

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



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

July 1, 2013 to June 30, 2014

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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 2014 Financial Report**  
June 30, 2014

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# **INTRODUCTION**

December 15, 2014

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

It is my pleasure to submit to you the 61st Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2014, as provided by Kansas Statutes Annotated (K.S.A.) 75-3735. This Comprehensive Annual Financial Report (CAFR) has been prepared in conformance with generally accepted accounting principles (GAAP). The objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

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

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

The State's financial statements have been audited by CliftonLarsonAllen LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State of Kansas for the fiscal year ended June 30, 2014, are free of material misstatement. This independent audit was part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards here also require the auditor to report on the State of Kansas' internal controls and compliance with legal requirements. A copy of the separately issued Single Audit Report can be obtained from the Legislative Division of Post Audit.

## **PROFILE OF THE GOVERNMENT**

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

## **FINANCIAL INFORMATION**

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

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

## **CASH MANAGEMENT**

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

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

## **RISK MANAGEMENT**

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

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

## **PENSION TRUST FUND OPERATIONS**

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

## **ACKNOWLEDGEMENTS**

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

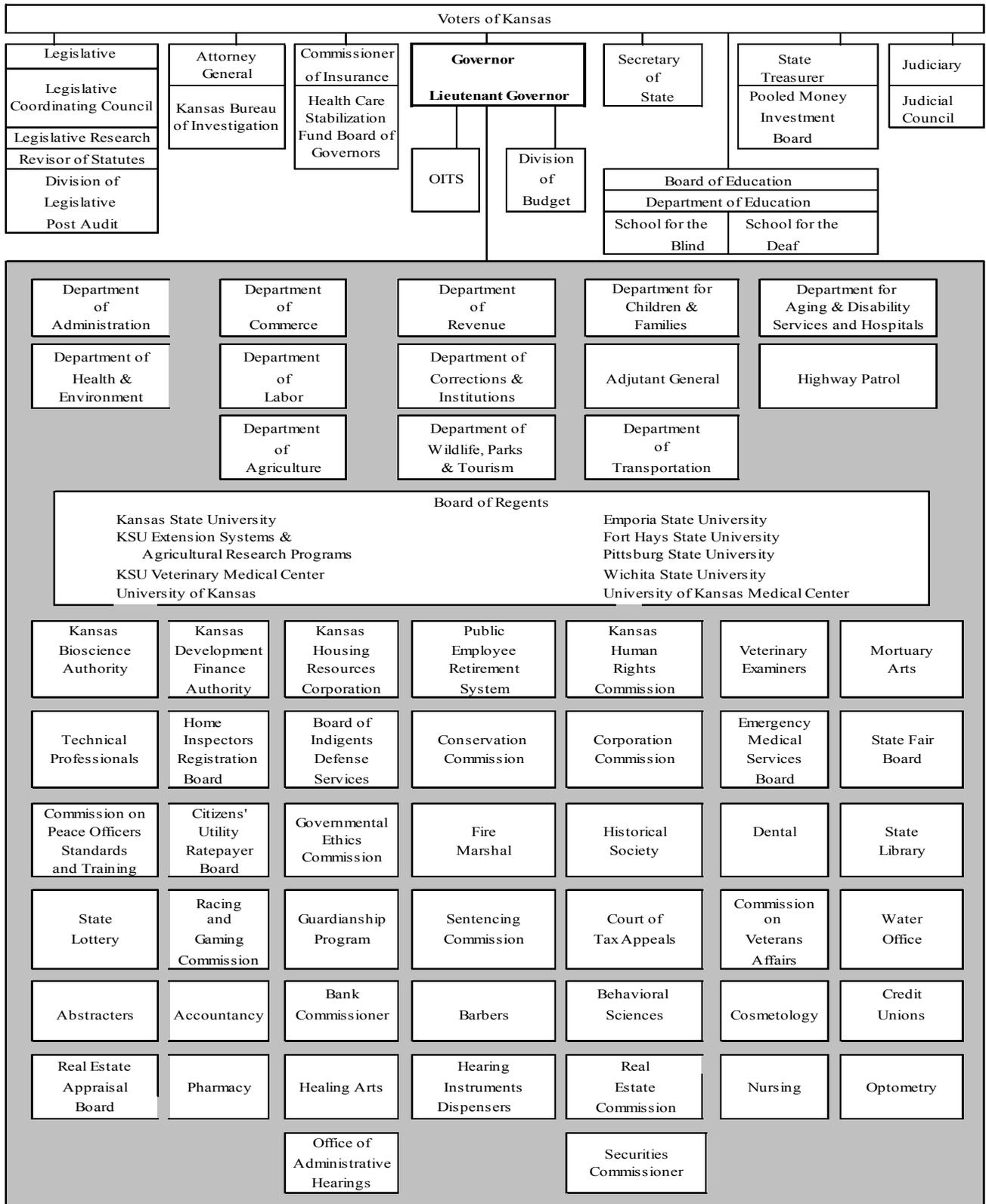
Sincerely,

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

DeAnn Hill, CPA

Chief Financial Officer for the State of Kansas

State of Kansas  
**Organizational Chart**  
 June 30, 2014



State of Kansas  
**Organizational Chart**  
June 30, 2014

**Executive Branch**

*Governor*  
Sam Brownback

*Lieutenant Governor*  
Jeff Colyer

*Secretary of State*  
Kris W. Kobach

*State Treasurer*  
Ron Estes

*Attorney General*  
Derek Schmidt

*Commissioner of  
Education*  
Brad Neuenswander

*Commissioner of  
Insurance*  
Sandy Praeger

**Legislative Branch**

*Speaker of the House of  
Representatives*  
Ray Merrick

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

*President of the Senate*  
Susan Wagle

*Vice President of the  
Senate*  
Jeff King

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

*Secretary of Senate*  
Corey Carnahan

*Legislative Coordinating  
Council Chair*  
Rep. Ray Merrick

*Legislative Research  
Director*  
Raney Gilliland

**Judicial Branch**

*Supreme Court of Kansas  
Chief Justice*  
Lawton Nuss

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

*Court of Appeals  
Chief Judge*  
Thomas E. Malone

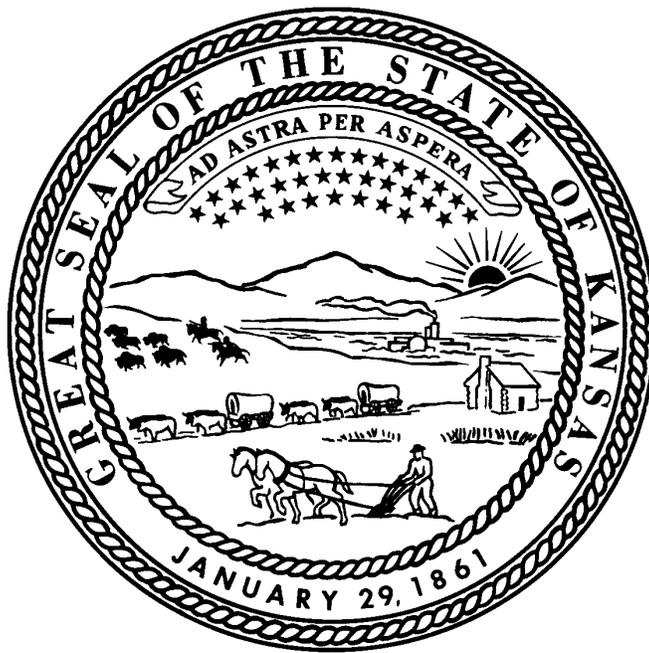
*Judicial Council  
Executive Director*  
Nancy J. Strouse

*Judicial Administrator*  
Nancy M. Dixon



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**FINANCIAL  
SECTION**



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## INDEPENDENT AUDITORS' REPORT

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

We did not audit the financial statements of the various component units of the six state universities which represent 52 percent, 36 percent, respectively, of the assets/deferred outflows of resources and revenues of the discretely presented component units, the Kansas Development Finance Authority (KDFA) which represents less than 1 percent and less than 1 percent, respectively, of assets/deferred outflows of resources and revenues of the discretely presented component units, the Kansas Turnpike Authority (KTA) which represents 9 percent and 3 percent, respectively, of assets/deferred outflows and resources and revenues of the discretely presented component units, the Kansas Housing Resources Corporation (KHRC) which represents less than 1 percent and 2 percent, respectively, of assets/deferred outflows of resources and revenues of the discretely presented component units, the Kansas Bioscience Authority (KBA) which represents 1 percent and less than 1 percent, respectively, of assets/deferred outflows of resources and revenues of the discretely presented component units, Kansas Universal Services (reported within the State Regulatory Boards and Commissions Fund) which represent less than 1 percent and less than 1 percent, respectively, of the assets/deferred outflows of resources and revenues of the aggregate remaining fund

information, and the Kansas Lottery which represents less than 1 percent and 6 percent, respectively, of the assets/deferred outflows of resources and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities, KDFA, KHRC, KTA and KBA in the aggregate discretely presented component units, and the Kansas Universal Services and Kansas Lottery in the aggregate remaining fund information, is based solely on the reports of the other auditors.

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

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

The State has an accumulated unassigned deficit in the General Fund of \$5.4 million as of June 30, 2014, which has resulted from an operating deficit of \$395.9 million that occurred for the year ended June 30, 2014. The deficit raises significant liquidity risks regarding the State's ability to meet its financial obligations as they come due without raising revenues, cutting costs of services provided, and effectuating financial restructuring. The liquidity risks and management's plans are disclosed in note IV.H. Our opinions are not modified with respect to this matter.

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

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed described above, and the report of other auditors, the combining and individual non-major fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Broomfield, Colorado  
December 15, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the State of Kansas Comprehensive Annual Financial Report (CAFR) is provided for readers of the financial statements for the fiscal year ended June 30, 2014. This information is to be used in conjunction with the additional information furnished in the preceding letter of transmittal and with the financial statements that follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL HIGHLIGHTS

#### Government-wide highlights:

- The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2014 by \$11.9 billion (presented as “net position”). Of this amount a negative \$45.0 million was reported as unrestricted net position in the governmental activities, which represents the amount available to be used to meet ongoing obligations to citizens and creditors.
- Total net position increased by \$98.2 million (0.80 percent) in fiscal year 2014, including restatements. Net position of governmental activities decreased by \$14.0 million (0.10 percent), and net position of the business-type activities increased \$112.3 million (14.8 percent).

#### Fund highlights:

- For fiscal year 2014, the governmental funds reported a combined ending fund balance of \$1.1 billion, a decrease of \$295.8 million in comparison with the prior year. Of the total amount, \$748.3 million represents the fund balance of the Non-Major Governmental funds. The General Fund reported an unassigned fund balance for fiscal year 2014 of a negative \$5.4 million, as compared to the prior year unassigned balance of \$390.9 million. See page 17 for additional information on the General Fund budget.

#### Long-term debt:

- The State's total long-term debt obligation (including bonds payable on demand) showed a net increase of \$81.8 million (1.5 percent) during the current year. This increase was primarily due to a \$144.0 million increase in revenue bonds, a decrease of \$50.2 million increase in unemployment benefits loan, a decrease of \$61.4 million in other long-term liabilities and a \$50.5 million increase in claims and judgments.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Basic Financial Statements

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

## **Government-wide Financial Statements**

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

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

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

***Notes to the Financial Statements***

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

**Required Supplementary Information**

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

**Other Supplementary Information**

***Combining Financial Statements***

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government. The combined net position of the State (government and business-type activities) totaled \$11.84 billion at the end of 2014, compared to \$11.75 billion at the end of the previous year, an increase of 0.70 percent.

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

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

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

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

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

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

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

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**Changes in Net Position – Primary Government**

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

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

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

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**Changes in Net Position – Component Units**

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

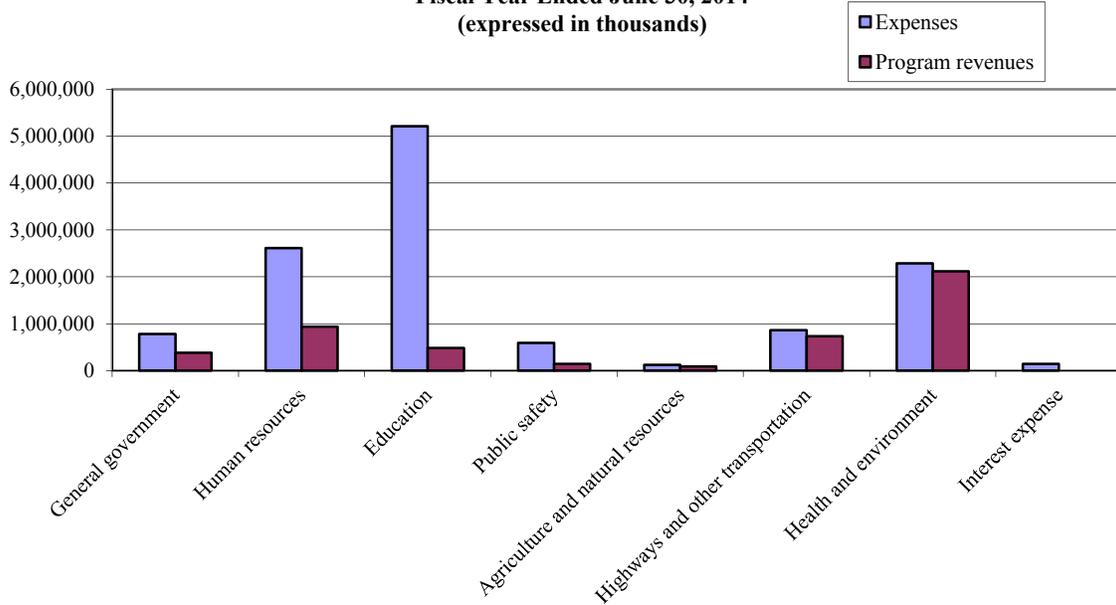
**State of Kansas Changes in Net Position – Component Unit**  
(expressed in thousands)

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

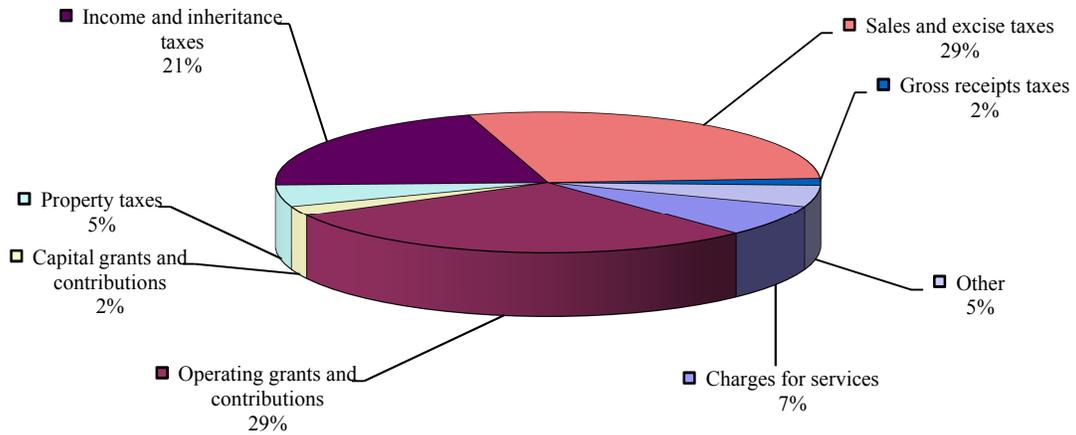
**Governmental Activities**

Governmental activities decreased net position by \$14.0 million in fiscal year 2014 including various restatements. For the State's governmental activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Governmental Activities**  
**Fiscal Year Ended June 30, 2014**  
 (expressed in thousands)



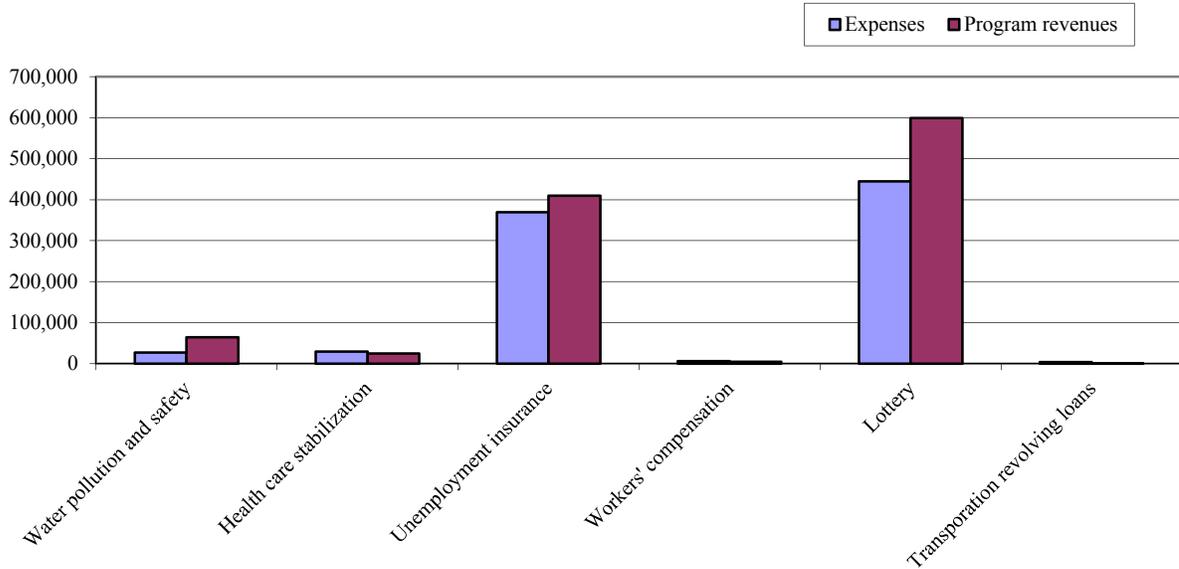
**Revenues by Source - Governmental Activities**  
**Fiscal Year Ended June 30, 2014**



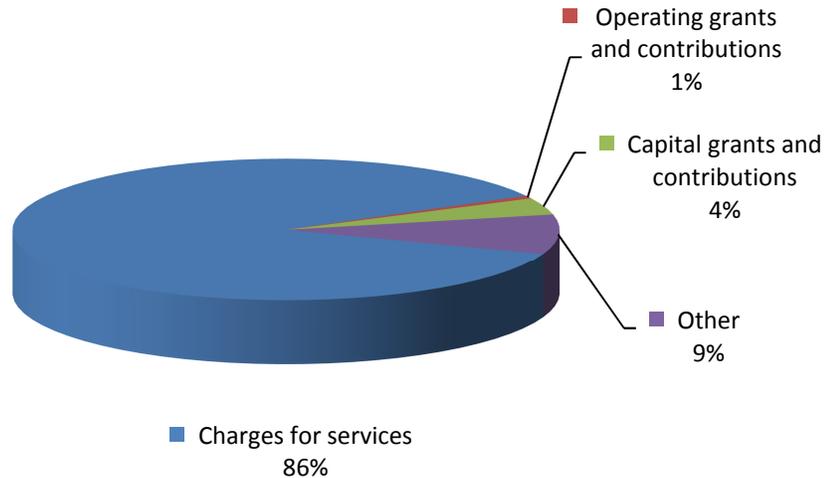
**Business-Type Activities**

The State's business-type activities increased the net position of the State by \$112.3 million. For the State's business-type activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Business-Type Activities**  
**Fiscal Year Ended June 30, 2014**  
 (expressed in thousands)



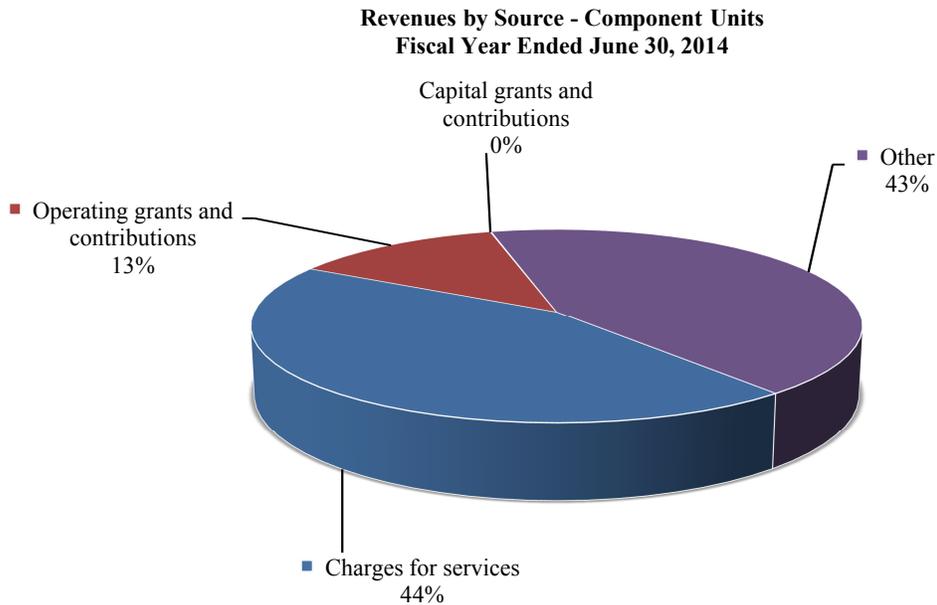
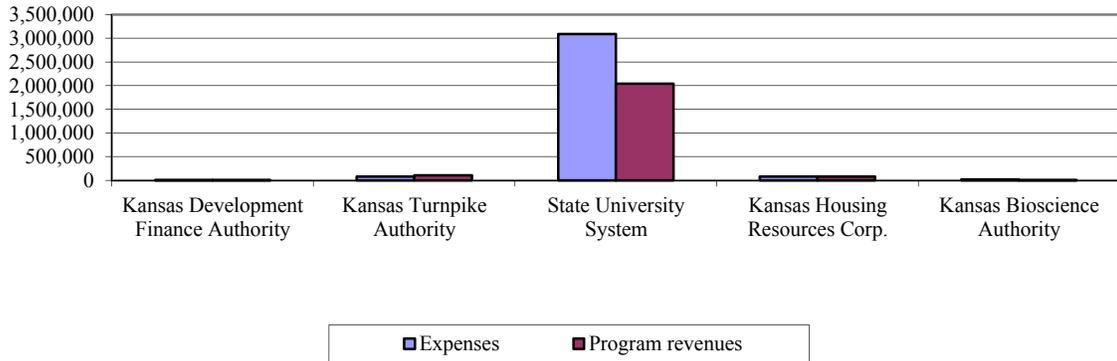
**Revenues by Source - Business-Type Activities**  
**Fiscal Year Ended June 30, 2014**



**Component Units**

The State's component units increased the net position of the State by \$604 million, including restatements. For the State's component units a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Component Units**  
**Fiscal Year Ended June 30, 2014**  
 (expressed in thousands)



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

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

### **Governmental Funds**

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

For fiscal year 2014, the governmental funds reported a combined ending fund balance of \$1.1 billion, a decrease of \$295.8 million in comparison with the prior year. Part of this fund balance is nonspendable to indicate that it is not available for spending. The major portion of the Fund balance is restricted by the enabling legislation and purpose restricted grant funds.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unassigned fund balance of the General Fund was a negative \$5.4 million, while the total fund balance was \$2.5 million. During fiscal year 2014, the State experienced revenue decrease in income and inheritance taxes while the sales and excise taxes increased. During the 2012 Legislative Session, House Bill 2117 was passed and signed into law. This Bill contained a number of provisions (most of which become effective January 1, 2013) which affect Kansas income tax. The cash and investment balance is approximately \$187.9 million lower in fiscal year 2014 than it was in fiscal year 2013.

