level in years of formal schooling came from 1990 and 2000 census reports issued by the U.S. Census Bureau. The K-12 public school enrollment represents the head count as of September 20 of each year.
- (5) State Department of Labor, Kansas Labor Market Information Services Web Site: <http://laborstats.dol.ks.gov>.
- (6) Information is not available at this time.

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**Demographic and Economic Information**  
**Principal Employers in Kansas**  
**Current Year and Ten Years Ago**

Employer	2013				2004		
	Local/Total Employees	Rank	Percentage of Total Employment	Total Employees	Rank	Percentage of Total Employment	
State Government (actual & excludes Regents)	23,395 / 23,395	1	1.57%	-	-	-	
KU and KUMC	7,633 / 7,633	2	0.51%	6,000	6	0.41%	
Cessna Aircraft Corporation	6,200 / 8,600	3	0.42%	10,200	2	0.70%	
Royal Caribbean Cruises Ltd.	4,900 / 4,900	4	0.33%	4,900	8	0.34%	
B & V - Baker Guam JV	4,500 / 4,500	5	0.30%	-	-	-	
Shawnee Mission Unified School District	4,087 / 4,087	6	0.27%	-	-	-	
Via Christi Hospitals Wichita, Inc.	4,000 / 4,100	7	0.27%	4,000	10	0.27%	
Kansas State University	3,740 / 3,740	8	0.25%	-	-	-	
Hawker Beechcraft Corp.	3,000 / 6,000	9	0.20%	-	-	-	
Performance Contracting, Inc.	2,900 / 3,000	10	0.19%	9,200	3	0.63%	
Stormont-Vail Healthcare, Inc.	2,871 / 3,557	11	0.19%	-	-	-	
International Union/UAW	2,600 / 11,378	12	0.17%	-	-	-	
The Boeing Company	- - -	-	-	16,000	1	1.10%	
Raytheon Aircraft	- - -	-	-	9,000	4	0.62%	
Goodyear Tire & Rubber Company	- - -	-	-	7,000	5	0.48%	
Sprint Communications Company LP	- - -	-	-	5,000	7	0.34%	
Leopoldstadt Inc.	- - -	-	-	4,300	9	0.30%	
Learjet Inc.	- - -	-	-	4,000	11	0.27%	
United Parcel Service	- - -	-	-	4,000	12	0.27%	
<b>Total</b>	<u>69,826</u> / <u>84,890</u>		<u>4.69%</u>	<u>83,600</u>		<u>5.75%</u>	

Source: Dun & Bradstreet Corporation, Million Dollar Databases 2013, Dun & Bradstreet Regional Business Directory 2003/2004, and Kansas Department of Labor at <http://www.dol.ks.gov>. The base numbers used to calculate the percentages are the average numbers of the total civilian Labor Force from FY2013 and FY2004 respectively.

State of Kansas  
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**Operating Information**

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

**Last Ten Fiscal Years**

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<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government	5,551	5,518	5,745	5,843	5,722
Public Safety	5,083	5,083	5,114	5,102	5,111
Education	16,452	15,901	15,562	16,770	17,076
Transportation	3,248	3,248	3,252	3,238	3,238
Agriculture and Natural Resources	1,286	1,281	1,287	1,266	1,271
Human Resources	8,729	8,426	8,189	8,191	8,160
Total	<u>40,349</u>	<u>39,457</u>	<u>39,149</u>	<u>40,410</u>	<u>40,578</u>

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

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**Operating Information**

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

**Last Ten Fiscal Years**

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<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
5,799	5,786	5,646	5,635	5,293
5,131	5,129	4,992	4,941	4,824
17,714	18,375	18,340	18,368	17,918
3,202	3,151	3,161	3,114	2,900
1,243	1,342	1,329	1,281	1,251
<u>8,337</u>	<u>8,313</u>	<u>8,209</u>	<u>8,184</u>	<u>6,975</u>
<u>41,426</u>	<u>42,096</u>	<u>41,667</u>	<u>41,523</u>	<u>39,161</u>



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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***

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

We have audited 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, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 20, 2013. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 (K DFA), the Kansas Housing Resources Corporation (KHRC), the Kansas Bioscience Authority (KBA), the Kansas Public Employees Retirement System (KPERS) and the Kansas Lottery, as described in our report on the State's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the various component units of the six state universities were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the component units of the six state universities.

**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 over financial reporting. 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 State's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. 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.

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the State's financial statements are free of 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*.

### **Purpose Of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State'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.

*RubinBrown LLP*

December 20, 2013