### **Proprietary Funds**

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

As discussed in the business-type activities previously, the State's net position increased by \$112.3 million as a result of operations in the proprietary funds. This increase resulted from a \$40.5 million increase in the Water Funds and a \$111.3 million increase in the Unemployment Insurance. There was an increase of \$7.3 million in the Health Care Stabilization Fund and a \$46.8 million decrease in the Other Nonmajor Funds.

### **Component Unit Funds**

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

The State's component unit net position increased by \$1.1 billion. Approximately half this increase resulted from adding Kansas Turnpike Authority as a component unit in the current fiscal year. The other half of the increase resulted from the State University System with an increase of \$579.2 million. The other three component units accounted for a \$0.6 million increase in net position.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

State investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$12.9 billion. This investment in capital assets includes land, buildings, improvements, equipment, intangible assets, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads and bridges.

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

The total increase in the investment in capital assets for governmental and business-type activities for the current fiscal year was 1.1 percent in terms of net book value. The majority of capital asset expenditures were used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$80.6 million. Additional information on the capital assets can be found in Note III of the notes to the financial statements of this report.

### **Debt Administration**

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

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

The total long-term bond debt obligations increased by \$81.8 million during the current fiscal year. The key factor in this increase was \$144.0 million increase of revenue bonds payable.

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

## **ECONOMIC FACTORS**

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

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

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

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

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

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

**FISCAL YEAR 2015 STATE GENERAL FUND ALLOTMENT**

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

**REQUESTS FOR INFORMATION**

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

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

# **Financial Statements**

State of Kansas  
**Financial Statements**  
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**Government Wide - Statement of Net Position**  
**June 30, 2014**  
*(expressed in thousands)*

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

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

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June 30, 2014

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

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

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

State of Kansas  
**Financial Statements**  
June 30, 2014

Net (Expense) Revenue and Changes in Net Position

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

**General revenues:**

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

State of Kansas  
**Financial Statements**  
June 30, 2014

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

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

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

*(Continued)*

State of Kansas  
**Financial Statements**  
June 30, 2014

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

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

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

State of Kansas  
**Financial Statements**  
June 30, 2014

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

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

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

(Continued)

State of Kansas  
**Financial Statements**  
June 30, 2014

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

	Total Governmental
<b>Reconciliation to the Statement of Activities:</b>	
Total net change in fund balance from previous page	\$ (301,678)
Governmental funds report capital asset acquisition as expenditures. However, in the statement of activities, the cost of assets capitalized is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized assets exceeded depreciation in the current period.	
Depreciation expense	(73,190)
Capitalized assets acquired	313,605
In the statement of activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of capital assets sold.	
	(50,404)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Deferred revenue	(116,273)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long- term liabilities in the statement of net position:	
Revenue bonds	(112,440)
Bond premiums and discounts	(13,553)
Deferred refundings	(4,045)
Other borrowings	(17,850)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	
Revenue bonds	125,858
Other borrowings	96,351
Payment to escrow agent on refunded bonds	51,372
The amortization of bond premiums and discounts affects long-term liabilities on the statement of net position, but does not provide or use current financial resources to governmental funds.	
	18,734
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	(2,100)
Pollution remediation	(2,103)
Accrued interest	(19,725)
Claims and judgments	(42,751)
Other post employment benefits	(3,552)
Change in inventory for materials and supplies	(380)
Derivatives (liability), due to component and accrued accounts payable	88,753
Derivatives (assets and deferred outflows)	(15,685)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
	3,475
Changes in Net Position of Governmental Activities	\$ (77,581)

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

State of Kansas  
**Financial Statements**  
June 30, 2014

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

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

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

State of Kansas  
**Financial Statements**  
June 30, 2014

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

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

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

State of Kansas  
**Financial Statements**  
June 30, 2014

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

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

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

State of Kansas  
**Financial Statements**  
June 30, 2014

**Statement of Net Position**

**Fiduciary Funds**

**June 30, 2014**

*(expressed in thousands)*

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

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

State of Kansas  
**Financial Statements**  
June 30, 2014

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

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

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

State of Kansas  
**Financial Statements**  
June 30, 2014

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

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

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

State of Kansas  
**Financial Statements**  
June 30, 2014

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

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

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

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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, 2014, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Kansas State Legislature and/or Constitutional Officers of the State.

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

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

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

### **Discrete Component Units**

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

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

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

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**I. Summary of Significant Accounting Policies**

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<b><u>Component Unit</u></b>	<b><u>Description: Criteria for Inclusion</u></b>	<b><u>Reporting Method</u></b>	<b><u>For Separate Financial Statements</u></b>
Kansas Turnpike Authority (KTA)	The State has oversight responsibility of day-to-day operations and administration of KTA. The State also has the power to impose its will on KTA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Turnpike Authority 9401 E. Kellogg Wichita, Kansas 67207
Kansas Development Finance Authority (KDFA)	The State appoints a voting majority of the board of KDFA and has the power to impose its will on KDFA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Development Finance Authority 555 South Kansas Avenue, Suite 202 Topeka, Kansas 66603
Kansas Housing Resources Corporation (KHRC)	KHRC is a subsidiary corporation of KDFA and a legal entity separate and distinct from KDFA and the State.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Housing Resources Corporation 611 S. Kansas Avenue, Suite 300 Topeka, Kansas 66603
State University System	The State appoints a voting majority of the Kansas Board of Regents which controls the State universities, and has the power to impose its will on the State universities through the budgeting process.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	The Kansas Board of Regents does not issue separate financial statements. For separate financial statements of a university, contact the respective university or:  Kansas Board of Regents 1000 SW Jackson St., Suite 520 Topeka, KS 66612-1368
Kansas Bioscience Authority (KBA)	The State appoints a voting majority of KBA and has the power to impose its will on KBA.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Bioscience Authority 25501 West Valley Parkway, Ste 100 Olathe, KS 66061
Kansas Public Employees Retirement System (KPERS)	The State appoints a voting majority of KPERS and has the power to impose its will on KPERS.	Although KPERS is a component unit of the State of Kansas, it is reported as a fiduciary pension trust fund.	Kansas Public Employees Retirement System 611 S. Kansas Ave., Ste 100 Topeka, KS 66603-3803

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

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**Kansas Turnpike Authority (KTA)** was established as a public corporation in 1953 by the Kansas Legislature. Its enabling statutes are found in K.S.A. 68-2001 et seq., as amended and supplements. K.S.A. 68-2003 was amended during the State of Kansas' 2013 legislative session. The legislative amendment changed the reporting requirement for the State of Kansas. KTA is now reported as a discretely presented component unit for FY 2014. Prior to the 2013 legislative session KTA was not included as a State reporting entity. The amendment named the Secretary of Transportation of the State of Kansas as the director of operations of the Authority, effective July 1, 2013. The director of operations is responsible for the daily administration of the toll roads, bridges, structures and facilities constructed, maintained or operated by the Authority. While the Authority retains its separate identity, powers and duties as an instrumentality of the State, the amendment requires duplication of effort, facilities, and equipment between the Kansas Department of Transportation and the Authority be minimized in operation and maintenance of turnpikes and highways of the State.

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

**Kansas Development Finance Authority (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.

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## I. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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## I. Summary of Significant Accounting Policies

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presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

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

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

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

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

### D. Fund Accounting

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

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

#### **Governmental Funds:**

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

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

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

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

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

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

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

### **Proprietary Funds:**

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

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

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

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

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

### **Fiduciary Funds:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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- State of Kansas agency bonds, with maturities not to exceed four years

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

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

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

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

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

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

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

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

### ***Inventories***

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

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

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**I. Summary of Significant Accounting Policies**

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reclassified to the balance sheet. The government-wide statements, however, require the full accrual adjustment to expenditures to properly reflect the amount of inventory consumed during the fiscal year.

***Restricted Assets***

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

***Capital Assets***

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

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

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

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

***Infrastructure***

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

***Compensated Absences***

Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 6.5 hours per pay period, and may accumulate a maximum of 240 hours. Upon retirement or termination, employees are paid for accrued vacation leave up to their maximum accumulation. State employees earn sick leave at the rate of 3.7 hours per pay period. Employees who terminate are not paid for unused sick leave. Employees who retire are paid a portion of their unused sick leave based on years of service and hours accumulated. The State uses the vesting method to compute the sick leave liability. The compensated absences liability will be liquidated by the State's governmental and internal service funds.

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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 and discounts are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The State has one item that qualifies for reporting in this category: unavailable revenue. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sales and excise taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### ***Fund Equity***

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

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

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

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

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

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

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

The State has implemented the following new pronouncements for fiscal year 2014:

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

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

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

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

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

At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued several statements not yet effective for or implemented by the State. The State plans to implement the provisions of these statements on or before their effective dates. Management has not yet determined the impact these new statements will have on the State's financial statements.

The State will implement the following new pronouncements for fiscal years ending after June 30, 2014:

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

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

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

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

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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 2014 because aggregate bonds payable on demand exceeded cash and investments in the fund. Since the bonds are payable on demand, they are required to be reported as a liability.

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

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

The State Workers Compensation Fund had a deficit net position in fiscal year 2014 because of historical claims exceeding the internal charges made to the other State's funds. Current year internal charges did exceed claims paid, reducing the negative net position.

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

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

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

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

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

At June 30, 2014, the Kansas University Endowment Association held \$1,579,436 of securities at fair value mainly in money markets, domestic equities, U.S. Treasuries, mutual funds, common trust equity and fixed income funds, marketable alternatives and other LLCs and LLPs. The marketable alternatives, LLCs, and LLPs are accounted for under the equity method of accounting.

At June 30, 2014, the Kansas State University Foundation held \$624,511 of securities at fair value held mainly in equity securities, mutual funds (equity and fixed income), pooled separated funds (equity and fixed income), hedge funds, common stock, real estate, U.S. government obligations and various forms of private capital.

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

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

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### III. Detailed Notes On All Funds

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

**Disclosures Regarding Deposits and Investments:**

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

**Statement of Net Assets**

*Governmental and Business-Type Activities*

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

*Component Units*

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

**Statement of Fiduciary Net Assets**

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

*Deposits.* At June 30, 2014, the carrying amount of the Governmental and Business-type Activities was \$2.3 billion, of which the bank balance was \$2.4 billion. For cash deposits with financial institutions, the State requires that its depository banks pledge collateral that has a market value equal to or greater than the deposits. Effective March 15, 2004, the Kansas State Treasurer's office in its role as custodian for collateral pledged against the State deposits, agreed to follow the changes to the pledged collateral policy that the Pooled Money Investment Board has approved. The criteria for collateralizing Kansas Bank CDs are as follows:

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

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

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

### III. Detailed Notes On All Funds

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

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

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Certain agencies adopt a policy of limiting the investments to only those allowed by State Statute and minimize the credit risk through pre-qualifying institutions, diversifying its portfolios and maintaining a standard of quality of authorized eligible investments. The Primary Government, Component Units, and Fiduciary investments as of June 30, 2014 are presented below with applicable credit ratings (expressed in thousands):

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

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

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### III. Detailed Notes On All Funds

Fiduciary Fund Investments at June 30, 2014

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

*Concentration risk.* Concentration risk is the risk of loss resulting from an over concentration of assets in a specific maturity, specific user, or specific class of securities. Certain state agencies minimize this risk by requiring that no more than five percent of the investment portfolio be invested in the securities of a single issuer or business entity (excluding U.S. Treasury Securities and U.S. Government Agency Securities), and requiring that commercial paper and corporate bonds never exceed 50 percent of the investment portfolio. As of June 30, 2014, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Home Loan Bank comprised 34.1%, 11.0% and 13.2%, respectively of KHRC’s investment portfolio. As of June 30, 2014, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and Federal Farm Credit Bank comprised 31.6%, 14.7%, 8.5% and 6.2%, respective of KTA’s investment portfolio. As of June 30, 2014, the remaining the Component Units and Fiduciary Funds held investments from no single issuer in excess of five percent of their total portfolio values. As of June 30, 2014, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes and Federal Home Loan Bank Discount Notes comprised approximately 11%, 5% and 15%, respectively, of the Governmental and Business Type Activities investment portfolio.

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

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

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

Other primary government Investment Funds such as the Treasurer’s unclaimed property, one hundred percent of its investment are held in the Fund’s name and are not subject to creditors of the custodial bank. One hundred percent of KPERS investments are held in KPERS’ name and are not subject to creditors of the custodial bank. The Kansas Development and Financial Authority (KDFA) bank balances are backed by pledge collateral to a Federal Reserve account for amounts in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Kansas Housing Resource Corporation (KHRC) investment policy requires collateralization on all demand deposit accounts, and to secure investments in Certificates of Deposits and Repurchase Agreements. KHRC also minimizes custodial credit risk by pre-

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### III. Detailed Notes On All Funds

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

*Foreign Currency Risk.* Foreign Currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The primary government fund's investments at June 30, 2014, were distributed among currencies in the following list.

#### Governmental and Business-Type Activities

##### Foreign Currency at June 30, 2014

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

All foreign currencies are in the medium grade bond portfolio

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### III. Detailed Notes On All Funds

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**Fiduciary Fund**  
**Foreign Currency at June 30, 2014**

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

All foreign currency exposure for Fiduciary funds is held in KPERS. KPERS' asset allocation and investment policies include active and passive investments in international securities. KPERS target allocation is to have 27.0 percent of assets (excluding securities lending collateral) in dedicated international equities. Core Plus bond managers are allowed to invest up to 20.0 percent of their portfolio in non-dollar securities. KPERS utilizes a currency overlay manager to reduce risk by hedging up to 50 percent of the foreign currency for selected international equity portfolios. At June 30, 2014, KPERS total foreign currency exposure was 10.7 percent hedged.

Investment Derivatives

*Futures*

Futures contracts are commitments for delayed delivery (liability) or receipt (asset) of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specific future date, of a specific instrument, at a specific price.

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### III. Detailed Notes On All Funds

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Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Holders of the futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to nonperformance of the counterparties to futures contracts is minimal. Daily, the net change in the futures contract value is settled in cash with the exchanges, making the fair values always equal to zero after the daily margin flow. At the close of business June 30, 2014, KPERS had total net margins payable the next day of \$0.2 million. Cash equivalents and short-term investments in amounts necessary to settle the economic value of the futures contracts were held in the portfolio so that no leverage was employed in accordance with the Statement of Investment Policy. The daily margin flows affect cash assets held at the broker. Realized gains/losses are recognized at contract maturity and are included with underlying security type returns. Total revenues of \$66.8 million were associated with futures for the year ending June 30, 2014.

#### *Options*

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

#### **Investment Derivative Summary at June 30, 2014**

*(expressed in thousands)*

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

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

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

#### *Swaps*

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

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

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### III. Detailed Notes On All Funds

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

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

*Foreign Currency Forwards*

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

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### III. Detailed Notes On All Funds

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

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

Hedging Derivatives

*Foreign Currency Forwards*

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

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

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KPERS has ongoing foreign currency exposure through its international equities portfolio. At June 30, 2014, the market values of international equities was \$4.2 billion. KPERS' exposure to foreign currencies is converted into a proxy basket of seven liquid currencies that are highly correlated to the movements of the underlying currencies. The weights to be used are calculated with reference to the liquidity and risk of each currency. There is appropriate statistical evidence that the proxy basket does track the currency exposure closely (residual standard deviation of less than one percent). This proves the intent is to hedge and qualifies as a designated hedge under Generally Accepted Accounting Principles. The forward contracts are purchased as needed are determined by the hedge manager, and mature in the nearest September or March. Gains/losses are realized during those periods and the contracts are rolled over to the next period as appropriate. Through these processes, hedging contracts can adapt at any changes to portfolio currency exposure. Since the hedging currency forwards track to the overall exposure, and they reference the same foreign exchange rates as the underlying portfolio, this hedge is known to be effective through consistent critical terms.

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

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### III. Detailed Notes On All Funds

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

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

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

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**B. Receivables**

Accounts receivable as of June 30, 2014, for the State’s primary government and component units net of the applicable allowances for uncollectible accounts, are as follows (expressed in thousands):

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Taxes receivable, net	\$ 650,022	\$ -	\$ 650,022	\$ -
Intergovernmental receivable	10,257	11,521	21,778	5,080
Loan receivable	13,727	618,743	632,470	108,128
Accrued interest	130	8,923	9,053	2,802
Other receivables, net	352,503	20,610	373,113	366,453
Total	\$ 1,026,639	\$ 659,797	\$ 1,686,436	\$ 482,463

Taxes receivable and other receivables are shown net of allowances for uncollectible amounts of \$570.0 million and \$139.1 million, respectively.

**C. Investment in Direct Financing Leases**

***Component Units***

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

Net investment in direct financing obligations as of June 30, 2014, is as follows (expressed in thousands):

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

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

State of Kansas  
**Notes to the Financial Statements**  
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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	\$ 18,752
Human resources	10,660
Education	2,367
Public safety	20,205
Agriculture and natural resources	6,602
Highways and other transportation	21,264
Health and environment	<u>727</u>
Total depreciation expense – Government activities	<u><u>\$ 80,577</u></u>

*Business-Type activities*

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

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

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**Component Units**

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

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

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

State of Kansas  
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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, 2014. The projects include road projects, dam repair, building remodeling and restorations. At year-end, the State's commitments with contractors are as follows (expressed in thousands):

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

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

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

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

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### III. Detailed Notes On All Funds

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

*Due from/to other funds*

Due from/to other funds represent interfund accounts receivable and payable. The total of due from/to other funds at June 30, 2014, is as follows (expressed in thousands):

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

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

*Advances to/from other funds*

Advances to/from other funds represent long-term loans from one fund to another fund. Advances at June 30, 2014, were as follows (expressed in thousands):

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

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

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**III. Detailed Notes On All Funds**

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**Transfers**

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

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

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

**H. Short-term Obligations**

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

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

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later than June 30, immediately following the issuance of the indebtedness. No interest is accrued or paid. A Certificate of Indebtedness of \$300 million was issued on July 1, 2013, and redeemed on June 18, 2014.

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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 2014, \$28.9 million was posted to the Kansas Educational Building Fund and \$14.5 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in June 2014.

Per Senate Bill 171, Section 111(r) of the 2013 Session, on July 1, 2013, receivables are to be posted to the State Treasurer's receivables for the Expanded Lottery Act Revenues Fund. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2014, a receivable was posted for \$83.9 million and was reduced to zero in June 2014.

Per Senate Bill 171, Section 111(h) of the 2013 Session, on July 1, 2013, receivables are to be posted to the State Treasurer's receivables for the Children's Initiatives Fund by an amount certified by the director of budget which is to be 65 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2014 a receivable was posted for \$28.1 million and was reduced to zero in April 2014.

Per Senate Bill 171, Section 111(j) of the 2013 Session, on July 1, 2013, receivables are to be posted to the State Treasurer's receivables for the Correctional Institutions Building Fund by an amount certified by the director of budget which is to be 80 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2014, a receivable was posted for \$4.0 million and was reduced to zero in January 2014.

Per Senate Bill 171, Section 111(h) of the 2013 Session, on July 1, 2013, receivables are to be posted to the State Treasurer's receivables for the State Economic Development Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2014, a receivable was posted for \$21.3 million and was reduced to zero in November 2013.

Per Senate Bill 171, Section 111(k) of the 2013 Session, on July 1, 2013, receivables are to be posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund by an amount certified by the director of budget which is to be 80 percent of the amount approved for expenditure during the fiscal year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2014, a receivable was posted for \$195,000 and was reduced to zero in April 2014.

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**III. Detailed Notes On All Funds**

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**I. Long-term Obligations**

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

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

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**III. Detailed Notes On All Funds**

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

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

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

State of Kansas  
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Component Units	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2013 Beginning Balance	Additions	Deletions	6/30/2014 Ending Balance	Amounts Due In One Year
Revenue bonds payable:									
KDFA series 2001 B	2001	3.65 - 5.20%	2021	2,805	1,445	-	150	1,295	160
KDFA series 2001 D	2001	4.25 - 5.25%	2014	48,895	25,585	-	25,585	-	-
KDFA series 2001 G1	2001	4.25 - 5.25%	2014	7,230	150	-	150	-	-
KDFA series 2001 W-1,3,4 & 5	2002	3.00 - 5.00%	2022	44,470	985	-	90	895	95
KDFA series 2002 A-1 & A-2	2002	3.50 - 4.38%	2014	11,230	330	-	330	-	-
KDFA series 2002 H	2003	2.50 - 4.70%	2022	3,765	2,020	-	190	1,830	195
KDFA series 2002 N-1 & N-2	2003	3.00 - 5.25%	2018	52,075	4,000	-	2,670	1,330	305
KDFA series 2003 A-1 & A-2	2003	1.80 - 5.50%	2023	2,610	1,605	-	1,355	250	135
KDFA series 2003 C	2003	4.67 - 5.00%	2024	2,305	2,305	-	-	2,305	-
KDFA series 2003 D-2	2003	2.00 - 4.13%	2018	1,150	515	-	75	440	75
KDFA series 2003 J-1	2004	2.00 - 5.25%	2014	34,100	4,780	-	4,780	-	-
KDFA series 2004 D	2005	3.00 - 4.75%	2014	1,195	705	-	705	-	-
KDFA series 2004 G-1	2005	2.50 - 5.13%	2024	19,795	12,545	-	12,545	-	-
KDFA series 2005 A	2005	3.00 - 5.00%	2035	44,535	38,080	-	35,955	2,125	1,090
KDFA series 2005 D	2005	3.79 - 5.18%	2022	66,530	26,955	-	5,705	21,250	4,290
KDFA series 2005 E-1 & E-2	2005	3.00 - 5.00%	2030	19,360	15,620	-	14,285	1,335	655
KDFA series 2005 F	2006	3.25 - 4.40%	2026	8,930	7,025	-	415	6,610	450
KDFA series 2005 G	2006	3.30 - 4.60%	2026	7,205	5,905	-	355	5,550	370
KDFA series 2006 B	2006	3.50 - 4.13%	2021	9,790	9,015	-	-	9,015	1,140
KDFA series 2007 A	2007	3.75 - 4.39%	2037	27,750	24,595	-	15,945	8,650	645
KDFA series 2007 E	2007	3.75 - 4.30%	2027	6,275	4,885	-	265	4,620	280
KDFA series 2007 H	2008	3.60 - 4.50%	2037	17,855	16,045	-	400	15,645	420
KDFA series 2007 M	2008	3.50 - 4.60%	2027	18,220	14,630	-	800	13,830	830
KDFA series 2008 A	2008	3.00 - 4.00%	2016	20,000	7,500	-	2,500	5,000	2,500
KDFA series 2008 D	2008	5.10%	2038	1,600	1,600	-	-	1,600	-
KDFA series 2008 L	2009	2.00 - 5.25%	2029	21,070	18,080	-	810	17,270	835
KDFA series 2009 C	2009	3.00 - 5.00%	2017	20,000	10,000	-	2,500	7,500	2,500
KDFA series 2009 G	2009	2.50 - 4.75%	2024	825	640	-	50	590	50
KDFA series 2009 H-1 & H-2	2009	2.50 - 7.30%	2035	14,630	13,860	-	400	13,460	410
KDFA series 2009 J-1 & J-2	2009	2.50 - 7.00%	2030	4,545	4,055	-	175	3,880	180
KDFA series 2009 K-1 & K-2	2010	2.63 - 5.63%	2040	6,140	6,030	-	115	5,915	120
KDFA series 2009 M-1 & M-2	2010	3.00 - 6.31%	2030	27,150	24,880	-	1,200	23,680	1,245
KDFA series 2010 A	2010	2.00 - 4.05%	2030	23,700	21,815	-	670	21,145	1,040
KDFA series 2010 B	2010	2.50 - 3.75%	2027	21,650	19,175	-	1,175	18,000	1,110
KDFA series 2010 D	2010	3.12%	2014	1,315	680	-	680	-	-
KDFA series 2010 G-1 & G-2	2010	2.00 - 6.60%	2040	21,565	21,565	-	500	21,065	505
KDFA series 2010 H	2010	2.00%	2016	1,530	775	-	260	515	265
KDFA series 2010 J	2010	0.75 - 4.45%	2030	14,765	13,030	-	585	12,445	600
KDFA series 2010 K-1 & K-2	2010	2.00 - 6.20%	2035	15,050	11,645	-	745	10,900	295
KDFA series 2010 M-1 & M-2	2010	2.00 - 5.10%	2026	20,990	18,615	-	1,225	17,390	1,250
KDFA series 2010 P-1 & P-2	2011	2.00 - 5.00%	2031	15,930	14,680	-	645	14,035	665
KDFA series 2010 U-1 & U-2	2011	1.80 - 6.20%	2029	25,180	22,160	-	1,825	20,335	1,835
KDFA series 2011 C	2011	2.00 - 4.50%	2036	13,450	12,695	-	375	12,320	385
KDFA series 2011 D-1, 2 & 3	2011	2.00 - 4.40%	2024	9,465	7,970	-	790	7,180	805
KDFA series 2011 G	2012	0.50 - 4.13%	2024	16,300	15,230	-	360	14,870	370
KDFA series 2012 A	2012	3.00 - 5.00%	2041	27,610	25,715	-	1,995	23,720	2,100
KDFA series 2012 D	2012	2.00 - 4.50%	2029	49,200	47,465	-	1,625	45,840	1,695
KDFA series 2012 F	2013	2.00 - 5.00%	2033	17,205	17,205	-	615	16,590	630
KDFA series 2012 H	2012	2.00 - 5.00%	2034	35,970	35,505	-	80	35,425	1,155
KDFA series 2014 A-1 & 2	2014	3.00 - 4.25%	2035	35,175	-	35,175	-	35,175	385
KDFA series 2014 B	2014	0.50%	2019	2,423	-	2,423	-	2,423	480
KDFA series 2014 C-1, 2, 3, 4 & 5	2014	3.00 - 5.00%	2039	56,655	-	56,655	-	56,655	35
KDFA series 2014 D-1, 2, 3 & 4	2014	3.00 - 5.00%	2035	133,550	-	133,550	-	133,550	1,270
KDFA series 2013 G-1 & 2	2014	4.00 - 5.00%	2038	77,335	-	77,335	-	77,335	520
Plus deferred amounts:									
Net unamortized premium (discount)				-	26,058	13,377	2,958	36,477	-
Total revenue bonds payable				<u>\$ 1,210,048</u>	<u>638,353</u>	<u>318,515</u>	<u>147,608</u>	<u>809,260</u>	<u>36,370</u>
Notes payable:									
Component units of university system					249,623	133,266	49,889	333,000	18,353
KDFA bond anticipation note series 2013 1 & 2					12,798	-	12,798	-	-
Total notes payable					<u>262,421</u>	<u>133,266</u>	<u>62,687</u>	<u>333,000</u>	<u>18,353</u>
Arbitrage rebate payable					49	2	-	51	-
Capital leases					11,991	-	2,611	9,380	1,562
Compensated absences					72,630	8,296	2,008	78,918	63,761
Other					314,561	1,273	63,075	252,759	14,032
Other post employment benefits					57,274	10,371	2,652	64,993	-
Total component units					<u>\$ 1,357,279</u>	<u>\$ 471,723</u>	<u>\$ 280,641</u>	<u>\$ 1,548,361</u>	<u>\$ 134,078</u>

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**III. Detailed Notes On All Funds**

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

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

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**III. Detailed Notes On All Funds**

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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, 2014. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their entire term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

*(expressed in thousands)*

Fiscal Year Ended June 30	Principal	Interest	Hedging Derivative Instruments (Net)	Total
2015	\$ 113,405	\$ 190	\$ 11,869	\$ 125,464
2016	75,225	169	8,866	84,260
2017	38,145	146	7,100	45,391
2018	39,520	122	5,911	45,553
2019	49,945	93	4,552	54,590
2020-2024	148,265	227	9,956	158,448
2025-2029	47,000	3	387	47,390
Total	<u>\$ 511,505</u>	<u>\$ 950</u>	<u>\$ 48,641</u>	<u>\$ 561,096</u>

**General Obligation Bonds**

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

**Revenue Bonds**

**Kansas Turnpike Authority (KTA)** has 5 outstanding series of Turnpike Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of the Kansas Turnpike. Principal and interest payments on these bond issues are paid from revenues collected from the operations of KTA, including toll revenues. Please reference Note III, Section I, Long-term Obligations, for KTA revenue bonds and future principal and interest payments.

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

**Kansas Department of Transportation (KDOT)** has 12 outstanding series of Highway Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of highways in the State as part of the State's Transportation Works for Kansas (T-Works) Program. The State's T-Works Program was developed by KDOT after extensive study of the transportation needs in the State and was implemented by the 2010 Kansas Legislature. Principal and interest payments on these bond issues are paid from revenues collected in the State Highway Fund, which include motor fuels taxes, state sales taxes, compensating use taxes, and drivers' license and vehicle registration fees. KDOT also has four outstanding series secured by pledges of revenues from loans and leases. Please reference Note III, Section I, Long-term Obligations, above for KDOT revenue bonds and future principal and interest payments.

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

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The coupon interest rate on outstanding bonds varies from 2.25 percent to 5.50 percent. In addition, various bonds were issued as variable rate instruments whose rates change on a weekly basis. During the year, interest rates ranged from 0.02 percent to 0.42 percent on the weekly adjustable bonds. The Series 2002 B and C and 2004 C bonds are subject to tender under certain conditions. If the tendered bonds cannot be remarketed, various liquidity providers have agreed to purchase the bonds and hold them for a maximum of 180 days. Contracts with these liquidity providers have expiration dates ranging from September 2014 to September 2017 and require annual commitment fees ranging from 0.325% to 0.500%. The liquidity provider agreement expiring in September 2013 was extended until September 2014 with the rate decreased from 0.525% to 0.34%. Since there is not a long-term financing option in place at June 30, 2014 for bonds that have been tendered, the demand obligation bonds have been recorded as liabilities of the Transportation - Capital Projects Fund resulting in a deficit fund balance in that fund. This liquidity provider contract was extended from March 2014 to September 2017 and requires an annual commitment fee of 0.325%.

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

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

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

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

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special limited obligations of K DFA, where neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by K DFA or the State. Accordingly, such special obligation bonds are not included in K DFA's June 30, 2014, balance sheet. K DFA's special obligation bonds at June 30, 2014, total \$2.5 billion.

Private activity bonds are special limited obligations of K DFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on K DFA's June 30, 2014, balance sheet. K DFA's private activity bonds at June 30, 2014, total \$2.0 billion.

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### III. Detailed Notes On All Funds

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#### Notes Payable

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

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal Government over the past 38 years for water supply storage capacity in large Federal multipurpose lakes under the provisions of the 1958 Federal Water Supply Act. Nine of these agreements provide for long-term (fifty-year) repayment with interest of the costs incurred by the Federal Government in construction of the water supply storage space. The Kansas Water Office is authorized by K.S.A. 82a-934 to enter into such agreements, subject to legislative approval through appropriations. Generally, however, receipts from the sale of water to local municipal and industrial water supply users are adequate to make the annual payments due under the long-term contracts with the Federal Government. Portions of the storage in some reservoirs have been designated as "future use" storage, and as such; the State is not required to make payments on that portion of storage until it is needed by users. The State has not recorded a liability at June 30, 2014, for portions of the storage designated as "future use" storage.

#### Lease Commitments

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

#### Operating Leases

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2014 are as follows (expressed in thousands):

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

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

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**Capital Leases**

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

The following schedule presents future minimum lease payments as of June 30, 2014 (expressed in thousands):

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

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

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

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### III. Detailed Notes On All Funds

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#### *Defeasance of Debt*

##### **Primary Government**

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2014, and changes for the fiscal year then ended are as follows (expressed in thousands):

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

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

Bond Issue	6/30/2013 Beginning Balance	Current Year Defeased	Payments	6/30/2014 Ending Balance
<b>Business-type Activities</b>				
KDFA Series 2004 II	13,220	0	13,220	0
KDFA Series 2004 2	86,470	0	77,420	9,050
KDFA Series 2008 CW II	38,895	0	38,895	0
KDFA Series 2008 DW 1	21,345	0	0	21,345
Total business-type activities	<u>\$ 159,930</u>	<u>\$ 0</u>	<u>\$ 129,535</u>	<u>\$ 30,395</u>

##### **Component Unit**

For financial reporting purposes, the Kansas Development Finance Authority has in substance defeased certain revenue and lease revenue bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased lease revenue bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2014, and changes for the fiscal year then ended are as follows (expressed in thousands):

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

##### **Arbitrage Rebate Payable**

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

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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, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows debit (credit) (expressed in thousands):

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2014</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<b>Governmental activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	\$ (3,093)	Debt	\$ (23,024)	\$ 435,490
Investment derivative instruments:					
Pay-fixed interest rate swaps	Investment revenue	1,084	Investment	(8,134)	75,000
Basis swap	Investment revenue	5,506	Investment	0	0

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

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

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

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

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**III. Detailed Notes On All Funds**

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

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

The following table provides a summary of the basic terms of the swap agreements as of June 30, 2014 (expressed in thousands):

Associated KDOT Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Rating
Series 2002 B & C*	\$ 200,000	\$ 147,632	10/23/2002	9/1/2019	3.164%	67% of USD-LIBOR	\$ (11,746)	Goldman Sachs Bank USA	A2/A-/A
Series 2002 B & C*	120,005	88,583	3/1/2012	9/1/2019	3.1640% Contractual; 0.8166% GASB 64 At-the-Market	67% of USD-LIBOR	(230)	The Bank of New York Mellon	Aa2/AA-/AA-
Series 2012 A*	150,275	127,275	5/7/2012	9/1/2015	3.3590% Contractual; 0.2254% GASB 53 At-the-Market	Lesser of ABR/71% of USD-LIBOR 'til 9/2010; 71% of USD-LIBOR thereafter	(123)	Merrill Lynch Derivative Products AG	Aa3/A+/NR
Series 2004 C*	147,000	72,000	11/23/2004	9/1/2024	3.571%	63.5% USD-LIBOR + 0.29%	(11,048)	Goldman Sachs Bank USA	A2/A-/A
Series 2004 C**	75,000	75,000	7/1/2007	9/1/2024	3.571%	62.329% of 10 Year CMS	(8,011)	Goldman Sachs Bank USA	A2/A-/A
Total Termination Value							<u>\$ (31,158)</u>		

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

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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, 2014, are shown above. KDOT's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in the associated bonds payable.

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

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

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

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

On May 7, 2012, KDOT assigned with no termination payment due to or from KDOT the Series 2008A swap that was with Citigroup Financial Products Inc. as counterparty to The Bank of New York Mellon, a bank counterparty with stronger credit ratings. According to GASB 64, KDOT terminated hedge accounting on the swap with the prior counterparty and continues with hedge accounting on a new At-the-Market swap with a fixed rate computed at prevailing interest rates on the day of termination.

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

*KDOT Series 2004B and C Swaps* - In connection with the issuance of \$147 million of variable-rate KDOT Series 2004B and 2004C Highway Revenue Bonds, on November 12, 2004, KDOT competitively bid a floating-to-fixed

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### III. Detailed Notes On All Funds

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interest rate swap. The executed transaction consisted of a \$147 million 20-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.571 percent and receives 63.5 percent of LIBOR plus 29 basis points. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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, and personal and real property losses up to the applicable insured deductibles (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles, and a statewide commercial policy on personal and real property with \$5,000,000 deductibles (except where separate coverage is required by bond covenant). Insurance settlements have not exceeded insurance coverage for the past three fiscal years.

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

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

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

The Tort Claims Fund (TCF) provides payment of compromises, settlements, and final judgments arising from claims against the State or an employee of the State under the Kansas Tort Claims Act, and costs of defending the State or an employee. When the balance in the TCF is insufficient to pay a claim, a transfer is made from the State General Fund to the TCF. The maximum claim liability allowed under The Kansas Tort Claims Act is \$500,000 per occurrence or accident. At June 30, 2014, there were no material claims incurred but unpaid.

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

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

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The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2014 (expressed in thousands):

	Claims Liability Beginning balance	Plus: Current Year Claims and Changes Estimate	Less: Claim Payments	Claims Liability Ending balance	Non-Current - Liability	Current Liability
<b>Current Fiscal Year</b>						
State Self-Insurance Fund	\$ 56,008	\$ 22,090	\$ (22,542)	\$ 55,556	\$ 42,070	\$ 13,486
Health and Dental Care Claims	25,610	374,158	(371,169)	28,599	55	28,544
Post Employment Health and Dental Claims	1,937	33,446	(33,667)	1,716	4	1,712
Total	<u>\$ 83,555</u>	<u>\$ 429,694</u>	<u>\$ (427,378)</u>	<u>\$ 85,871</u>	<u>\$ 42,129</u>	<u>\$ 43,742</u>
<b>Prior Fiscal Year</b>						
State Self-Insurance Fund	\$ 61,060	\$ 13,355	\$ (18,407)	\$ 56,008	\$ 40,816	\$ 15,192
Health and Dental Care Claims	24,980	361,244	(360,614)	25,610	60	25,550
Post Employment Health and Dental Claims	2,461	32,891	(33,415)	1,937	6	1,931
Total	<u>\$ 88,501</u>	<u>\$ 407,490</u>	<u>\$ (412,436)</u>	<u>\$ 83,555</u>	<u>\$ 40,882</u>	<u>\$ 42,673</u>

**Notes:**

1. Claims liability ending balance is based on Actuary IBNR modeling estimates using claims lag data through June 30, 2014.
2. Future projections of claims liabilities are only estimates. All estimates, based upon the information available at a point in time to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate.
3. IBNR includes 3% expense load and 3.5% margin.
4. Non-current liability represents the remaining IBNR reserve for the prior fiscal year.

**B. Contingencies and Commitments**

**Litigation**

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

In *Gannon, et. al. v. State of Kansas*, 32 individual plaintiffs and four school districts have brought various legal challenges to the school finance formula. The case was tried in the summer of 2012 before a three-judge panel and on January 11, 2013 the panel ruled in favor of the plaintiffs. As relief, the panel ordered a specific and substantial increase in the base state aid per pupil going forward, and also ordered a substantial increase in the State's funding of school district capital outlay funds. In response, the State passed and the Governor signed into law, an appropriation of \$25.2 million in capital outlay equalizations funding and an additional \$109.3 million of local option budget equalization funding for Fiscal Year 2015. The matter is presently before the three-judge panel on remand and on June 11, 2014 the panel stated that it would not take further action on the equalization issue; however, the question on whether the overall level of funding is adequate remains unaddressed with a decision from the panel expected in late 2014. The State is vigorously defending the case on appeal and is uncertain of the chance of loss.

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

*Boles v. KDOR*, this is a mineral severance tax case pending before Seward County District Court in which the plaintiff is seeking certification of a class action, the class being all taxpayers that have paid severance tax on

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helium. The plaintiff is seeking refunds of all taxes that have been paid on helium dating back to January, 1990. In addition, the plaintiff is seeking injunctive relief that would prevent KDOR from assessing severance tax on helium going forward. The amount of the claim is not stated and cannot easily be estimated but would be somewhere in excess of \$100 million if the plaintiffs were to prevail.

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

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

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

The Department of Administration has reached an agreement with Health and Human Services for disallowed costs regarding the State Health Care Benefits Program in the Cafeteria Benefits Fund; State Workers Compensation Self-Insurance Fund; and the State Leave Payment Reserve Fund. The original agreement was for \$18.8 million with the first payment made during fiscal year 2014. The State has a remaining liability for \$16.0 million. Payments will be made annually over the next four years.

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

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

### ***Unclaimed Property***

Unclaimed property is remitted to the General Fund where it can be used by the State until it is claimed. The State Treasurer has the authority to take possession of specified types of abandoned personal property and become custodian in perpetuity which preserves the right of the original owner or other persons to claim the property. The Unclaimed Property Division of the Kansas State Treasurer's office seeks to return various forms of unclaimed property to the rightful owner or heirs. In the current year, a liability in the amount of \$97 million has been recorded for estimated claims.

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

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

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

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### **C. Pollution Remediation**

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

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

Legislation requires the Kansas Corporation Commission (KCC) to prepare and maintain an inventory of all abandoned wells with a special focus on wells which, (1) the State has assumed the plugging liability because of the lack of a potentially responsible party; and (2) pose either an ongoing or potential threat to the environment. The number of known wells needing to be plugged in the future is expected to increase as more wells are discovered in remote areas and also as KCC develops a more refined well inventory process. The fiscal year 2014 pollution remediation liability is estimated at \$43.7 million. No recoveries for these well pluggings are expected.

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

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

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

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

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

KDHE also operates an orphan sites program to perform remedial activities at sites where a responsible party cannot be identified and other State or Federal programs are not available to fund those remedial activities. There are approximately 87 contaminated sites across the State included in this orphan sites program. Due to limited funding, KDHE has prioritized the sites that pose the greatest threat to the public health and/or the environment. The State Water Plan – Contamination Remediation fund is the primary source of funding to address environmental contamination issues at these abandoned sites that impact or threaten to impact State water resources and/or public health. While most of these sites are not Superfund-caliber sites that could be worked by the EPA, many still pose a substantial risk to the water supplies and/or public health of many Kansas communities.

The State Water Plan – Contamination Remediation fund is the primary source of funding to provide the State cost share or State O&M requirements for NPL sites. It is difficult to predict what the future costs for the State Water

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Plan will be, however, the State has recorded a liability for \$0.68 million which is the amount known to be budgeted in fiscal year 2015 for this program.

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

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

The Storage Tank Act establishes two separate Trust Funds to assist owners and operators of petroleum storage tanks with the cost of remedial actions. Both funds are designed to provide financial assistance to owners and operators of facilities where contamination from petroleum storage tanks has occurred. The Trust Funds are financed from a \$.01 fee placed on each gallon of petroleum (except aviation fuel) product manufactured in or imported into the State. The funds will be abolished on July 1, 2024, by the sunset provision unless reenacted by the Legislature.

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

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

To date, 2228 sites have been approved to receive reimbursement of approved costs under the Underground Storage Tank (UST) fund identified in K.S.A. 65-34,114 if funding is available.

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

In addition to providing reimbursements of approved cost, the statute contains a provision that allows KDHE’s secretary to take whatever emergency action is necessary or appropriate to assure that the public health or safety is not threatened whenever there is a release or potential release from an UST or AST. The statute permits the Secretary to take corrective action where the release or potential release presents an actual or potential threat to human health or the environment, if the owner or operator has not been identified or is unable or unwilling to perform corrective action, including but not limited to providing for alternative water supplies. The exact amount of future costs is unknown. The State has recorded a liability of \$11.3 million for UST Program and \$1.4 million for AST Program which represents the amounts budgeted for fiscal year 2015.

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

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

The corrective action at these sites is performed based on a site prioritization system and KDHE is not liable for costs of corrective action in excess of the \$5 million cap at each site or in excess of the funding available to the

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program. An estimate of future costs is unknown, however, the State has recorded a liability of \$1.8 million for the Drycleaner Environmental Response Program. This amount represents the amount currently budgeted for future corrective action.

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

Kansas State University (KSU) began work on remediation of the Old Chemical Waste Landfill, located north of Kimball Avenue and west of the Grain Science Complex. KSU's clean-up plan is being done in collaboration with the Kansas Department of Health and Environment and the Environmental Protection Agency. The landfill, used from the mid-1960s to 1987, was created with the approval of the U.S. Atomic Energy Commission and was a burying ground for tritium, carbon-14 and other short-lived radioactive elements. KSU also disposed of chemicals from 1979 to 1983. The Kansas Board of Regents approved a plan to clean up the site, which commenced in fiscal year 2011 and was completed as of July 2012, with a project cost of approximately \$7 million. Monitoring groundwater, sampling, and reporting will continue as mandated by the EPA.

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

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

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

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

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

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

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

The State does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. In fiscal year 2014, non-Medicare retired plan members receiving benefits contributed \$15.7 million to the plan and the State contributed \$14.2 million to the plan. Although typically the plan only maintains an implicit subsidy liability, the Voluntary Retiree Incentive Program (VRIP) and the Limited Retirement Health Care Bridge Program (LRHCBR) has created an explicit subsidy of \$2.6 million in fiscal year 2014. The remaining \$11.6 million (of the total \$14.2 million) is paid implicitly through rate subsidization.”

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

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

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

Fiscal Year Ended	Annual OPEB Cost	Net Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 27,903	\$ 16,732	59.96%	\$ 100,669
6/30/2013	\$ 28,141	\$ 16,663	59.23%	\$ 112,147
6/30/2014	\$ 25,869	14,530	56.17%	124,345

*Funded Status and Funding Progress.* As of June 30, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$256.0 million. The State's policy is to fund the benefits on a pay as you go basis, which is paid implicitly through rate subsidization, resulting in an unfunded actuarial accrued liability (UAAL) of \$256.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.07 billion, and the ratio of the UAAL to the covered payroll was 12.3 percent.

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

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

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In the June 30, 2014, actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State’s pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 5.0 to 7.75 percent in the first twelve years and an ultimate rate of 5.0 percent after fourteen years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period in level dollar amounts.

### Primary Government

In addition to the pension benefits described in the Employee Retirement Systems and Pension Plans note, the State provided post-employment health care benefits to retirees who elect the Kansas medical option. This subsidy was ended for post-employment retirees as of December 31, 2006. Retirees that elected the health insurance that the State provides now pays 100 percent of the premium. The monthly amount of premium cost per individual ranges from \$310.90 to \$595.80 for early retirees. Early retirees are defined as those retirees not yet Medicare eligible. The employer contribution, according to GASB Statement No. 45, is the aggregate amount of the subsidies, which is calculated into the employer contribution for active employees.

	Eligible State Retiree Participants	Eligible State Retiree and Family Participants	Enabling Legislation
Kansas Major Medical Post-Employment Benefits	2,528	5,724	K.S.A. 75-6504

The State funds post-employment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit ending on June 30, 2014. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

### E. Employee Retirement Systems and Pension Plans

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

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

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

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

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

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

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

MEMBERSHIP BY RETIREMENT SYSTEMS \*

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

\*Represents KPERS membership at December 31, 2013.

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

***KPERS Plan Benefits***

Members (except Police and Firement) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service). Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

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

***KPERS Contributions***

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

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according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. The contributions and assets of all three systems are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on a actuarial reserve basis.

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

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

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

***Basis of Accounting***

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

***Schedule of Funding Status and Funding Progress per KPERS 2014 CAFR***

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

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

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Additional information as of the latest actuarial valuation follows:

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

***Other Retirement Plans***

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

Employees participating in the Regents' mandatory retirement plan are required to contribute 5.5 percent of their salary, up to the maximum dollar amount permitted by the Internal Revenue Code. During fiscal year 2014, employees contributed approximately \$43.5 million. During fiscal year 2014, the 8.5 percent employer contribution totaled approximately \$68.2 million, representing covered wages of approximately \$804 million. These employees, along with employees who participate in the KPERS retirement program, may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the Regents' voluntary retirement plan, which allows the member to purchase a 403(b) contract to supplement the mandatory retirement plan. All employees, as well as student employees, also may elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the State's 457 deferred compensation program, to supplement their retirement savings.

The retirement plan for the School for the Blind and the School for the Deaf are also covered by KPERS in the 401(a) defined benefit plan. The KPERS employee rate is 4 percent for Tier I members through December 31, 2013 and 5 percent for Tier I members January 1, 2014. Tier II members employee rate is 6 percent. Employer rate is 11.12 percent (10.27 percent employer and 0.85 percent death & disability).

**F. Related Party Transactions**

The Kansas Legislature annually appropriates state general fund dollars to the Regent Institutions comprising the State University System (University of Kansas, including the University of Kansas Medical School, Kansas State University, Wichita State University, Emporia State University, Pittsburg State University, and Fort Hays State University). During FY 2014 expenditures from these appropriations amounted to \$560.0 million and are recorded within the General fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.

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

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## **IV. Other Information**

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### **G. Subsequent Events**

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

##### Short-term Debt

*Certificate of Indebtedness* – On July 1, 2014, the Pooled Money Investment Board (PMIB) issued a \$675 million Certificate of Indebtedness per K.S.A. 75-3725a. See Section III-H, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

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

*Accrued Receivables for Economic Development Initiatives Fund* – In July 2014, receivables were posted to the State Treasurer’s receivables for the Economic Development Initiatives Fund in the amount of \$21.3 million per Senate Bill No. 171, Section 112(h), Session of 2013.

*Accrued Receivables for Correctional Institutions’ Building Fund* – In July 2014, receivables were posted to the State Treasurer’s receivables for the Correctional Institutions’ Building Fund in the amount of \$4.0 million per Senate Bill No. 171, Section 112(j), Session of 2013.

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

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

##### Long-term Debt

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

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

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## IV. Other Information

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### H. Economic Condition

The State has an accumulated unassigned deficit in the General Fund of \$5.4 million as of June 30, 2014. When the consensus estimating group \*\*\* met on November 10, 2014, consensus revenue estimates for FY 2015 were decreased by \$205.9 million from the FY 2015 approved budget. The education consensus caseload was also updated on November 10, 2014 and the State is now set to spend \$253.9 million more in the 2014/2015 school year as compared to the 2013/2014 school year. This includes an increase of \$63.9 million to the FY 2015 budget as a result of understating the local option budget costs, capital outlay costs and bond/interest aid for capital improvements. The consensus caseload for Medicaid was also updated and \$46.0 million has been added to the FY 2015 approved Medicaid budget, which is primarily due to the health insurance premium tax from the Affordable Care Act. Because of these events, it was concluded that State General Fund resources would be insufficient to cover appropriations made against the State General Fund. An allotment plan was put into place as provided by K.S.A. 75-3722 to begin the process of bringing State spending in alignment with projected revenues. The plan contains an initial phase of reductions of approximately \$62.4 million followed by actions requiring legislative approval of \$217.6 million. Contained within the plan are KPERS employer rate reductions that will generate approximately \$40.0 million in savings in FY 2015. Going forward, this reduction will be combined with a study of structural reforms of the State pension system to ensure sustainability and payment of liabilities. The KPERS reforms will be part of other structural improvements to tax policy, K-12 finance and health care with the expectation that these reforms, when adopted, plus other reductions to State spending will create fiscal balance in FY 2016.

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

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

## **Budgetary Information**

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

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

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

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds for the *General Fund* For the Fiscal Year Ended June 30, 2014**  
*(expressed in thousands)*

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

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for Social Services**  
**For the Fiscal Year Ended June 30, 2014**  
*(expressed in thousands)*

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

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the *Transportation Fund* For the Fiscal Year Ended June 30, 2014**  
*(expressed in thousands)*

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

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for *Health and Environment* For the Fiscal Year Ended June 30, 2014**  
*(expressed in thousands)*

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Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$	28,646
Current year encumbrances are reported as expenditures for budgetary reporting purposes		67,311
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes		(47,544)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis		(49,531)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis		<u>49,609</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	\$	<u><u>48,491</u></u>

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

**Roadway Pavement**

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

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

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

Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition	Actual Condition	Minimum Acceptable Condition	Actual Condition
	Level*	Level*	Level*	Level*
2012	85	98	80	83
2013	85	96	80	83
2014	85	98	80	89

\*Percent of miles in PL-1

KDOT's goal is to continually maintain and improve the condition of the State Highway System. To achieve this goal it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. KDOT concentrates resources on items that are measured. To maintain the Interstate Highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$90 million in fiscal year 2014. To maintain the Non-interstate Highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$223 million in fiscal year 2014. The estimated expenditure amounts are based on the projected T-WORKS program funding levels for preservation that are anticipated to be needed to maintain the system. The actual expenses are based on these project expenditures during the fiscal year. The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years (expressed in thousands).

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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Fiscal Year	Interstate Highways		Non-interstate Highways	
	Minimum Acceptable Condition Level	Actual Expenses	Minimum Acceptable Condition Level	Actual Expenses
	2010	110,000	54,807	260,000
2011	110,000	57,550	260,000	395,726
2012	84,000	112,600	208,000	442,608
2013	87,000	119,170	215,000	412,050
2014	90,000	126,485	223,000	375,772

**Bridges**

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

Prior to 2012, KDOT Bridge Management’s Performance Metric was the Average Health Index of all the bridges on the State system. In 2012, the Bridge Performance Measure for KDOT was officially changed to reflect Bridge Management’s decision making processes for bridge replacements, rehabilitations and repairs. The current Performance Metric is the percent of state-owned bridges in Good Condition, with the condition state of a bridge being defined as follows:

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

The table below compares the actual percentage of bridges in good condition to the minimum acceptable percent of bridges in good condition. The Average Health Index is also included in the table because it was the Performance metric prior to 2012.

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

Fiscal Year	Minimum Acceptable Health Index	Actual Condition Level	Actual Health Index
2012	85	88	95
2013	85	88	95
2014	85	87	95

KDOT’s goal is to continually improve the condition of the State’s bridge system. To achieve this goal it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. To maintain the State’s bridges at or above the stated minimum acceptable percentage of bridges in good condition, it is estimated that annual preservation and replacement expenditures must be approximately \$78 million for fiscal year 2014. The following table compares the

State of Kansas  
**Required Supplementary Information**  
June 30, 2014

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

Fiscal Year	Minimum Acceptable Health Index	Actual Expenses
2010	\$ 75,000	\$ 29,219
2011	75,000	69,620
2012	73,000	87,890
2013	76,000	82,046
2014	78,000	92,372

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

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Accrued Liability (AAL) ( b )	Unfunded AAL ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	Percent of Covered Payroll ((b-a)/c)
6/30/2012	0	282,586	282,586	0%	2,032,592	13.90%
6/30/2013	0	278,153	278,153	0%	2,062,709	13.48%
6/30/2014	0	261,298	261,298	0%	2,089,790	12.50%

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**Listing of Non-Major Governmental Funds**

**Special Revenue Funds**

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

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

**Capital Projects Funds**

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

State Buildings (Appropriated)  
Capitol Complex Buildings  
State Library

### **Debt Service Funds**

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

Special Revenue Funds

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

	Debt Service Funds				
	Corrections	Pooled Funds	Armories	Public Broadcasting Digital	Vital Statistics Project
<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
Inventories	0	0	0	0	0
Advances to other funds	0	0	0	0	0
Restricted cash and cash equivalents	14	0	46	12	1
Restricted investments	0	0	0	0	0
<b>Total assets</b>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ 46</u>	<u>\$ 12</u>	<u>\$ 1</u>
<b>LIABILITIES</b>					
Accounts payable and other liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to other funds	0	0	0	0	0
Advances from other funds	0	0	0	0	0
<b>Total liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - sales and excise tax	0	0	0	0	0
<b>Total deferred inflows of resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Long-term receivable	0	0	0	0	0
Inventories	0	0	0	0	0
Restricted for:					
Capital Projects	0	0	0	0	0
Debt Service	14	0	46	12	1
General government	0	0	0	0	0
Human Resources	0	0	0	0	0
Education	0	0	0	0	0
Public Safety	0	0	0	0	0
Agriculture and natural resources	0	0	0	0	0
Highways and other transportation	0	0	0	0	0
Assigned to:					
Debt Service	0	0	0	0	0
<b>Total fund balance</b>	<u>14</u>	<u>0</u>	<u>46</u>	<u>12</u>	<u>1</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ 46</u>	<u>\$ 12</u>	<u>\$ 1</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

Special Revenue Funds

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

State of Kansas  
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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
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(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	35,320	0
Sales and excise tax	1,003	0	0	0
Gross receipts tax	0	0	35	14,428
Charges for services	1,193	1,218	78	13,200
Operating grants	770	23,337	52,540	658
Capital grants	0	0	0	0
Investment earnings	3	0	654	0
Other revenues	2	23,966	3,760	40
<b>Total revenues</b>	<u>2,971</u>	<u>48,521</u>	<u>92,387</u>	<u>28,326</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	142,508	21,783
Human resources	0	34,121	0	0
Education	2,715	0	4,661	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	17,090	0
Interest	0	0	8,771	0
<b>Total expenditures</b>	<u>2,715</u>	<u>34,121</u>	<u>173,030</u>	<u>21,783</u>
<b>Excess of revenues over (under) expenditures</b>	<u>256</u>	<u>14,400</u>	<u>(80,643)</u>	<u>6,543</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	38	(705)	43,895	(5,000)
<b>Total other financing sources (uses)</b>	<u>38</u>	<u>(705)</u>	<u>43,895</u>	<u>(5,000)</u>
<b>Net change in fund balances</b>	<u>294</u>	<u>13,695</u>	<u>(36,748)</u>	<u>1,543</u>
<b>Fund balances, beginning of year</b>	6,470	14,337	207,555	9,228
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>6,470</u>	<u>14,337</u>	<u>207,555</u>	<u>9,228</u>
<b>Fund balances, end of year</b>	<u>\$ 6,764</u>	<u>\$ 28,032</u>	<u>\$ 170,807</u>	<u>\$ 10,771</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, 2014  
(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	6,496	0
Gross receipts tax	0	0	113	0
Charges for services	32,373	0	19,329	4,710
Operating grants	476	2,419	2,522	470,503
Capital grants	0	0	0	0
Investment earnings	3	0	0	0
Other revenues	937	185	3	53,656
<b>Total revenues</b>	<u>33,789</u>	<u>2,604</u>	<u>28,463</u>	<u>528,869</u>
<b>Expenditures:</b>				
Current:				
General government	36,137	0	76,299	0
Human resources	0	0	0	0
Education	0	2,249	0	799,180
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<u>36,137</u>	<u>2,249</u>	<u>76,299</u>	<u>799,180</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(2,348)</u>	<u>355</u>	<u>(47,836)</u>	<u>(270,311)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	213	0	43,924	268,080
<b>Total other financing sources (uses)</b>	<u>213</u>	<u>0</u>	<u>43,924</u>	<u>268,080</u>
<b>Net change in fund balances</b>	<u>(2,135)</u>	<u>355</u>	<u>(3,912)</u>	<u>(2,231)</u>
<b>Fund balances, beginning of year</b>	13,049	317	27,923	11,047
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>13,049</u>	<u>317</u>	<u>27,923</u>	<u>11,047</u>
<b>Fund balances, end of year</b>	<u>\$ 10,914</u>	<u>\$ 672</u>	<u>\$ 24,011</u>	<u>\$ 8,816</u>

State of Kansas  
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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2014  
(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	959	0
Gross receipts tax	0	0	0	0
Charges for services	4,394	617	38,347	1
Operating grants	77	0	14,652	9,546
Capital grants	0	0	0	0
Investment earnings	5	2,730	14	2
Other revenues	20	24,901	106	55
<b>Total revenues</b>	<u>4,496</u>	<u>28,248</u>	<u>54,078</u>	<u>9,604</u>
<b>Expenditures:</b>				
Current:				
General government	5,019	26,036	0	8,626
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	70,231	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	1,676	0
Interest	0	0	85	0
<b>Total expenditures</b>	<u>5,019</u>	<u>26,036</u>	<u>71,992</u>	<u>8,626</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(523)</u>	<u>2,212</u>	<u>(17,914)</u>	<u>978</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	0	(2,200)	4,649	(1,224)
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>(2,200)</u>	<u>4,649</u>	<u>(1,224)</u>
<b>Net change in fund balances</b>	<u>(523)</u>	<u>12</u>	<u>(13,265)</u>	<u>(246)</u>
<b>Fund balances, beginning of year</b>	7,575	3,847	29,812	1,544
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>7,575</u>	<u>3,847</u>	<u>29,812</u>	<u>1,544</u>
<b>Fund balances, end of year</b>	<u>\$ 7,052</u>	<u>\$ 3,859</u>	<u>\$ 16,547</u>	<u>\$ 1,298</u>

State of Kansas  
**Other Supplementary Information**  
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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, 2014  
(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	2,897	0
Gross receipts tax	0	0	0	0
Charges for services	177	0	4,703	547
Operating grants	0	7,820	0	0
Capital grants	0	0	0	0
Investment earnings	0	127	0	0
Other revenues	0	2,406	5,006	219
<b>Total revenues</b>	<u>177</u>	<u>10,353</u>	<u>12,606</u>	<u>766</u>
<b>Expenditures:</b>				
Current:				
General government	179	0	0	0
Human resources	0	0	0	0
Education	0	0	25	0
Public safety	0	0	0	761
Agriculture and natural resources	0	0	10,743	0
Highways and other transportation	0	22,021	0	0
Health and environment	0	0	1,969	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<u>179</u>	<u>22,021</u>	<u>12,737</u>	<u>761</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(2)</u>	<u>(11,668)</u>	<u>(131)</u>	<u>5</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	0	21,000	(402)	0
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>21,000</u>	<u>(402)</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>(2)</u>	<u>9,332</u>	<u>(533)</u>	<u>5</u>
<b>Fund balances, beginning of year</b>	120	23,835	11,146	610
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>120</u>	<u>23,835</u>	<u>11,146</u>	<u>610</u>
<b>Fund balances, end of year</b>	<u>\$ 118</u>	<u>\$ 33,167</u>	<u>\$ 10,613</u>	<u>\$ 615</u>

State of Kansas  
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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2014  
(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	\$ 51,022	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	0	0	0
Operating grants	0	0	3	0
Capital grants	0	0	53	0
Investment earnings	0	6	0	2
Other revenues	0	0	213	24
<b>Total revenues</b>	<u>51,022</u>	<u>6</u>	<u>269</u>	<u>26</u>
<b>Expenditures:</b>				
Current:				
General government	450	12,655	0	819
Human resources	5,659	0	0	0
Education	32,423	0	154	0
Public safety	3,520	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	6,810	0	5,400
Interest	0	8,163	0	1,051
<b>Total expenditures</b>	<u>42,052</u>	<u>27,628</u>	<u>154</u>	<u>7,270</u>
<b>Excess of revenues over (under) expenditures</b>	<u>8,970</u>	<u>(27,622)</u>	<u>115</u>	<u>(7,244)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	1,762
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	(6,079)	14,964	0	0
<b>Total other financing sources (uses)</b>	<u>(6,079)</u>	<u>14,964</u>	<u>0</u>	<u>1,762</u>
<b>Net change in fund balances</b>	<u>2,891</u>	<u>(12,658)</u>	<u>115</u>	<u>(5,482)</u>
<b>Fund balances, beginning of year</b>	39,735	12,842	212	33,696
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>39,735</u>	<u>12,842</u>	<u>212</u>	<u>33,696</u>
<b>Fund balances, end of year</b>	<u>\$ 42,626</u>	<u>\$ 184</u>	<u>\$ 327</u>	<u>\$ 28,214</u>

State of Kansas  
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**Combining Statement of Revenues, Expenditures, and Changes  
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For the Fiscal Year Ended June 30, 2014  
(expressed in thousands)**

	Debt Service Funds			
	Corrections	Pooled Funds	Armories	Public Broadcasting Digital
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	0	0	0
Operating grants	0	0	0	0
Capital grants	0	0	0	0
Investment earnings	0	0	0	0
Other revenues	0	0	0	0
<b>Total revenues</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures:</b>				
Current:				
General government	0	61	0	0
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	25,585	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	7,065	2,225	75
Interest	327	7,665	1,392	59
<b>Total expenditures</b>	<u>25,912</u>	<u>14,791</u>	<u>3,617</u>	<u>134</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(25,912)</u>	<u>(14,791)</u>	<u>(3,617)</u>	<u>(134)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	25,894	14,729	3,545	134
<b>Total other financing sources (uses)</b>	<u>25,894</u>	<u>14,729</u>	<u>3,545</u>	<u>134</u>
<b>Net change in fund balances</b>	<u>(18)</u>	<u>(62)</u>	<u>(72)</u>	<u>0</u>
<b>Fund balances, beginning of year</b>	32	62	118	12
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>32</u>	<u>62</u>	<u>118</u>	<u>12</u>
<b>Fund balances, end of year</b>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ 46</u>	<u>\$ 12</u>

State of Kansas  
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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2014  
(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	5,554
<b>Total revenues</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,554</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	0	0
Human resources	0	0	190	2,375
Education	0	0	0	0
Public safety	0	295	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	2,310	1,730
Interest	0	77	424	1,449
<b>Total expenditures</b>	<u>0</u>	<u>372</u>	<u>2,924</u>	<u>5,554</u>
<b>Excess of revenues over (under) expenditures</b>	<u>0</u>	<u>(372)</u>	<u>(2,924)</u>	<u>0</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	0	0	0	0
Issuance of capital leases	0	0	0	0
Premium on issuance of debt	0	0	0	0
Issuance of refunding bonds	0	0	0	0
Premium on issuance of refunding debt	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0
Transfers, net	0	372	2,924	0
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>372</u>	<u>2,924</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund balances, beginning of year</b>	1	0	7	0
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>1</u>	<u>0</u>	<u>7</u>	<u>0</u>
<b>Fund balances, end of year</b>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 7</u>	<u>\$ 0</u>

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

**Listing of Non-Major Proprietary Funds**

**Enterprise Funds**

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

### **Internal Service Funds**

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2014

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

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



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**STATISTICAL  
SECTION**

State of Kansas  
**Statistical Section**  
June 30, 2014

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<b>Financial Trends</b>	144
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>	155
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>	157
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	160
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>	161
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	

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

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

State of Kansas  
**Statistical Section**  
June 30, 2014

**Financial Trends**

**Net Position by Fund Type**

**Last Ten Fiscal Years**

*(expressed in thousands)*

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

State of Kansas  
**Statistical Section**  
June 30, 2014

**Financial Trends**

**Net Position by Fund Type**

**Last Ten Fiscal Years**

*(expressed in thousands)*

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 9,800,244	\$ 9,509,615	\$ 9,601,110	\$ 9,219,935	\$ 9,279,477	\$ 9,323,734	\$ 9,791,994
87,640	143,946	209,443	869,678	920,031	1,162,509	1,238,216
86,523	105,512	155,995	122,947	286,900	512,524	(45,468)
<u>\$ 9,974,407</u>	<u>\$ 9,759,073</u>	<u>\$ 9,966,548</u>	<u>\$ 10,212,560</u>	<u>\$ 10,486,408</u>	<u>\$ 10,998,767</u>	<u>\$ 10,984,742</u>
\$ 364	\$ 478	\$ 8,351	\$ 6,194	\$ 54,273	\$ 43,844	\$ 299
1,066,936	779,479	433,809	466,317	474,957	496,714	536,957
18,330	(6,394)	118,772	90,826	171,381	215,568	331,144
<u>\$ 1,085,630</u>	<u>\$ 773,563</u>	<u>\$ 560,932</u>	<u>\$ 563,337</u>	<u>\$ 700,611</u>	<u>\$ 756,126</u>	<u>\$ 868,400</u>
\$ 9,800,608	\$ 9,510,093	\$ 9,609,461	\$ 9,226,129	\$ 9,333,750	\$ 9,367,578	\$ 9,792,293
1,154,576	923,425	643,252	1,335,995	1,394,988	1,659,223	1,775,173
104,853	99,118	274,767	213,773	458,281	728,092	285,676
<u>\$ 11,060,037</u>	<u>\$ 10,532,636</u>	<u>\$ 10,527,480</u>	<u>\$ 10,775,897</u>	<u>\$ 11,187,019</u>	<u>\$ 11,754,893</u>	<u>\$ 11,853,142</u>

State of Kansas  
**Statistical Section**  
June 30, 2014

**Financial Trends**

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

*(expressed in thousands)*

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

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**Financial Trends**

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

(expressed in thousands)

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 955,701	\$ 851,373	\$ 1,084,268	\$ 1,199,474	\$ 822,456	\$ 778,620
3,691,535	3,785,792	4,053,711	2,736,768	2,702,954	2,614,673
5,183,287	5,028,780	5,091,475	5,014,709	5,130,332	5,209,211
754,869	786,682	711,734	589,676	610,878	589,939
126,940	109,672	105,710	120,242	124,244	122,995
437,099	516,629	885,153	1,006,995	928,140	863,577
229,198	232,955	258,964	1,425,544	2,129,953	2,285,022
0	0	0	0	0	0
151,702	144,125	144,443	152,361	139,500	138,718
<u>11,530,331</u>	<u>11,456,008</u>	<u>12,335,458</u>	<u>12,245,769</u>	<u>12,588,457</u>	<u>12,602,755</u>
35,479	33,366	44,780	59,646	36,301	26,955
45,641	30,347	30,286	6,442	37,160	29,729
735,844	1,381,286	971,158	736,736	527,345	369,720
4,511	4,540	5,217	4,718	3,723	6,734
165,048	184,080	199,015	335,018	465,555	444,796
0	0	0	0	0	0
102	139	170	695	0	1,271
3,384	4,561	3,429	3,488	3,908	2,883
<u>990,009</u>	<u>1,638,319</u>	<u>1,254,055</u>	<u>1,146,743</u>	<u>1,073,992</u>	<u>882,088</u>
<u>\$ 12,520,340</u>	<u>\$ 13,094,327</u>	<u>\$ 13,589,513</u>	<u>\$ 13,392,512</u>	<u>\$ 13,662,449</u>	<u>\$ 13,484,843</u>
\$ 322,789	\$ 344,150	\$ 342,849	\$ 446,341	\$ 327,902	\$ 379,499
2,609,468	2,839,446	2,988,161	983,660	1,003,914	933,347
425,331	747,276	692,079	484,634	488,135	480,375
266,768	350,512	312,685	175,242	173,663	142,821
72,042	74,804	80,324	92,906	103,625	90,502
579,323	690,597	850,859	672,116	639,443	730,609
138,245	159,009	190,052	1,939,093	1,911,061	2,115,889
<u>4,413,966</u>	<u>5,205,794</u>	<u>5,457,009</u>	<u>4,793,992</u>	<u>4,647,743</u>	<u>4,873,042</u>
34,029	67,258	46,056	36,902	51,651	64,757
43,108	26,719	31,570	29,350	27,027	25,348
220,886	310,145	401,477	435,729	422,553	409,368
4,049	3,148	9,004	4,932	1,779	5,016
232,139	258,494	273,995	499,479	610,317	598,731
0	0	0	0	0	0
197	0	0	0	0	0
901	674	730	815	2,214	497
<u>535,309</u>	<u>666,438</u>	<u>762,832</u>	<u>1,007,207</u>	<u>1,115,541</u>	<u>1,103,717</u>
<u>\$ 4,949,275</u>	<u>\$ 5,872,232</u>	<u>\$ 6,219,841</u>	<u>\$ 5,801,199</u>	<u>\$ 5,763,284</u>	<u>\$ 5,976,759</u>
\$ (7,116,365)	\$ (6,250,214)	\$ (6,878,449)	\$ (7,451,777)	\$ (7,940,714)	\$ (7,729,713)
(454,700)	(971,881)	(491,223)	(139,536)	41,549	221,629
<u>\$ (7,571,065)</u>	<u>\$ (7,222,095)</u>	<u>\$ (7,369,672)</u>	<u>\$ (7,591,313)</u>	<u>\$ (7,899,165)</u>	<u>\$ (7,508,084)</u>

State of Kansas  
**Statistical Section**  
June 30, 2014

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**Financial Trends**

**Revenues and Other Changes in Net Position**

**Last Ten Fiscal Years**

*(Expressed in thousands)*

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

State of Kansas  
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June 30, 2014

**Financial Trends**

**Revenues and Other Changes in Net Position**

**Last Ten Fiscal Years**

*(Expressed in thousands)*

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 613,222	\$ 631,800	\$ 625,862	\$ 610,463	\$ 626,121	\$ 641,553	\$ 623,983
3,431,970	2,997,595	2,562,404	3,033,559	3,203,760	3,382,048	2,610,490
2,949,551	2,883,012	2,764,218	3,289,025	3,424,419	3,510,478	3,599,390
138,094	138,532	139,813	161,280	163,862	177,215	198,479
35,563	17,811	30,229	48,684	(19,548)	58,671	42,199
106,339	232,779	278,082	237,319	313,929	489,719	402,911
0	0	0	0	0	0	0
78,160	78,177	81,784	69,530	122,855	165,514	171,891
<u>7,352,899</u>	<u>6,979,706</u>	<u>6,482,392</u>	<u>7,449,860</u>	<u>7,835,398</u>	<u>8,425,198</u>	<u>7,649,343</u>
44,956	37,890	32,033	39,149	21,265	6,298	12,681
33,014	182,920	809,001	524,020	378,400	188,955	96,708
(78,160)	(78,177)	(81,784)	(69,530)	(122,855)	(165,514)	(171,891)
(190)	142,633	759,250	493,639	276,810	29,739	(62,502)
<u>\$ 7,352,709</u>	<u>\$ 7,122,339</u>	<u>\$ 7,241,642</u>	<u>\$ 7,943,499</u>	<u>\$ 8,112,208</u>	<u>\$ 8,454,937</u>	<u>\$ 7,586,841</u>
\$ 25,147	\$ (136,659)	\$ 232,178	\$ 571,411	\$ 383,621	\$ 484,484	\$ (80,370)
(7,838)	(312,067)	(212,631)	2,416	137,274	71,288	159,127
<u>\$ 17,309</u>	<u>\$ (448,726)</u>	<u>\$ 19,547</u>	<u>\$ 573,827</u>	<u>\$ 520,895</u>	<u>\$ 555,772</u>	<u>\$ 78,757</u>

State of Kansas  
**Statistical Section**  
June 30, 2014

**Financial Trends**

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund			
Reserved	\$ 15,674	\$ 22,386	\$ 28,871
Unreserved	297,059	649,526	791,980
Total general fund	<u>\$ 312,733</u>	<u>\$ 671,912</u>	<u>\$ 820,851</u>
Social Services Fund <sup>1</sup>			
Reserved	\$ 19,413	\$ 18,125	\$ 16,708
Unreserved	70,426	45,558	7,810
Total social services fund	<u>\$ 89,839</u>	<u>\$ 63,683</u>	<u>\$ 24,518</u>
Transportation Fund			
Reserved	\$ 942,114	\$ 962,147	\$ 977,154
Unreserved	(168,173)	(243,585)	(356,696)
Total transportation fund	<u>\$ 773,941</u>	<u>\$ 718,562</u>	<u>\$ 620,458</u>
Transportation - Capital Projects Fund			
Reserved	\$ 0	\$ 0	\$ 0
Unreserved	(755,115)	(755,115)	(755,115)
Total transportation - capital projects fund	<u>\$ (755,115)</u>	<u>\$ (755,115)</u>	<u>\$ (755,115)</u>
Health Policy Authority Fund			
Reserved	\$ 0	\$ 4,152	\$ 8,405
Unreserved	0	4,917	15,785
Total health policy authority fund	<u>\$ 0</u>	<u>\$ 9,069</u>	<u>\$ 24,190</u>
All Other Governmental Funds			
Reserved reported in:			
Reserved for debt service	\$ 76,143	\$ 13,489	\$ 13,767
Reserved for encumbrances	155,113	149,569	189,578
Reserved for advances to other funds	79,215	86,002	41,023
Unreserved	353,789	402,889	416,568
Total all other governmental funds	<u>\$ 664,260</u>	<u>\$ 651,949</u>	<u>\$ 660,936</u>

<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, 2014

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**Financial Trends**

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

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

State of Kansas  
**Statistical Section**  
June 30, 2014

**Financial Trends**

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

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

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

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

State of Kansas  
**Statistical Section**  
June 30, 2014

**Financial Trends**

**Changes in Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

*(expressed in thousands)*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	6,625,408	\$ 6,207,094	\$ 7,032,605	\$ 7,474,894	\$ 7,637,721	\$ 7,144,913
	845,364	704,012	752,092	758,369	871,562	922,162
	3,580,727	4,486,248	4,723,639	3,955,974	3,780,418	3,955,175
	17,821	29,636	42,170	9,394	31,200	47,697
	240,323	260,349	213,449	319,926	435,276	382,441
	<u>11,309,643</u>	<u>11,687,339</u>	<u>12,763,955</u>	<u>12,518,557</u>	<u>12,756,177</u>	<u>12,452,388</u>
	1,082,627	991,136	1,052,688	1,120,050	668,180	743,637
	3,697,593	3,777,533	4,040,706	2,741,155	2,697,933	2,632,279
	5,185,294	5,026,615	5,090,986	5,015,177	5,132,786	5,207,568
	755,762	779,411	720,548	614,237	631,164	635,851
	126,182	108,018	114,677	124,041	130,156	128,294
	1,010,200	988,028	1,022,332	1,101,841	1,042,855	1,026,126
	227,159	233,173	259,139	1,426,387	2,134,837	2,286,017
	0	0	0	0	0	0
	134,367	190,938	187,832	204,455	238,498	222,209
	146,375	141,200	153,293	146,679	140,544	139,887
	<u>12,365,559</u>	<u>12,236,052</u>	<u>12,642,201</u>	<u>12,494,022</u>	<u>12,816,953</u>	<u>13,021,868</u>
	(1,055,916)	(548,713)	121,754	24,535	(60,776)	(569,480)
	117,248	561,972	370,053	178,448	554,016	59,963
	0	0	0	0	0	11,777
	0	0	0	0	0	5,644
	0	0	0	0	0	58,550
	0	0	0	0	0	7,909
	0	0	0	0	0	(53,095)
	84,246	86,169	75,071	129,104	170,825	177,054
	0	0	0	0	(100,489)	0
	0	(87,359)	0	0	0	0
	<u>201,494</u>	<u>560,782</u>	<u>445,124</u>	<u>307,552</u>	<u>624,352</u>	<u>267,802</u>
\$	<u>(854,422)</u>	<u>\$ 12,069</u>	<u>\$ 566,878</u>	<u>\$ 332,087</u>	<u>\$ 563,576</u>	<u>\$ (301,678)</u>
	2.27%	2.71%	2.70%	2.81%	3.02%	2.85%

State of Kansas  
**Statistical Section**  
 June 30, 2014

**Revenue Capacity**

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

*(expressed in thousands)*

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

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

State of Kansas  
**Statistical Section**  
June 30, 2014

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**Revenue Capacity**

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

*(expressed in thousands)*

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

State of Kansas  
**Statistical Section**  
June 30, 2014

**Debt Capacity**

**Long Term Obligations**

**Last Ten Fiscal Years**

*(Expressed in thousands)*

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

State of Kansas  
**Statistical Section**  
June 30, 2014

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

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 2,744,828	\$ 2,861,825	\$ 3,077,604	\$ 3,066,913	\$ 2,726,723	\$ 2,681,470
156,196	208,425	225,548	192,045	139,662	105,033
26,655	25,843	20,031	18,399	63,100	15,350
130,533	138,821	129,089	114,926	97,515	91,027
385	400	827	136	136	190
85,920	87,216	88,797	88,501	102,385	154,457
134,386	129,921	126,241	120,131	118,656	120,831
26,626	36,270	47,188	51,998	55,079	58,631
81,092	70,936	73,660	69,152	63,575	65,678
<u>3,386,621</u>	<u>3,559,657</u>	<u>3,788,985</u>	<u>3,722,201</u>	<u>3,366,831</u>	<u>3,292,667</u>
765,976	749,001	767,878	620,153	474,771	452,317
0	0	0	0	0	0
2,885	1,254	173	176	196	190
0	88,159	170,821	4,602	50,209	0
218,332	215,402	221,160	199,234	200,180	198,631
72	68	73	68	75	89
155	224	300	343	378	412
17,115	17,697	17,597	17,093	12,992	11,965
<u>1,004,535</u>	<u>1,071,805</u>	<u>1,178,002</u>	<u>841,669</u>	<u>738,801</u>	<u>663,604</u>
705,223	700,808	691,971	667,137	619,256	809,260
146,517	174,530	217,034	263,592	262,421	333,000
14,147	14,568	13,616	11,761	11,991	9,380
123	98	51	46	49	51
61,943	65,691	69,101	73,516	68,897	78,918
20,068	30,404	41,794	48,078	56,415	64,993
0	4,000	3,700	1,200	0	0
111,701	110,928	61,395	54,711	48,676	252,759
<u>1,059,722</u>	<u>1,101,027</u>	<u>1,098,662</u>	<u>1,120,041</u>	<u>1,067,705</u>	<u>1,548,361</u>
<u>\$ 5,450,878</u>	<u>\$ 5,732,489</u>	<u>\$ 6,065,649</u>	<u>\$ 5,683,911</u>	<u>\$ 5,173,337</u>	<u>\$ 5,504,632</u>

State of Kansas  
**Statistical Section**  
 June 30, 2014

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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)
2005	2,744,687	32,948	36.1	-	466,037	5.3%
2006	2,764,075	34,743	36.0	-	465,374	4.7%
2007	2,775,997	36,483	36.7	-	465,135	4.8%
2008	2,802,134	37,978	36.2	-	471,263	4.4%
2009	2,818,747	38,886	35.9	-	503,229	7.2%
2010	2,853,118	37,916	36.0	-	478,897	6.9%
2011	2,871,238	37,418	36.1	13.28	511,258	6.7%
2012	2,885,905	40,883	36.1	-	507,259	6.0%
2013	2,893,957	43,916	36.0	-	480,149	5.8%
2014	(6)	(6)	(6)	(6)	487,317	5.1%

**Data Sources:**

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

State of Kansas  
**Statistical Section**  
June 30, 2014

**Demographic and Economic Information**

**Principal Employers in Kansas**

**Current Year and Ten Years Ago**

Employer	2014			2005		
	Local/Total Employees	Rank	Percentage of Total Employment	Local/Total Employees	Rank	Percentage of Total Employment
State Government (actual & excludes Regents)	22,357 / 22,357	1	1.50%	25,058 / 25,058	1	1.71%
KU and KUMC	7,974 / 7,974	2	0.47%	7,085 / 7,085	2	0.48%
Cessna Aircraft Corporation	6,200 / 8,600	3	0.42%	-	-	-
Royal Caribbean Cruises Ltd.	4,900 / 4,900	4	0.33%	-	-	-
B & V - Baker Guam JV	4,500 / 4,500	5	0.30%	-	-	-
Railcrew Xpress	4,500 / 4,500	6	0.30%	-	-	-
Shawnee Mission Unified School District	4,087 / 4,087	7	0.28%	-	-	-
Via Christi Hospitals Wichita, Inc.	4,000 / 4,100	8	0.27%	4,000 / 4,100	5	0.27%
Wichita State University	3,380 / 3,395	9	0.23%	-	-	-
Kansas State University	3,000 / 5,168	10	0.20%	-	-	-
Raytheon Aircraft Company	-	-	-	9,000 / 16,000	3	0.62%
Spirit Aerosystems Inc.	-	-	-	8,000 / 8,000	4	0.55%
Stormont-Vail Healthcare, Inc.	-	-	-	3,748 / 4,778	6	0.26%
University Kansas Hospital Authority	-	-	-	2,750 / 2,750	7	0.19%
Koch Industries, Inc.	-	-	-	2,000 / 30,000	8	0.14%
Coleman Company Inc.	-	-	-	2,000 / 2,750	9	0.14%
Conspec Marketing & Mfg. Co.	-	-	-	1,900 / 1,900	10	0.13%
Total	<u>64,898 / 69,581</u>		<u>4.30%</u>	<u>65,541 / 102,421</u>		<u>4.49%</u>

Source: Dun & Bradstreet Corporation, Million Dollar Databases, Dun & Bradstreet, and Kansas Department of Labor at <http://www.dol.ks.gov>. The base numbers used to calculate the percentages are the average numbers of the total civilian Labor Force from FY2014 and FY2005 respectively.

State of Kansas  
**Statistical Section**  
June 30, 2014

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

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

State of Kansas  
**Statistical Section**  
June 30, 2014

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**Operating Information**

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

**Last Ten Fiscal Years**

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<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
5,786	5,646	5,635	5,293	5,219
5,129	4,992	4,941	4,824	5,409
18,375	18,340	18,368	17,918	18,405
3,151	3,161	3,114	2,900	2,737
1,342	1,329	1,281	1,251	1,291
<u>8,313</u>	<u>8,209</u>	<u>8,184</u>	<u>6,975</u>	<u>6,984</u>
<u>42,096</u>	<u>41,667</u>	<u>41,523</u>	<u>39,161</u>	<u>40,045</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 15, 2014. Our report includes a reference to other auditors who audited the financial statements of the various component units of the six state universities, the Kansas Development Finance Authority (KDFA), the Kansas Housing Resources Corporation (KHRC), the Kansas Bioscience Authority (KBA), Kansas Turnpike Authority (KTA) Kansas Lottery and Kansas Universal Services (reported within the State Regulatory Boards and Commission Fund) as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the various component units of the six state universities were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a

deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as 2014-001, 2014-002 and 2014-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as 2014-003, 2014-004, and 2014-005 to be significant deficiencies.

### **Compliance and Other Matters**

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

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

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



### **CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
December 15, 2014

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

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### **2014 – 001, Deposit and Investment Reconciliation**

#### **Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Condition:** The State holds many individual deposit and investment accounts. The management and accounting for such accounts is highly decentralized. The majority of accounts are maintained by either the State Treasurer's Office (STO) or the Kansas Public Employee Retirement System (KPERs), though certain individual agencies maintain their own accounts as well. While the Department of Administration (DOA) has the ultimate responsibility for accurately reporting the deposit and investment accounts in accordance with generally accepted accounting principles, DOA is heavily reliant on other state agencies in fulfilling that responsibility.

The State's primary pooled cash is held by the STO and the Pooled Money Investment Board (PMIB). The STO utilizes a "top sheet" to summarize and track its deposits and investments. DOA then utilizes the "top sheet" to make necessary adjustments to SMART. However, we noted that not all balances on the top sheet are reconciled from a third party bank statement to SMART on a monthly basis. Further, certain balances on the "top sheet" are reported at fair market value, and certain balances are reported at historical cost and require subsequent fair market value adjustments by DOA. Finally, we noted the "top sheet" included balances that had been either transferred or loaned to other State agencies, or loaned to third party entities.

Related to the State's primary operating account, we noted that outstanding checks were not reviewed to identify old checks that should be escheated to the State's unclaimed property.

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

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

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

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

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

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

**Recommendation:** We recommend the State review its existing process to report deposits and investments and make revisions to ensure that all balances are reconciled from third party bank statements to SMART on a monthly basis and that reconciling items are reviewed for accuracy. The revised process should be documented and included in a written policy.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** The Department of Administration and State Treasurers Office will work together to revise the process and implement accordingly.

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

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

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

## **2014 – 002, Audit Preparation**

### **Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Condition:** In performing the fiscal year 2014 audit of the State's Comprehensive Annual Financial Report (CAFR), we experienced delays in receiving certain audit supporting schedules, including a draft CAFR. In addition, numerous revisions were required of the supporting schedules and draft CAFR once received.

CliftonLarsonAllen (CLA) received the initial CAFR draft approximately 2 weeks after the contractual deadline (see below). The initial draft did not include footnotes or various other necessary schedules, and required numerous and significant revisions through the first week of December.

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

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

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

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

**Cause:** The State's accounting function is highly decentralized, in that the DOA is reliant on various State agencies, departments and components to provide accurate financial information necessary to draft the CAFR. Due to the decentralization, the DOA does not have an effective process to coordinate receipt of information from the agencies, departments and components. If the financial information is not received on a timely basis, the DOA lacks the necessary resources to adequately review and assess the information to meet the statutory requirements.

**Recommendation:** We recommend the DOA re-evaluate the process by which it obtains and reviews the information necessary to draft and review the State's CAFR prior to the start of the audit.

In addition, we recommend the State identify audit supporting schedules that can be prepared well in advance of the start of the audit (or as soon as the information becomes available). Examples may include budget schedules, analysis of claims, judgments and contingent

liabilities, and certain required disclosures related to bonds, compensated absences, capital leases, deposits and investments.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

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

**Responsible party:** DeAnn Hill, Chief Financial Officer – 785.368.7390

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

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

**2014 – 003, Workers' Compensation Liability**

**Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** The State operates a program that provides certain workers' compensation benefits for employees of Kansas employers. The plan does not relate to the State's self-insured workers' compensation plan for State employees.

In 2002, the State obtained an actuarial valuation to estimate the workers' compensation liability and to project claims expense and benefit payments through 2030. The State has not obtained an updated actuarial valuation since 2002.

In calculating the year-end workers' compensation liability each year, the State utilizes the annual estimates of claims expense and benefit payments, provided in the 2002 actuarial valuation. However, we noted the State has incorrectly applied the 2002 projections in calculating the year-end liability. Specifically, the State uses the 2002 liability as a starting point (as opposed to the prior year liability), in calculating the liability each year. In addition, we note the State is discounting the liability based on a present value discount factor determined in 2002. Given the changes in projected payments on claims, relative to the claim date, the present value discount factor is expected to change annually.

We note the State does not have a policy regarding how frequently, or under what circumstances, it should obtain a revised actuarial valuation related to the workers' compensation program.

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

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

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

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

**Recommendation:** We recommend the State develop a policy regarding how frequently, or under what circumstances, it should obtain a revised actuarial valuation. While management has performed certain analysis to support the validity of the 2002 projections, it is difficult to accurately estimate the liability without a detailed and actuarial analysis of the claims outstanding, claims payment trends and changes in demographics of Kansas employees. Further, the policy should include procedures and guidance regarding how to apply estimates from the most recent actuarial valuation in estimating the liability. Specifically, the procedures should address the mechanics used to calculate the annual liability and how to apply a present value discount factor, as necessary.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** The DOA will work with the Insurance Commissioner to develop an appropriate method of estimating the liability which may include periodic actuarial studies.

**Responsible party:** DeAnn Hill, Chief Financial Officer – 785.368.7390

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

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

## **2014 – 004, Unclaimed Property Liability**

### **Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** The State receives and holds unclaimed (escheat) property, until such time the property owner claims the property. For the past several years, the State has recorded an estimated liability equal to one-third of the total unclaimed property balance held by the State. Management indicated the one-third calculation was likely estimated over 10 years ago and has been since carried forward. We note the use of a static calculation does not consider previous and current trends in amounts reclaimed and paid relative to amounts escheated. Further, the use of a static calculation does not adequately consider the “aging” of unclaimed property balances (balances outstanding for over 20 years have a much lower likelihood to be claimed than balances received in the last year).

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

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

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

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

**Recommendation:** While management improved its estimate of the State’s unclaimed property liability in the current year, we recommend management perform a more comprehensive analysis to calculate the liability as of June 30, 2015. We recommend the calculation give more consideration to the “aging” of unclaimed property balances. In addition, we recommend management develop a policy governing the annual unclaimed property liability calculation. A policy will ensure consistency in the methodology applied by management each year.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

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

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

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

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

**2014 – 005, Income Tax Receivable**

**Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** Throughout the year, the State collects individual income tax withholdings from employees throughout the State. Related to collections during the second half of the fiscal year (January through June), the State reports a June 30 liability for the portion it expects to refund to taxpayers the following Spring. Likewise, the State reports a June 30 receivable for amounts it expects to receive from annual filers the following Spring. The State developed a methodology to estimate the liability and receivable in the late 1990's and there has been no change since that time. Related to the State's estimation process, we note the following:

- The State does not have a process to retrospectively review the validity of its estimates based on actual results from the following Spring.
- The State bases its receivable estimate on receipts from the previous April. However, for the past two years, April receipts represent less than 60% of total receipts from annual filers. The remaining receipts from annual filers (primarily in March) are not considered in the current receivable estimation.
- The June 30 liability and receivable are estimated based on prior year actual data, which does not consider potential changes in state tax law that may impact filing trends in the current year.
- The June 30 liability and receivable are estimated based only on actual refunds and collections, respectively, from the most recent year, and do not consider actual data from previous years. For the past 3 years, there appears to be little consistency in refund and collection activity (year-to-year variances in excess of 45%), which could indicate that using the most recent year alone is not the most accurate estimate for the current year.

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

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

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

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

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

**Recommendation:** We recommend the State review, improve and document its procedures to estimate the individual income tax revenue liability and receivable. In addition, we recommend the State perform a retrospective review of annual results, compared to the prior year estimate, as a means to consider the need to amend the estimation process each year. Changes in state tax law should be considered each year for potential impacts to the liability and receivable.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

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

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

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

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

#### **2014 – 006, State University System Audit Preparation**

##### **Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Condition:** In performing the Fiscal Year 2014 audit of the State's CAFR, CLA proposed, and the State agreed with, material entries to the amounts initially presented in the Component Units' financial information, specifically related to the State University System.

**Criteria or specific requirement:** State Statute requires the annual financial statement audit over the CAFR be completed by December 31 each year. Per the contract, CLA is required to audit and provide an opinion on the CAFR, including an opinion over the Discretely Presented Component Units (DPCU) The DPCU includes the State University System and their various component units (Other Component Units).

The DOA is responsible for issuance of the CAFR. The State University System is responsible for reporting their annual financial information to the DOA for CAFR preparation purposes. The DOA receives the State University System's and Other Component Units' financial information and, due to its required inclusion in the State's CAFR, reports the information in compliance with Generally Accepted Accounting Principles (GAAP).

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

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

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

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

**Recommendation:** We recommend the DOA re-evaluate the process by which financial information from the State University System is obtained and recorded for inclusion in the CAFR. The State University System should be required to submit to DOA complete financial statements, including their component units, with all eliminations made, on the States timeline to meet its statutory requirements. The State University System has a GAAO reporting group that comprises various members of the accounting staffs of the universities. This group should undergo additional training to ensure proper financial reporting by the State University System members.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

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

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

**Responsible party:** Elaine Frisbie, Kansas Board of Regents

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

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

**STATE OF KANSAS**  
**Topeka, Kansas**

**OMB CIRCULAR A-133**  
**SINGLE AUDIT REPORT**  
**June 30, 2014**

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 15, 2014. Our report includes a reference to other auditors who audited the financial statements of the various component units of the six state universities, the Kansas Development Finance Authority (K DFA), the Kansas Housing Resources Corporation (KHRC), the Kansas Bioscience Authority (KBA), Kansas Turnpike Authority (KTA) Kansas Lottery and Kansas Universal Services (reported within the State Regulatory Boards and Commission Fund) as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the various component units of the six state universities were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as 2014-001, 2014-002 and 2014-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as 2014-003, 2014-004, and 2014-005 to be significant deficiencies.

### **Compliance and Other Matters**

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

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

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
December 15, 2014



**Independent Auditors' Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each Major Federal Program and on  
Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards  
in Accordance with OMB Circular A-133**

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

**Report on Compliance for Each Major Federal Program**

We have audited the State of Kansas' (the State) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2014. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The State's basic financial statements include the operations of the six state universities, whose various component units received federal awards which are not included in the schedule of expenditures of federal awards during the year ended June 30, 2014. Our audit, described below, did not include the operations of various component units of the State, including component units of the six state universities because the university component units engage other auditors to perform audits in accordance with *OMB Circular A-133*. The schedule of expenditures of federal awards does include the federal awards received by the Kansas Housing Resources Corporation, which is a component unit of the State.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

### ***Basis for Qualified Opinion on Foster Care – Title IV-E***

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding Subrecipient Monitoring that are applicable to its Foster Care – Title IV-E program, CFDA 93.658, as described in finding number 2014-008. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

### ***Qualified Opinion on Foster Care – Title IV-E***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Foster Care – Title IV-E program for the year ended June 30, 2014.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-007, 2014-009, 2014-010, 2014-011, 2014-012, 2014-013, 2014-014, 2014-016, 2014-017, 2014-018, 2014-019, 2014-020, 2014-021, 2014-022, 2014-023, 2014-024, 2014-025, 2014-026, 2014-027, 2014-028, 2014-029, 2014-030, 2014-031, 2014-032, and 2014-033. Our opinion on each major federal program is not modified with respect to these matters

The State's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed

below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-007, 2014-008, 2014-009, 2014-015, and 2014-023 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-010, 2014-011, 2014-012, 2014-013, 2014-014, 2014-016, 2014-017, 2014-018, 2014-019, 2014-020, 2014-021, 2014-022, 2014-024, 2014-025, 2014-026, 2014-027, 2014-028, 2014-029, 2014-030, 2014-031, 2014-032, and 2014-033 to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of State of Kansas as of and for the year ended June 30, 2014, and have issued our report thereon dated December 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Broomfield, Colorado

March 3, 2015 except for the Schedule of

Expenditures of Federal Awards which is dated December 15, 2014

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
<b>U. S. Department of Agriculture</b>			
<b>Direct Award</b>			
SNAP Cluster:			
Supplemental Nutrition Assistance Program	10.551	\$ 2,073	
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	21,860,031	359,656
<b>Total SNAP Cluster</b>		21,862,104	359,656
Research and Development Programs Cluster:			
Cibola National Forest/Kansas State University 10.25 Challenge Cost Share Grant, 2009 at Kiowa/Rita Blanca National Grassland	10.000	6,287	
Soil Microbial Community Composition in a Long-Term, Prescribed Fire Study on the Georgia Piedmont	10.000	13,273	
Memorandum of Agreement between USDA APHIS and KSU	10.000	13,665	
Impacts of Large-Scale Forest Loss on Stream Channel Form, Process and Sedimentation	10.000	12,496	
Establishment of Hardwood Seed Orchards from Existing Genetic Plantings in Kansas	10.000	1,636	
Development of New Treatment Options for Khapra Beetle, Trogoderma Granarium	10.000	55,459	
Agricultural Research Basic and Applied Research Plant and Animal Disease, Pest Control, and Animal Care	10.001	2,412,974	89,908
Federal-State Marketing Improvement Program	10.156	50,268	
Transportation Services	10.167	10,112	
Grants for Agricultural Research, Special Research Grants	10.200	1,398,722	327,651
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	6,392,278	
Grants for Agricultural Research Competitive Research Grants	10.206	786,697	741,770
Higher Education - Graduate Fellowships Grant Program	10.210	79,351	
Higher Education - Institution Challenge Grants Program	10.217	264,096	83,543
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations Integrated Programs	10.250	7,092	
Homeland Security Agricultural	10.303	682,824	294,279
Agriculture and Food Research Initiative (AFRI)	10.304	480,155	199,938
Biomass Research and Development Initiative Competitive Grants Program (BRDI)	10.310	1,938,209	521,535
Rural Community Development Initiative	10.312	1,197,073	376,677
Rural Community Development Initiative	10.446	84,075	
Commodity Partnerships for Small Agricultural Risk Management Education Sessions	10.459	75,989	
Cooperative Extension Service	10.500	6,507,122	23,539
FNS Food Safety Grants	10.585	727,789	
Novel Sorghum Based Fortified Food Blend for Infants and Young Children Nutrition	10.600	1,015,689	50,000
Cooperative Forestry Assistance	10.664	39,328	
Rural Business Enterprise Grants	10.769	49,341	3,000

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Norman E. Borlaug International Agricultural Science and Technology Fellowship	10.777	17,524	
Technical Agricultural Assistance	10.960	629,111	
Scientific Cooperation and Research	10.961	19,893	
<b>Total Research and Development Programs Cluster</b>		25,021,626 *	2,711,840
<b>Not Clustered</b>			
Pseudorabies Surveillance	10.000	3,355	
Soil Science Institute at Kansas State University	10.000	801	
Swine Surveillance	10.000	11,174	
Plant and Animal Disease, Pest Control, and Animal Care	10.025	353,163	
Commodity Loans and Loan Deficiency Payments	10.051	50,038	
Wetlands Reserve Program	10.072	4,797	
Specialty Crop Block Grant Program	10.169	133,453	
Organic Certification Cost Share Programs	10.171	66	
Higher Education - Graduate Fellowships Grant Program	10.210	45,733	
Higher Education - Institution Challenge Grants Program	10.217	223,240	115,346
Agriculture and Food Research Initiative (AFRI)	10.310	1,324,735	802,161
Women and Minorities in Science, Technology, Engineering and Mathematics (STEM) Fields	10.318	22,534	
Farm Business Management and Benchmarking Competitive Grants Program	10.319	86,125	42,751
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326	13,765	
State Mediation Grants	10.435	284,751	
Risk Management Education Partnerships	10.460	59,398	
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	1,526,549	
Cooperative Extension Service	10.500	6,205,980	4,247,885
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	47,601,692	11,899,427
Child and Adult Care Food Program	10.558	33,484,808	32,946,211
State Administrative Expenses for Child Nutrition	10.560	2,229,195	
Team Nutrition Grants	10.574	347,068	
Farm to School Grant Program	10.575	100,000	
Senior Farmers Market Nutrition Program	10.576	124,159	95,895
Child Nutrition Discretionary Grants Limited Availability	10.579	442,819	76,705
Fresh Fruit and Vegetable Program	10.582	2,209,975	2,188,377
Cooperative Forestry Assistance	10.664	1,706,334	35,717
Solid Waste Management Grants	10.762	27,420	
Rural Business Enterprise Grants	10.769	109,376	23,676
Rangeland Management Lesser Prairie-Chicken Initiative	10.900	70,453	
Soil and Water Conservation	10.902	244,554	
Environmental Quality Incentives Program	10.912	278,735	
Agricultural Statistics Reports	10.950	144	
Scientific Cooperation and Research	10.961	182,459	133,836
Cochran Fellowship Program - International Training- Foreign Participant	10.962	181,847	
<b>Total Not Clustered</b>		99,690,695	52,607,987

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Food Distribution Cluster:			
Commodity Supplemental Food Program	10.565	296,948	265,461
Emergency Food Assistance Program (Administrative Costs)	10.568	529,297	
<b>Total Food Distribution Cluster</b>		826,245	265,461
Child Nutrition Cluster:			
School Breakfast Program	10.553	28,281,838	28,100,755
National School Lunch Program	10.555	115,263,926	114,475,967
Special Milk Program for Children	10.556	68,257	68,257
Summer Food Service Program for Children	10.559	3,344,044	3,108,756
<b>Total Child Nutrition Cluster</b>		146,958,065	145,753,735
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Food Deserts, Edible Landscapes, and Healthier Choices for Native People in Kansas	10.000	49,836	
Production of Advanced Biofuels from Salinity Tolerant Brown Midrib (BMR) Sorghum Genotypes	10.000	7,279	
Impact of Bioenergy Crops on Pests, Natural Enemies	10.000	36,549	
Agricultural Research Basic and Applied Research Grants for Agricultural Research, Special Research Grants	10.200	47,176	
Grants for Agricultural Research Competitive Research Grants	10.206	15,128	
Small Business Innovation Research	10.212	1,582	
Sustainable Agriculture Research and Education Higher Education - Institution Challenge Grants Program	10.217	21,623	
Integrated Programs	10.303	182,571	
Homeland Security Agricultural	10.304	84,075	
Agriculture and Food Research Initiative (AFRI)	10.310	3,877,422	
Beginning Farmer and Rancher Development Program	10.311	66,679	
Biomass Research and Development Initiative Competitive Grants Program (BRDI)	10.312	85,605	
Sun Grant Program	10.320	21,354	21,354
Cooperative Extension Service	10.500	56,665	1,854
Soil and Water Conservation	10.902	144,202	
Environmental Quality Incentives Program	10.912	24,046	
<b>Total Research and Development Programs Cluster</b>		4,804,780 *	23,208
Not Clustered			
Product Stewardship Institute, Inc.	10.000	5,664	
Agricultural Research Basic and Applied Research Grants for Agricultural Research, Special Research Grants	10.200	640	
Sustainable Agriculture Research and Education Higher Education - Institution Challenge Grants Program	10.217	10,488	
Integrated Programs	10.303	34,965	
Cooperative Extension Service	10.500	77,277	
Cooperative Forestry Assistance	10.664	10,000	
<b>Total Not Clustered</b>		186,190	-
<b>Non-Monetary Award</b>			
SNAP Cluster:			
Supplemental Nutrition Assistance Program	10.551	415,915,365	
<b>Total SNAP Cluster</b>		415,915,365	-

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
Food Distribution Cluster:			
Commodity Supplemental Food Program	10.565	1,212,856	
Emergency Food Assistance Program (Administrative Costs)	10.568	3,995,885	
<b>Total Food Distribution Cluster</b>		5,208,741	-
<b>Total U. S. Department of Agriculture</b>		720,473,811	201,721,887
<b>U. S. Department of Commerce</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Economic Development Technical Assistance	11.303	258,088	
Economic Adjustment Assistance	11.307	565,719	
Measurement and Engineering Research and Standards	11.609	98,137	
<b>Total Research and Development Programs Cluster</b>		921,944 *	-
Not Clustered			
State and Local Implementation Grant Program	11.549	72,462	
State Broadband Data and Development Grant Program	11.558	800,344	
<b>Total Not Clustered</b>		872,806	-
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Weather Data Library Data Sets	11.000	50,879	
<b>Total Research and Development Programs Cluster</b>		50,879 *	-
<b>Total U. S. Department of Commerce</b>		1,845,629	-
<b>U. S. Department of Defense</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Ballistic Strength and Optimal Design of Single and Multi-Layer 3-D Fabrics	12.000	237,216	
Continuous, Wireless Monitoring of Sediment Flux at Multiple Low-Water Stream Crossings on Tank Trails	12.000	16,161	16,161
Environmental, Food and Agricultural Security Operations and Maintenance Activities and Research and Development	12.000	14,595	
Gas-Filled Optical Fiber-Based Frequency References for Portable Frequency Combs in the Near Infrared	12.000	154,887	
Infrastructure Support for the KSU Biosecurity Research Institute Facility (NCMI FY10 Research and Design)	12.000	538	
Basic and Applied Scientific Research	12.300	1,795,105	263,208
Military Medical Research and Development	12.420	589,784	85,087
Basic Scientific Research	12.431	1,037,855	
Air Force Defense Research Sciences Program	12.800	1,837,477	161,880
Mathematical Sciences Grants Program	12.901	11,005	
<b>Total Research and Development Programs Cluster</b>		5,694,623 *	526,336

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Not Clustered			
Kansas 2014 Operation: Military Kids	12.000	44,978	
Part-Time M.S. Program in Industrial Engineering - Summer 2012	12.000	12,043	
Advanced Strategic Planning and Policy Program	12.000	62,954	
Part-Time M.S. Program in Industrial Engineering - Spring 2013	12.000	16,284	
Operation: Military Kids Bridge Contract	12.000	49,790	
Brigade Spouse Courses at Fort Leavenworth-2012-2015	12.000	217,171	
Hired! Program Stipend-Child, Youth & School Services	12.000	792,927	
Army Youth-Development Project	12.000	28,614	
Kansas 2013 Operation: Military Kids	12.000	28,614	
Procurement Technical Assistance For Business Firms	12.002	319,546	
Navigation Projects	12.107	209,528	
State Memorandum of Agreement Program for Reimbursement of Technical Services	12.113	253,000	
Military Construction, National Guard	12.400	9,069,992	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	33,831,954	
National Guard ChalleNGe Program	12.404	617,973	
Community Economic Adjustment Assist. for Establishment, Expansion, Realignment or Closure of Military Installation	12.607	197,774	197,774
Information Security Grant Program	12.902	31,298	
<b>Total Not Clustered</b>		<b>45,755,826</b>	<b>197,774</b>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Voluntary Security Enhancements for the Research and Test Reactor at Kansas State University	12.000	1,628	
The Effect of Environmental and Storage Conditions on the Insulation Provided by PCU Jackets	12.000	24,600	
Simulation of the Dynamic Heating Process in Laser Assisted Machining	12.000	15,000	
Novel Biomass Conversion Process for Production of Butylenes	12.000	63,177	
Metamaterials for Acoustic Cloaking	12.000	12,734	
Mapping Especially Dangerous Pathogens in Ukraine	12.000	30,670	
3D Woven Preform Design Code Simulation and Development	12.000	8,765	
Biomass Conversion	12.000	25,862	
Basic and Applied Scientific Research	12.300	93,133	
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351	46,990	
Military Medical Research and Development	12.420	34,444	
Basic Scientific Research	12.431	68,397	
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	23,625	
Invitational Grants for Military-Connected Schools	12.557	57,363	
Air Force Defense Research Sciences Program	12.800	150,546	
<b>Total Research and Development Programs Cluster</b>		<b>656,934</b> *	<b>-</b>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
Not Clustered			
Army Child Care In Your Neighborhood	12.000	442	
Child Development Center Quality Improvement Plan	12.000	121,766	
University Engineering Alliance Summit	12.000	10,000	
Mathematical Sciences Grants Program	12.901	2,000	
<b>Total Not Clustered</b>		<u>134,208</u>	-
<b>Total U. S. Department of Defense</b>		<u>52,241,591</u>	<u>724,110</u>
<b>U. S. Department of Housing and Urban Development</b>			
<b>Direct Award</b>			
Section 8 Project-Based Cluster:			
Section 8 Housing Assistance Payments Program	14.195	54,829,758	
<b>Total Section 8 Project-Based Cluster</b>		<u>54,829,758</u>	-
Not Clustered			
Emergency Solutions Grant Program	14.231	1,682,593	1,616,581
Supportive Housing Program	14.235	106,588	
HOME Investment Partnerships Program	14.239	4,994,011	2,080,744
<b>Total Not Clustered</b>		<u>6,783,192</u>	<u>3,697,325</u>
CDBG - State-Administered CDBG Cluster:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	16,151,009	15,397,187
<b>Total CDBG - State-Administered CDBG Cluster</b>		<u>16,151,009</u>	<u>15,397,187</u>
<b>Indirect Award</b>			
CDBG - State-Administered CDBG Cluster:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	158,529	
<b>Total CDBG - State-Administered CDBG Cluster</b>		<u>158,529</u>	-
<b>Total U. S. Department of Housing and Urban Development</b>		<u>77,922,488</u>	<u>19,094,512</u>
<b>U. S. Department of the Interior</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
National Register of Historic Places Thematic Nomination Late Prehistoric Sites of Lovewell Reservoir, Jewell County, Kansas	15.000	9,114	
Fish, Wildlife and Plant Conservation Resource Management	15.231	2,642	
Cultural Resources Management	15.511	62,806	
Fish and Wildlife Coordination Act	15.517	73,450	
Desert and Southern Rockies Landscape Conservation Cooperatives	15.557	51,344	
Sport Fish Restoration Program	15.605	538,180	
Wildlife Restoration	15.611	1,633,106	
Cooperative Endangered Species Conservation Fund	15.615	10,899	
State Wildlife Grants	15.634	906,292	153,775
Migratory Bird Monitoring, Assessment and Conservation	15.655	11,082	
National Fire Plan - Rural Fire Assistance	15.805	194,580	133,298
U.S. Geological Survey - Research and Data Collection	15.808	59,119	
Cooperative Research Units Program	15.812	263,071	
<b>Total Research and Development Programs Cluster</b>		<u>3,815,685</u> *	<u>287,073</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
Not Clustered			
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	83,185	
Abandoned Mine Land Reclamation (AMLR) Program	15.252	3,711,863	
Recreation Resources Management	15.524	40,364	
Fish and Wildlife Management Assistance	15.608	27,777	
Cooperative Endangered Species Conservation Fund	15.615	10,225	
North American Wetlands Conservation Fund	15.623	6,236	
Landowner Incentive Program	15.633	46,611	44,160
Historic Preservation Fund Grants-In-Aid	15.904	725,605	139,124
Outdoor Recreation - Acquisition, Development and Planning	15.916	377,919	100,000
National Trails System Projects	15.935	26,125	
Cooperative Research and Training Programs - Resources of National Park System	15.945	87,145	
<b>Total Not Clustered</b>		5,143,055	283,284
Fish and Wildlife Cluster:			
Sport Fish Restoration Program	15.605	4,267,056	
Wildlife Restoration	15.611	10,761,013	
<b>Total Fish and Wildlife Cluster</b>		15,028,069	-
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Linking Gut Microbiota Composition to Early-Life Development and Body Condition of Shorebird Chicks	15.000	35,862	
Decadal Changes in the Demography of Sandpipers Near Nome, Alaska	15.000	10,040	8,730
Environmental Quality and Protection Resource Management	15.236	5,999	
Cooperative Landscape Conservation	15.669	106,360	
<b>Total Research and Development Programs Cluster</b>		158,261 *	8,730
<b>Total U. S. Department of the Interior</b>		24,145,070	579,087
<b>U. S. Department of Justice</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	(32)	
State Justice Statistics Program for Statistical Analysis Centers	16.550	50,556	
<b>Total Research and Development Programs Cluster</b>		50,524 *	-

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

Federal Grantor/Program	CFDA Number	Expenditures	Funds passed to Subrecipient
<b>Not Clustered</b>			
Marijuana Eradication	16.000	48,119	
Sexual Assault Services Formula Program	16.017	262,322	249,911
Juvenile Accountability Block Grants	16.523	453,807	308,223
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	425,450	303,828
Title V-Delinquency Prevention Program	16.548	30,298	30,298
National Criminal History Improvement Program (NCHIP)	16.554	156,239	
Crime Victim Assistance	16.575	3,874,142	3,735,101
Crime Victim Compensation	16.576	2,289,232	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	65,931	
Crime Victim Assistance/Discretionary Grants	16.582	28,888	
Violence Against Women Formula Grants	16.588	1,362,399	1,009,915
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	261,598	94,191
Residential Substance Abuse Treatment for State Prisoners	16.593	143,546	
State Criminal Alien Assistance Program	16.606	293,783	
Bulletproof Vest Partnership Program	16.607	86	
Public Safety Partnership and Community Policing Grants	16.710	242,782	
Enforcing Underage Drinking Laws Program	16.727	49,478	18,828
Protecting Inmates and Safeguarding Communities Discretionary Grant Program	16.735	162,420	
DNA Backlog Reduction Program	16.741	404,442	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	65,997	62,983
Harold Rogers Prescription Drug Monitoring Program	16.754	69,060	
Second Chance Act Prisoner Reentry Initiative	16.812	970,448	8,534
John R. Justice Prosecutors and Defenders Incentive Act	16.816	36,139	30,969
Equitable Sharing Program	16.922	1,543,512	
<b>Total Not Clustered</b>		13,240,118	5,852,781
<b>JAG Program Cluster:</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,548,919	945,553
<b>Total JAG Program Cluster</b>		2,548,919	945,553
<b>Indirect Award</b>			
<b>Not Clustered</b>			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2,649	
Juvenile Mentoring Program	16.726	79,762	
<b>Total Not Clustered</b>		82,411	-
<b>Total U. S. Department of Justice</b>		15,921,972	6,798,334
 <b>U. S. Department of Labor</b>			
<b>Direct Award</b>			
<b>WIA Cluster:</b>			
WIA Adult Program	17.258	5,532,171	5,293,861
WIA Youth Activities	17.259	5,769,152	5,485,316
WIA Dislocated Worker Formula Grants	17.278	4,141,573	3,427,175
<b>Total WIA Cluster</b>		15,442,896	14,206,352

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Research and Development Programs Cluster:			
H-1B Job Training Grants	17.268	42,074	
<b>Total Research and Development Programs Cluster</b>		42,074 *	-
Not Clustered			
Labor Force Statistics	17.002	782,051	
Compensation and Working Conditions	17.005	117,433	
Unemployment Insurance	17.225	383,980,936	
Senior Community Service Employment Program	17.235	819,427	776,477
Trade Adjustment Assistance	17.245	4,809,557	
WIA Pilots, Demonstrations, and Research Projects	17.261	37,846	
H-1B Job Training Grants	17.268	1,248,553	1,183,859
Work Opportunity Tax Credit Program (WOTC)	17.271	227,930	
Temporary Labor Certification for Foreign Workers	17.273	112,248	
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	194,240	187,777
Workforce Investment Act (WIA) National Emergency Grants	17.277	189,106	181,024
Workforce Investment Act (WIA) Dislocated Worker National Reserve Technical Assistance and Training	17.281	23,541	
Occupational Safety and Health - Susan Harwood Training Grants	17.502	52,066	
Consultation Agreements	17.504	638,738	
Veterans' Employment Program	17.802	30,771	
<b>Total Not Clustered</b>		393,264,443	2,329,137
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	6,143,974	476,688
Disabled Veterans' Outreach Program (DVOP)	17.801	995,509	
Local Veterans' Employment Representative Program	17.804	429,660	
<b>Total Employment Service Cluster</b>		7,569,143	476,688
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
National Aviation Consortium	17.000	305,176	
Soaring To Success - North Idaho College - Evaluation	17.000	43,163	
Occupational Safety and Health - Susan Harwood Training Grants	17.502	16,798	
<b>Total Research and Development Programs Cluster</b>		365,137 *	-
Not Clustered			
H-1B Job Training Grants	17.268	244,148	
<b>Total Not Clustered</b>		244,148	-
<b>Total U. S. Department of Labor</b>		416,927,841	17,012,177
<b>U. S. Department of State</b>			
<b>Direct Award</b>			
Not Clustered			
Academic Exchange Programs - Undergraduate Programs	19.009	174,731	
<b>Total Not Clustered</b>		174,731	-
<b>Total U. S. Department of State</b>		174,731	-

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
<b>U. S. Department of Transportation</b>			
<b>Direct Award</b>			
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	1,795,771	1,566,603
Job Access - Reverse Commute	20.516	388,616	486,598
New Freedom Program	20.521	158,031	208,557
<b>Total Transit Services Programs Cluster</b>		<b>2,342,418</b>	<b>2,261,758</b>
Research and Development Programs Cluster:			
Implementation of the 2002 AASHTO Design Guide for Pavement Structures	20.000	119,398	
University Transportation Center Tier II, Grant No. DTRT06-G-0030 Matching Project	20.000	190,918	
Aviation Educational - DELETE	20.100	21,645	
Aviation Research Grants	20.108	447,373	
Air Transportation Centers of Excellence	20.109	1,465,272	
Highway Research and Development Program	20.200	5,000	
Quantifying the Effect of Prestressing Steel and Concrete Variables on the Transfer Length in Pretensioned Concrete Crossties	20.300	331,535	
Railroad Research and Development	20.313	490,680	267,812
<b>Total Research and Development Programs Cluster</b>		<b>3,071,821</b> *	<b>267,812</b>
Not Clustered			
Airport Improvement Program	20.106	100,481	
Highway Training and Education	20.215	87,869	25,919
National Motor Carrier Safety	20.218	3,659,676	
Performance and Registration Information Systems Management	20.231	69,249	
Commercial Driver License Program Improvement Grant	20.232	138,981	
Commercial Vehicle Information Systems and Networks	20.237	1,874,294	
Metropolitan Transportation Planning	20.505	2,504,193	2,397,667
Formula Grants for Rural Areas	20.509	9,651,117	9,103,098
State Planning and Research	20.515	70,789	50,721
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	43,306	127,107
National Priority Safety Program	20.616	44,139	
Pipeline Safety Program State Base Grant	20.700	305,960	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	459,542	363,556
State Damage Prevention Program Grants	20.720	76,346	
PHMSA Pipeline Safety Program One Call Grant	20.721	58,871	
Surface Transportation Infrastructure - Discretionary Grants for Capital Investments II	20.933	5,973,202	7,366
<b>Total Not Clustered</b>		<b>25,118,015</b>	<b>12,075,434</b>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
Highway Safety Cluster:			
State and Community Highway Safety	20.600	3,447,176	1,770,529
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	1,161,637	274,398
Occupant Protection Incentive Grants	20.602	304,763	66,019
Safety Belt Performance Grants	20.609	471,019	
State Traffic Safety Information System Improvement Grants	20.610	803,988	
Incentive Grant Program to Prohibit Racial Profiling	20.611	172,539	
Incentive Grant Program to Increase Motorcyclist Safety	20.612	304,147	60,254
Child Safety and Child Booster Seats Incentive Grants	20.613	316,237	22,725
<b>Total Highway Safety Cluster</b>		<u>6,981,506</u>	<u>2,193,925</u>
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	410,777,438	35,881,694
Recreational Trails Program	20.219	833,882	154,759
<b>Total Highway Planning and Construction Cluster</b>		<u>411,611,320</u>	<u>36,036,453</u>
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	300,884	256,607
<b>Total Federal Transit Cluster</b>		<u>300,884</u>	<u>256,607</u>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Highway Work Zone Capacity Estimation Using Field Data from Kansas	20.000	23,046	
University Transportation Centers Program	20.701	253,694	
Biobased Transportation Research	20.761	35,804	780
<b>Total Research and Development Programs Cluster</b>		312,544 *	780
<b>Total U. S. Department of Transportation</b>		<u>449,738,508</u>	<u>53,092,769</u>
<b>U. S. Department of the Treasury</b>			
<b>Direct Award</b>			
Not Clustered			
State Small Business Credit Initiative	21.000	3,370,854	3,342,118
<b>Total Not Clustered</b>		<u>3,370,854</u>	<u>3,342,118</u>
<b>Total U. S. Department of the Treasury</b>		<u>3,370,854</u>	<u>3,342,118</u>
<b>U. S. Equal Employment Opportunity Commission</b>			
<b>Direct Award</b>			
Not Clustered			
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	369,091	
<b>Total Not Clustered</b>		<u>369,091</u>	-
<b>Total U. S. Equal Employment Opportunity Commission</b>		<u>369,091</u>	-
<b>Federal Communications Commission</b>			
<b>Indirect Award</b>			
Not Clustered			
Universal Service for Schools and Libraries	32.000	2,723	
<b>Total Not Clustered</b>		<u>2,723</u>	-
<b>Total Federal Communications Commission</b>		<u>2,723</u>	-

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
<b>U. S. General Services Administration</b>			
<b>Direct Award</b>			
Not Clustered			
HAVA Title I	39.011	310,811	
<b>Total Not Clustered</b>	310811.000	<u>310,811</u>	<u>-</u>
<b>Non-Monetary Award</b>			
Not Clustered			
Donation of Federal Surplus Personal Property	39.003	3,691,166	2,996,104
<b>Total Not Clustered</b>		<u>3,691,166</u>	<u>2,996,104</u>
<b>Total U. S. General Services Administration</b>		<u>4,001,977</u>	<u>2,996,104</u>
<b>National Aeronautics and Space Administration</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Standardized "Pre-Flight" Exercise Tests to Predict Performance During Extravehicular Activities in a Lunar Environment	43.000	162,179	
Science	43.001	310,776	
Education	43.008	1,107,325	137,004
<b>Total Research and Development Programs Cluster</b>		<u>1,580,280</u> *	<u>137,004</u>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Acoustically Tailored Composite Rotocraft Fuselage Panels	43.000	16,550	
Economical Production of PU-238	43.000	16,993	
Impact of Spaceflight of Primary and Secondary Antibody Responses	43.000	5,809	
Aeronautics	43.002	24,648	
Education	43.008	15,720	
<b>Total Research and Development Programs Cluster</b>		<u>79,720</u> *	<u>-</u>
<b>Total National Aeronautics and Space Administration</b>		<u>1,660,000</u>	<u>137,004</u>
<b>Federal Council on the Arts and the Humanities / Institute of Museum and Library Services / National Endowment for the Arts / National Endowment for the Humanities/Peace Corps</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Museums for America	45.301	49,110	
<b>Total Research and Development Programs Cluster</b>		<u>49,110</u> *	<u>-</u>
<b>Not Clustered</b>			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	76,947	
Promotion of the Arts - Partnership Agreements	45.025	7,710	
Promotion of the Humanities - Challenge Grants	45.130	664,321	
Museums for America	45.301	150,001	
Conservation Project Support	45.303	26,789	
Grants to States	45.310	2,009,578	1,138,244
Laura Bush 21st Century Librarian Program	45.313	171,052	
<b>Total Not Clustered</b>		<u>3,106,398</u>	<u>1,138,244</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
NEH Faculty Enhancement Award in Military History	45.000	22,586	
<b>Total Research and Development Programs Cluster</b>		22,586 *	-
Not Clustered			
Promotion of the Humanities - We the People	45.168	93,265	
<b>Total Not Clustered</b>		93,265	-
<b>Total Federal Council on the Arts and the Humanities / Institute of Museum and Library Services / National Endowment for the Arts / National Endowment for the Humanities/Peace Corps</b>		3,271,359	1,138,244
<b>National Science Foundation</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
National Science Foundation - Intergovernmental Personnel Act	47.000	260,907	
Engineering Grants	47.041	1,841,317	
Mathematical and Physical Sciences	47.049	1,565,241	
Geosciences	47.050	572,920	16,232
Computer and Information Science and Engineering	47.070	1,281,345	10,197
Biological Sciences	47.074	4,433,293	968,119
Social, Behavioral, and Economic Sciences	47.075	290,178	26,266
Education and Human Resources	47.076	2,685,734	
Polar Programs	47.078	80,141	
Office of International and Integrative Activities	47.079	1,520	
Office of Cyber Infrastructure	47.080	99,616	
Trans-NSF Recovery Act Research Support - ARRA	47.082	187,596	
<b>Total Research and Development Programs Cluster</b>		13,299,808 *	1,020,814
Not Clustered			
Mathematical and Physical Sciences	47.049	4,793	
Computer and Information Science and Engineering	47.070	17,902	
Education and Human Resources	47.076	190,033	
<b>Total Not Clustered</b>		212,728	-
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Oklahoma EPScoR Evaluation	47.000	3,206	
Music, Signals & Systems: A Multi-Campus, Cross-Disciplinary Proposal for Inclusive General Education	47.000	31,568	
Neon Domain 6 - Prairie Peninsula, Core Tower, Relocatable Tower and Core Aquatic Site	47.000	3,858	
Evaluation Services, Track 1 Experimental Program to Stimulate Competitive Research	47.000	98,273	
Quarknet	47.000	13,908	
REU Site: Operation Etank: Moving Toward a Sustainable World	47.000	1,875	
Investigating the Co2 Exchange in a Tall-Grass Prairie Ecosystem Using an Analytical Lagrangian Dispersion Analysis and Stable Isotopes	47.000	602	
Evaluating Broadening Participation in Computing Alliances BPC Program	47.000	15,230	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Adaptive Analog Nonlinear Circuits for Improving Properties of Electronic Devices	47.000	46,619	
Agro ecological Annotation of Gene Function and Computational Analysis of Gene Networks	47.000	244,392	
Evaluation Services, Track 2 EPScoR, Research and Education Cyber infrastructure Investments to Develop the Coastal Hazards Collaboratory in the Northern Gulf Coast	47.000	13,286	
Engineering Grants	47.041	118,765	
Geosciences	47.050	46,955	
Biological Sciences	47.074	74,037	
Education and Human Resources	47.076	11,172	
Office of International and Integrative Activities	47.079	46,057	
Office of Experimental Program to Stimulate Competitive Research	47.081	1,813,283	120,632
Trans-NSF Recovery Act Research Support - ARRA	47.082	115,088	
<b>Total Research and Development Programs Cluster</b>		2,698,174 *	120,632
Not Clustered			
Education and Human Resources	47.076	1,300	
Office of Experimental Program to Stimulate Competitive Research	47.081	24,576	
<b>Total Not Clustered</b>		25,876	-
<b>Total National Science Foundation</b>		16,236,586	1,141,446
<b>U. S. Small Business Administration</b>			
<b>Direct Award</b>			
Not Clustered			
7(j) Technical Assistance	59.007	66,527	
Small Business Development Centers	59.037	1,301,812	352,980
State Trade and Export Promotion Pilot Grant Program	59.061	36,677	7,500
<b>Total Not Clustered</b>		1,405,016	360,480
<b>Total U. S. Small Business Administration</b>		1,405,016	360,480
<b>U. S. Department of Veterans Affairs</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Project 12.1.2. Creating Distance Learning Lean Training Exercises	64.000	40,508	
Telemental Health Appointment Optimization	64.000	27,920	
<b>Total Research and Development Programs Cluster</b>		68,428 *	-
Not Clustered			
Veterans State Domiciliary Care	64.014	1,348,448	
Veterans State Nursing Home Care	64.015	5,086,833	
State Cemetery Grants	64.203	125,933	
<b>Total Not Clustered</b>		6,561,214	-
<b>Total U. S. Department of Veterans Affairs</b>		6,629,642	-

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**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
<b>Environmental Protection Agency</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Environmental Finance Center Grants	66.203	111,152	
Regional Wetland Program Development Grants	66.461	439,854	
Greater Research Opportunities (GRO) Fellowships For Undergraduate Environmental Study	66.513	8,423	
Science To Achieve Results (STAR) Fellowship Program	66.514	7,228	
P3 Award: National Student Design Competition for Sustainability	66.516	4,806	
Pesticide Environmental Stewardship Regional Grants	66.714	17,188	
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	22,235	
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	644,361	5,978
		<hr/>	<hr/>
<b>Total Research and Development Programs Cluster</b>		1,255,247 *	5,978
<b>Not Clustered</b>			
Radon-Kit Project for Kansas Schools	66.000	85,154	
Air Pollution Control Program Support	66.001	1,917,028	454,702
State Indoor Radon Grants	66.032	155,572	
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	589,248	83,290
National Clean Diesel Emissions Reduction Program	66.039	2,753,049	2,652,886
State Clean Diesel Grant Program	66.040	155,376	130,716
Congressionally Mandated Projects	66.202	775	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	284,425	
State Underground Water Source Protection	66.433	326,769	
Urban Waters Small Grants	66.440	18,778	
Water Quality Management Planning	66.454	119,162	
Nonpoint Source Implementation Grants	66.460	3,710,454	1,914,390
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	320	
Performance Partnership Grants	66.605	3,623,854	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	160,575	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	321,934	
Pollution Prevention Grants Program	66.708	107,107	
Source Reduction Assistance	66.717	13,502	
Hazardous Waste Management State Program Support	66.801	1,157,877	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	908,314	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	412,275	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	717,166	
State and Tribal Response Program Grants	66.817	919,662	
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	65,878	
		<hr/>	<hr/>
<b>Total Not Clustered</b>		18,524,254	5,235,984

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
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<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Funds	66.468	25,074,270	23,519,380
<b>Total Drinking Water State Revolving Fund Cluster</b>		25,074,270	23,519,380
Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds	66.458	23,537,318	23,063,884
<b>Total Clean Water State Revolving Fund Cluster</b>		23,537,318	23,063,884
<b>Indirect Award</b>			
Not Clustered			
Pesticide Safety Education Program Support	66.000	7,384	
Training for the Nebraska State Radon Program 2013-14	66.000	5,000	
Community Action for a Renewed Environment (CARE) Program	66.035	18,917	
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act	66.424	144,099	
Nonpoint Source Implementation Grants	66.460	37,494	
<b>Total Not Clustered</b>		212,894	-
<b>Total Environmental Protection Agency</b>		68,603,983	51,825,226
 <b>U. S. Nuclear Regulatory Commission</b>			
<b>Indirect Award</b>			
Not Clustered			
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006	18,509	
<b>Total Not Clustered</b>		18,509	-
<b>Total U. S. Nuclear Regulatory Commission</b>		18,509	-
 <b>U. S. Department of Energy</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Research at Kansas State University into the Basic Nature of Matter, Energy, Space, and Time	81.000	63,947	
Intergovernmental Personnel Act Assignment	81.000	156,214	
Office of Science Financial Assistance Program	81.049	3,529,186	
Conservation Research and Development	81.086	111,618	
Renewable Energy Research and Development	81.087	46,472	
Nuclear Energy Research, Development and Demonstration	81.121	19,046	
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	14,231	
<b>Total Research and Development Programs Cluster</b>		3,940,714 *	-
Not Clustered			
State Energy Program	81.041	591,269	207,335
Weatherization Assistance for Low-Income Persons	81.042	2,570,011	2,340,639
Nuclear Energy Research, Development and Demonstration	81.121	8,598	
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	97,688	
<b>Total Not Clustered</b>		3,267,566	2,547,974
<b>Indirect Award</b>			

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<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
Research and Development Programs Cluster:			
Plant-Based Sesquiterpene Biofuels	81.000	133,079	
Testing of Small-Wind-Turbines at Regional Test Centers	81.000	71,609	47,345
Wind Turbine Data Systems Support	81.000	26,503	
Thin Film Hermetic Sealing & Compatibility for Ag TKN Paste	81.000	14,065	
Coordination of the US CMS Research Effort at the LHC Physics Center in the Area of Dileptons	81.000	42,944	
Technical Assistance on Compact Fission Chamber Development	81.000	13,819	
Senior Design Project Bearing Run-In Machine	81.000	6,497	
Advanced , Low Power, High Performance Processor Technology Research	81.000	35,686	
Advanced Thin Films on LTCC	81.000	7,149	
Characterization of Thin Film on LTCC Technologies	81.000	10,882	
Collegiate Wind Competition	81.000	26,463	
Electrical Test/Characterization of the Thin-Film Capacitors	81.000	16,948	
Fermilab Partial Salary Support for Dr. Sadia Khalil to Collaborate on the CMS Experiment	81.000	13,327	
Phase V Research and Development at Kansas State University	81.000	21,250	
High Frequency Characterization of Thin Film Metals on Low Temperature Co-Fired Ceramic	81.000	46,652	
IBSAL Simulation Work for High-Tonnage Logistics Project	81.000	56,271	
Interface Development for Thermal Battery Models	81.000	27,364	
LHC CMS Detector Upgrade FPIX Subsystem for 2014	81.000	78,157	
Office of Science Financial Assistance Program	81.049	235,627	
Regional Biomass Energy Programs	81.079	5,877	
Renewable Energy Research and Development	81.087	19,788	
Fossil Energy Research and Development	81.089	17,305	
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	35,127	
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	22,423	
Industrial Carbon Capture and Storage (CCS) Application	81.134	54,053	
		1,038,865	47,345
<b>Total Research and Development Programs Cluster</b>		1,038,865 *	47,345
<b>Total U. S. Department of Energy</b>		8,247,145	2,595,319
<b>U. S. Department of Education</b>			
<b>Direct Award</b>			
TRIO Cluster:			
TRIO - Student Support Services	84.042	1,429,574	
TRIO - Talent Search	84.044	744,084	
TRIO - Upward Bound	84.047	1,432,822	
TRIO - Educational Opportunity Centers	84.066	258,998	
TRIO - McNair Post-Baccalaureate Achievement	84.217	423,026	
<b>Total TRIO Cluster</b>		4,288,504	-
Teacher Quality Partnership Grants Cluster:			
Teacher Quality Partnership Grants	84.336	1,055,039	328,956

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Federal Grantor/Program	CFDA Number	Expenditures	Funds passed to Subrecipient
<b>Total Teacher Quality Partnership Grants Cluster</b>		1,055,039	328,956
Student Financial Assistance:			
Federal Supplemental Educational Opportunity Grants	84.007	2,155,798	
Federal Work-Study Program	84.033	3,502,497	
Federal Perkins Loan Program - Federal Capital Contributions	84.038	9,048,524	
Federal Pell Grant Program	84.063	85,510,354	
Federal Direct Loan UnSub	84.268	30,655,885	
Federal Direct Loan Sub	84.268	1,052,083	
Federal Direct Loans PLUS	84.268	4,816,585	
Federal Direct Student Loans	84.268	423,886,272	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	712,794	
Postsecondary Education Scholarships for Veteran's Dependents	84.408	2,540	
<b>Total Student Financial Assistance</b>		561,343,332	-
Statewide Data Systems Cluster:			
Statewide Data Systems	84.372	92,874	
Statewide Data Systems - ARRA	84.384	1,767,058	
<b>Total Statewide Data Systems Cluster</b>		1,859,932	-
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	106,822,667	102,725,190
Special Education - Preschool Grants	84.173	4,162,782	4,067,454
<b>Total Special Education Cluster (IDEA)</b>		110,985,449	106,792,644
School Improvement Grants Cluster:			
School Improvement Grants	84.377	3,420,321	3,317,771
School Improvement Grants - ARRA	84.388	1,075,053	1,075,053
<b>Total School Improvement Grants Cluster</b>		4,495,374	4,392,824
Research and Development Programs Cluster:			
Advancing 6-12 Science Achievement: Shifts in Next Generation Science Teacher Professional Development	84.000	75,046	
Exploration of KBOR and KSDE Data to Better Understand Participation, Retention and Graduation Patterns of ABE/GED Students Transitioning to Community College Programs	84.000	1,738	
Graduate Assistance in Areas of National Need	84.200	81,542	
Child Care Access Means Parents in School	84.335	40,377	
<b>Total Research and Development Programs Cluster</b>		198,703 *	-
Not Clustered			
FFA-YF/YFW Organization	84.000	995	
Eat Smart, Play Hard Videos	84.000	20,629	
FFA-YF/YFW Organization	84.000	33,178	
Kansas Educational Leadership Institute	84.000	19,497	
Adult Education - Basic Grants to States	84.002	3,670,919	3,148,362
Civil Rights Training and Advisory Services	84.004	692,746	
Title I Grants to Local Educational Agencies	84.010	100,373,234	99,677,501
Migrant Education - State Grant Program	84.011	11,364,168	11,171,053
Title I State Agency Program for Neglected and Delinquent Children	84.013	686,630	
Career and Technical Education - Basic Grants to States	84.048	9,974,814	8,908,474
Career and Technical Education - National Programs	84.051	356,462	253,951
Fund for the Improvement of Postsecondary Education	84.116	33,594	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	20,017,138	
Migrant Education - High School Equivalency Program	84.141	511,736	258,783
Migrant Education - Coordination Program	84.144	76,285	
Migrant Education - College Assistance Migrant Program	84.149	343,489	99,564
Business and International Education Projects	84.153	1,064	
Independent Living - State Grants	84.169	1,790,530	1,727,618
Rehabilitation Services- Independent Living Services for Older Individuals Who are Blind	84.177	338,099	338,099
Special Education - Grants for Infants and Families	84.181	4,199,055	3,271,460
Safe and Drug-Free Schools and Communities - National Programs	84.184	3,520,895	2,074,007
Safe and Drug-Free Schools and Communities - State Grants	84.186	500	(62)
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	300,000	
Project MERIT	84.195	58	
English Language Acquisition: National Professional Development Program	84.195	7,670	
Project TEACH	84.195	1,063	
Education for Homeless Children and Youth	84.196	428,600	355,999
Fund for the Improvement of Education	84.215	87,555	
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	32,275	
Charter Schools	84.282	1,527	
Twenty-First Century Community Learning Centers	84.287	15,064,425	14,774,245
Education Technology State Grants	84.318	1,744	
Special Education - State Personnel Development	84.323	1,749,334	1,403,425
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	120,396	
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	87,680	(200)
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3,233,240	460,000
Career Resource Network State Grant	84.346	10,837	
Rural Education	84.358	567,626	552,599
English Language Acquisition State Grants	84.365	4,258,452	3,624,413
Mathematics and Science Partnerships	84.366	1,088,863	442,397
Improving Teacher Quality State Grants	84.367	18,100,204	17,218,517
Grants for Enhanced Assessment Instruments	84.368	267,202	
Grants for State Assessments and Related Activities	84.369	4,823,920	
College Access Challenge Grant Program	84.378	1,419,216	280,500
National Assessment of Educational Progress	84.902	93,996	
<b>Total Not Clustered</b>		<b>209,771,540</b>	<b>170,040,705</b>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Magnet Schools Assistance	84.165	21,318	
Education Research, Development and Dissemination	84.305	43,858	
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	6,514	
School Leadership	84.363	81,762	
<b>Total Research and Development Programs Cluster</b>		153,452 *	-
Not Clustered			
Project Unlimited Proficiency	84.195	8,007	
Transition to Teaching	84.350	105,166	
<b>Total Not Clustered</b>		113,173	-
<b>Total U. S. Department of Education</b>		894,264,498	281,555,129
 <b>National Archives and Records Administration</b>			
<b>Indirect Award</b>			
Not Clustered			
National Historical Publications and Records Grants	89.003	18,861	
<b>Total Not Clustered</b>		18,861	-
<b>Total National Archives and Records Administration</b>		18,861	-
 <b>U.S. Election Assistance Commission</b>			
<b>Direct Award</b>			
Not Clustered			
Help America Vote Act Requirements Payments	90.401	572,462	
<b>Total Not Clustered</b>		572,462	-
<b>Total U.S. Election Assistance Commission</b>		572,462	-
 <b>U. S. Department of Health and Human Services</b>			
<b>Direct Award</b>			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	69,236,883	7,326,524
<b>Total TANF Cluster</b>		69,236,883	7,326,524
Student Financial Assistance:			
Nurse Faculty Loan Program (NFLP)	93.264	28,618	
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	123,904	
Nursing Student Loans	93.364	287,597	
<b>Total Student Financial Assistance</b>		440,119	-
Research and Development Programs Cluster:			
Program for Training and Consultation of CMHC Practitioners Delivering Intensive Home Based Family Therapy Services	93.000	11,450	
National Organizations of State and Local Officials	93.011	50,050	
Research Related to Deafness and Communication Disorders	93.173	410,696	
Mental Health Research Grants	93.242	213,138	
Alcohol Research Programs	93.273	18,711	
Drug Abuse and Addiction Research Programs	93.279	299,271	16,294
Research Infrastructure Programs	93.351	110,692	

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Nursing Research	93.361	20,553	
National Center for Research Resources	93.389	59,656	
Cancer Cause and Prevention Research	93.393	170,683	
Cancer Biology Research	93.396	384,825	
Trans-NIH Recovery Act Research Support	93.701	50,526	
Cardiovascular Diseases Research	93.837	86,776	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	52,513	
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	117,268	
Allergy, Immunology and Transplantation Research	93.855	3,321,539	429,213
Biomedical Research and Research Training	93.859	1,295,748	144,298
Neuroendocrine-Modulated Epithelial Cho3-Transport	93.864	229,263	
Aging Research	93.866	1,167,968	
Vision Research	93.867	56,254	
<b>Total Research and Development Programs Cluster</b>		8,127,580 *	589,805
<b>Not Clustered</b>			
Public Health and Social Services Emergency Fund	93.003	37,413	
Medical Reserve Corps Small Grant Program	93.008	9,473	
Special Programs for the Aging - Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	233,837	
Special Programs for the Aging - Title III, Part D-Disease Prevention and Health Promotion Services	93.043	165,242	165,242
Special Programs for the Aging - Title IV and Title II-Discretionary Projects	93.048	512,370	174,538
Alzheimer's Disease Demonstration Grants to States	93.051	389	
National Family Caregiver Support, Title III, Part E	93.052	1,171,414	1,163,224
Public Health Emergency Preparedness	93.069	6,977,438	3,739,501
Medicare Enrollment Assistance Program	93.071	959,507	148,559
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	1,956	
Affordable Care Act - Personal Responsibility Education Program	93.092	525,392	472,218
Affordable Care Act - Health Profession Opportunity Grants	93.093	2,898,619	2,687,638
Food and Drug Administration - Research	93.103	478,560	
Maternal and Child Health Federal Consolidated Programs	93.110	199,935	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	419,902	112,091
Emergency Medical Services for Children	93.127	134,099	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	139,268	
Injury Prevention and Control Research and State and Community Based Programs	93.136	602,393	137,342
Projects for Assistance in Transition from Homelessness (PATH)	93.150	288,280	286,317
Grants to States for Loan Repayment Program	93.165	141,108	141,108
Disabilities Prevention	93.184	1,146	
Family Planning - Services	93.217	2,524,226	2,262,988
Affordable Care Act - Abstinence Education Program	93.235	463,839	458,359
Grants for Dental Public Health Residency Training	93.236	65,558	5,000

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**STATE OF KANSAS**  
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<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
State Rural Hospital Flexibility Program	93.241	649,459	49,220
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1,594,585	1,155,364
Universal Newborn Hearing Screening	93.251	296,069	19,332
State Health Access Program	93.256	1,156,672	
Immunization Cooperative Agreements	93.268	2,917,289	509,597
Adult Viral Hepatitis Prevention and Control	93.270	58,557	
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	6,106,706	267,661
State Partnership Grant Program to Improve Minority Health	93.296	46,815	3,000
Small Rural Hospital Improvement Grant Program	93.301	818,880	767,971
Advanced Education Nursing Traineeships	93.358	699,197	
State Primary Care Offices - ARRA	93.414	97,688	17,353
Food Safety and Security Monitoring Project	93.448	17,086	
Ruminant Feed Ban Support Project	93.449	253,400	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	3,381,457	2,883,793
PPHF 2012 National Public Health Improvement Initiative	93.507	442,355	54,000
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	213,188	
Affordable Care Act (ACA) Consumer Assistance Program Grants	93.519	352,557	
Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease and Emerging Infectious Program Cooperative Agreements	93.521	883,022	
State Planning and Establishment Grants for the Affordable Care Act (ACA) Exchanges	93.525	92,438	
Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementation	93.538	501,720	
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by 2012 Prevention and Public Health Funds	93.539	464,568	3,485
Patient Protection and Affordable Care Act of 2010 - Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544	305,929	
Promoting Safe and Stable Families	93.556	1,935,058	
Child Support Enforcement	93.563	30,045,667	
Refugee and Entrant Assistance - State Administered Programs	93.566	1,412,868	554,450
Low-Income Home Energy Assistance	93.568	31,833,972	3,673,244
Community Services Block Grant	93.569	5,438,888	4,911,595
Refugee and Entrant Assistance - Discretionary Grants	93.576	97,087	19,137
State Court Improvement Program	93.586	313,473	
Community-Based Child Abuse Prevention Grants	93.590	1,007,148	883,417
Grants to States for Access and Visitation Programs	93.597	95,882	92,386
Chafee Education and Training Vouchers Program (ETV)	93.599	615,821	
Head Start	93.600	86,032	
Adoption Incentive Payments	93.603	94,367	

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**STATE OF KANSAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Voting Access for Individuals with Disabilities - Grants to States	93.617	65,252	
Developmental Disabilities Basic Support and Advocacy Grants	93.630	523,861	132,668
Children's Justice Grants to States	93.643	104,779	91,619
Child Welfare Services - State Grants	93.645	2,603,521	
Foster Care-Title IV-E	93.658	18,332,714	11,078
Adoption Assistance	93.659	15,878,946	
Social Services Block Grant	93.667	24,345,540	4,500,000
Child Abuse and Neglect State Grants	93.669	213,559	
Family Violence Prevention and Services/Battered Women's Shelters - Grants to States and Indian Tribes	93.671	1,024,614	970,082
Chafee Foster Care Independence Program	93.674	1,363,236	56,366
Head Start - ARRA	93.708	699,093	
State Grants to Promote Health Information Technology - ARRA	93.719	1,601,434	1,000,000
State Public Health Approaches for Ensuring Quitline Capacity - Funded in Part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735	128,722	
PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories Solely Financed by 2012 Prevention and Public Health Funds	93.744	149,725	
PPHF 2012: Health Care Surveillance/Health Statistics Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.745	28,932	
PPHF-2012 Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion	93.748	100,767	88,975
Children's Health Insurance Program	93.767	69,466,922	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	571,876	245,681
Alternatives to Psychiatric Residential Treatment Facilities for Children	93.789	2,383,300	
Money Follows the Person Rebalancing Demonstration	93.791	8,056,490	51,758
State Survey and Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	19,559	
National Bioterrorism Hospital Preparedness Program	93.889	3,487,245	421,855
Grants to States for Operation of Offices of Rural Health	93.913	159,743	6,750
HIV Care Formula Grants	93.917	3,455,708	561,672
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	105,610	43,500
HIV Prevention Activities - Health Department Based	93.940	1,217,945	504,926
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	162,773	1,500
Assistance Programs for Chronic Disease Prevention and Control	93.945	1,154,061	121,852

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<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	59,852	
Block Grants for Community Mental Health Services	93.958	2,817,278	2,377,301
Block Grants for Prevention and Treatment of Substance Abuse	93.959	12,115,319	11,028,437
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	926,661	250,444
Preventive Health and Health Services Block Grant	93.991	604,339	226,639
Maternal and Child Health Services Block Grant to the States	93.994	4,315,788	1,939,095
<b>Total Not Clustered</b>		291,522,428	52,451,328
Medicaid Cluster:			
State Medicaid Fraud Control Units	93.775	1,163,403	
State Survey and Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.777	8,140,955	
Medical Assistance Program	93.778	1,766,497,935	3,787,111
<b>Total Medicaid Cluster</b>		1,775,802,293	3,787,111
Health Centers Cluster:			
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	963,071	152,133
<b>Total Health Centers Cluster</b>		963,071	152,133
CCDF Cluster:			
Child Care and Development Block Grant	93.575	38,154,284	11,135,023
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	21,191,196	
<b>Total CCDF Cluster</b>		59,345,480	11,135,023
Aging Cluster:			
Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	3,143,861	2,943,491
Special Programs for the Aging - Title III, Part C-Nutrition Services	93.045	5,550,914	5,092,126
Nutrition Services Incentive Program	93.053	1,793,336	1,645,281
<b>Total Aging Cluster</b>		10,488,111	9,680,898
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Military Couples Becoming Parents: Trajectories of Alcohol Use Across the Transition to Parenthood in Military Couples	93.000	3,110	
NIAID Centers of Excellence for Influenza Research and Surveillance. Area 1-Surveillance and Area 2, Project 3 Research	93.000	506,888	
Pan Alpha virus Development	93.000	9,416	
Faculty Scholar Award	93.000	606,146	
Synthesis and Quantification of TP70 and CPS in Plasma and Tissues	93.000	15,950	
Vaccine Development	93.000	6,011	
Food and Drug Administration - Research	93.103	84,547	
Drug Abuse and Addiction Research Programs	93.279	5,547	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	34,920	
Trans-NIH Research Support	93.310	12,000	
National Center for Research Resources	93.389	29,853	
Cancer Cause and Prevention Research	93.393	24,000	
Cancer Treatment Research	93.395	24,914	

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<b>Federal Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Funds passed to Subrecipient</b>
Allergy, Immunology and Transplantation Research	93.855	421,629	
Biomedical Research and Research Training	93.859	824,296	
Child Health and Human Development Extramural Research	93.865	10,570	
Aging Research	93.866	70,315	
KUMCRI FY13 Bioinformatics	93.869	327,182	
<b>Total Research and Development Programs Cluster</b>		3,017,294 *	-
Not Clustered			
Maternal and Child Health Federal Consolidated Programs	93.110	12,723	
Drug-Free Communities Support Program Grants	93.276	11,015	
Minority Health and Health Disparities Research	93.307	443,412	
Family Support Payments to States - Assistance Payments	93.560	14,735	
PPHF 2012: Community Transformation Grants -Small Communities Program Financed Solely by 2012 Public Prevention and Health Funds	93.737	114,608	
Biomedical Research and Research Training	93.859	165,879	
<b>Total Not Clustered</b>		762,372	-
<b>Non-Monetary Award</b>			
Not Clustered			
Immunization Cooperative Agreements	93.268	23,628,497	
<b>Total Not Clustered</b>		23,628,497	-
<b>Total U. S. Department of Health and Human Services</b>		2,243,334,128	85,122,822
<b>Corporation for National and Community Service</b>			
<b>Direct Award</b>			
Not Clustered			
Serve To Succeed	94.000	824	
State Commissions	94.003	177,280	23,785
AmeriCorps	94.006	1,145,200	731,407
Program Development and Innovation Grants	94.007	5,509	
Training and Technical Assistance	94.009	21,622	4,018
Volunteer Generation Fund	94.021	233,201	151,842
<b>Total Not Clustered</b>		1,583,636	911,052
Foster Grandparent/Senior Companion Cluster:			
Foster Grandparent Program	94.011	586,713	
Senior Companion Program	94.016	460,235	
<b>Total Foster Grandparent/Senior Companion Cluster</b>		1,046,948	-
<b>Total Corporation for National and Community Service</b>		2,630,584	911,052
<b>Executive Office of the President</b>			
<b>Direct Award</b>			
Not Clustered			
High Intensity Drug Trafficking Areas Program	95.001	3,481,198	1,131,870
<b>Total Not Clustered</b>		3,481,198	1,131,870
<b>Total Executive Office of the President</b>		3,481,198	1,131,870
<b>Social Security Administration</b>			
<b>Direct Award</b>			
Disability Insurance/SSI Cluster:			
Social Security - Disability Insurance	96.001	13,936,470	
<b>Total Disability Insurance/SSI Cluster</b>		13,936,470	-

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
<b>Total Social Security Administration</b>		13,936,470	-
<b>U. S. Department of Homeland Security</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Centers for Homeland Security	97.061	988,012	326,566
<b>Total Research and Development Programs Cluster</b>		988,012 *	326,566
Not Clustered			
Boating Safety Financial Assistance	97.012	925,799	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	111,055	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	12,016,969	10,996,334
Hazard Mitigation Grant	97.039	8,008,429	7,567,579
National Dam Safety Program	97.041	308,000	
Emergency Management Performance Grants	97.042	3,880,471	1,253,133
Assistance to Firefighters Grant	97.044	23,691	
Cooperating Technical Partners	97.045	1,527,074	
Pre-Disaster Mitigation	97.047	196,145	196,145
Citizens-Community Resilience Innovation Challenge	97.053	35,271	4,975
Homeland Security Grant Program	97.067	271,024	
Metropolitan Medical Response System	97.071	535,854	535,854
State Homeland Security Program (SHSP)	97.073	5,744,913	4,301,112
Driver's License Security Grant Program	97.089	391,449	
Homeland Security-related Science, Technology, Engineering and Mathematics (HS STEM) Career Development Program	97.104	136,062	42,196
<b>Total Not Clustered</b>		34,112,206	24,897,328
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Development of Guidance to Ensure a Risk-Informed Planning Process and Appropriate Decision Making for use by State, Local, Tribal and Territorial Government Entities in Creation of Emergency Operation Plans to Defend Food	97.000	105,656	13,719
Development of a Fluorescent Microsphere Immunoassay Platform for Diagnosis and Surveillance of Rift Valley Fever in Ruminants	97.000	160,636	
Centers for Homeland Security	97.061	192,773	
Scholars and Fellows, and Educational Programs	97.062	46,301	
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection	97.077	201,527	
Homeland Security-related Science, Technology, Engineering and Mathematics (HS STEM) Career Development Program	97.104	42,502	
<b>Total Research and Development Programs Cluster</b>		749,395 *	13,719
<b>Total U. S. Department of Homeland Security</b>		35,849,613	25,237,613

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<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Funds passed to Subrecipient</u>
<b>U. S. Agency for International Development</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
USAID Foreign Assistance for Programs Overseas	98.001	199,881	
<b>Total Research and Development Programs Cluster</b>		199,881 *	-
Not Clustered			
USAID Foreign Assistance for Programs Overseas	98.001	680,931	10,087
<b>Total Not Clustered</b>		680,931	10,087
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Pulse Value Chain Initiative-Zambia	98.000	77,115	25,070
Heat-Tolerant Pearl Millet for Increased and Stable Production in Warmer Environments	98.000	4,559	
BHEARD Program: Ghana	98.000	37,427	
Targeted Engineering of Brassica Juncea Seed Biochemistry to Produce Reduced-Viscosity Plant Oils for Direct Use as Biofuel	98.000	21,317	
USAID Foreign Assistance for Programs Overseas	98.001	333,018	
<b>Total Research and Development Programs Cluster</b>		473,436 *	25,070
<b>Total U. S. Agency for International Development</b>		1,354,248	35,157
<b>Other Federal Grants</b>			
<b>Direct Award</b>			
Not Clustered			
Adas Data Collection Grant Fee	99.006	200,642	171,686
NATIONAL CENTER FOR HEALTH	99.007	339,715	
MSQA CONTRACT	99.008	185,095	
ADULT LEAD SURVEILLANCE DATA	99.009	31,468	
Wage Record Interchange Sharing System Corporation for Public Broadcasting - Radio Community Service Grant	99.999	191,871	
<b>Total Not Clustered</b>		961,291	171,686
<b>Indirect Award</b>			
Not Clustered			
Transformation Initiative	99.007	58,000	
USAC E-RATE Program	99.014	775,577	
<b>Total Not Clustered</b>		833,577	-
<b>Total Other Federal Grants</b>		1,794,868	171,686
<b>Total Federal Award Expenditures</b>		<u>\$ 5,070,445,456</u>	<u>\$ 756,724,146</u>

\* = Research and Development Cluster

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF KANSAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the State of Kansas for the year ended June 30, 2014. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule. The federal awards of the component units of the six state universities are audited by other auditors in accordance with OMB *Circular A-133* as a separate engagement from the State's audit. The schedule of expenditures of federal awards does include the federal awards received by Kansas Housing Resources Corporation, which is a component unit of the State. Federal awards passed through other third-party entities are shown as indirect awards in the schedule.

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Kansas and is presented on the modified-accrual basis of accounting, with the exception of amounts reported by the Kansas Department of Transportation (KDOT) and the Board of Regents'. In accordance with KDOT's contracts with the U.S. Department of Transportation, federal expenditures are reported on a cash basis. For the Board of Regents', the expenditures are reported on a full accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (the Catalog). Federal award titles not presented in the Catalog, but with the applicable Federal agency identified, are reported with the related Federal agency prefix number followed by (.000). If Federal award titles are not presented in the Catalog and the applicable Federal agencies have not been identified, they are reported as 99.999, in the "Other Federal Grants" section of the schedule.

**NOTE 2 – STUDENT FINANCIAL ASSISTANCE PROGRAMS**

Federally funded student financial assistance programs are directly administered for the State of Kansas by the various Boards of Regents. The programs at each institution are administered separately from those of any other institution. Loans made during the year are included in the federal expenditures presented in the schedule.

The Board of Regents' institutions are responsible only for the performance of certain administration duties with respect to the Federal Direct Loan Program and, accordingly, it is not practical to determine the balance of loans outstanding to students or former students under this program.

The Board of Regents' institutions participates in the Federal Perkins Loan Program (CFDA#84.038). As of June 30, 2014, the balance of loans outstanding was \$60,375,859.

**STATE OF KANSAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2014**

**NOTE 3 – REVOLVING LOAN FUNDS**

The Water Pollution Control Revolving Fund and the Public Water Supply Loan Fund (both administered by the Kansas Department of Health and Environment) are revolving loan funds. Federal funded new loans provided under these programs are included as expenditures on the schedule of expenditures of federal awards. The State had the following loan balances outstanding at June 30, 2014:

	<u>CFDA Number</u>	<u>Amounts Outstanding</u>
Water Pollution Control Revolving Fund	66.458	\$ 422,757,533
Public Water Supply Loan Fund	66.468	154,499,903

The amounts shown as outstanding for CFDA 66.458 and 66.468 were not funded entirely with federal monies.

**NOTE 4 – UNEMPLOYMENT INSURANCE FUNDS**

State unemployment tax revenues and the government and non-profit contributions in lieu of state taxes (State UI funds) must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State Unemployment Law. State UI funds in the amount of \$311,444,970 are reported along with federal funds in the schedule of federal expenditures under CFDA 17.225.

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2014**

**I. Summary of Independent Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	<u>  X  </u>	Yes	<u>      </u>	None reported
Noncompliance material to financial statements noted?	<u>      </u>	Yes	<u>  X  </u>	No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	<u>  X  </u>	Yes	<u>      </u>	None reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u>  X  </u>	Yes	<u>      </u>	No
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**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2014**

<b>Identification of Major Programs</b>	
<b>Name of Federal Program or Cluster</b>	<b>CFDA Number(s)</b>
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
Child and Adult Care Food Program	10.558
National Guard Military Operations and Maintenance (O&M) Projects	12.401
Community Development Block Grants-State's Program	14.228
Unemployment Insurance	17.225
Highway Planning and Construction Cluster	20.205, 20.219
Clean Water State Revolving Fund Cluster	66.458
Drinking Water State Revolving Fund Cluster	66.468
Title I Grants to Local Educational Agencies	84.010
Improving Teacher Quality State Grants	84.367
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126
Medicaid Cluster	93.775, 93.777, 93.778
Immunization Cooperative Agreements	93.268
Child Care and Development Block Grant	93.575, 93.596
Child Support Enforcement	93.563
Social Services Block Grant	93.667
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Student Financial Aid Cluster	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364
Research and Development Cluster	* on Schedule of Expenditure of Federal Awards

Dollar threshold used to distinguish between type A and type B programs: \$15,365,318

Auditee qualified as low-risk auditee?        Yes   X   No

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

**II. Financial Statement Findings**

**2014 – 001 Deposit and Investment Reconciliation**

**Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Condition:** The State holds many individual deposit and investment accounts. The management and accounting for such accounts is highly decentralized. The majority of accounts are maintained by either the State Treasurer's Office (STO) or the Kansas Public Employee Retirement System (KPERs), though certain individual agencies maintain their own accounts as well. While the Department of Administration (DOA) has the ultimate responsibility for accurately reporting the deposit and investment accounts in accordance with generally accepted accounting principles, DOA is heavily reliant on other state agencies in fulfilling that responsibility.

The State's primary pooled cash is held by the STO and the Pooled Money Investment Board (PMIB). The STO utilizes a "top sheet" to summarize and track its deposits and investments. DOA then utilizes the "top sheet" to make necessary adjustments to SMART. However, we noted that not all balances on the top sheet are reconciled from a third party bank statement to SMART on a monthly basis. Further, certain balances on the "top sheet" are reported at fair market value, and certain balances are reported at historical cost and require subsequent fair market value adjustments by DOA. Finally, we noted the "top sheet" included balances that had been either transferred or loaned to other State agencies, or loaned to third party entities.

Related to the State's primary operating account, we noted that outstanding checks were not reviewed to identify old checks that should be escheated to the State's unclaimed property.

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

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

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

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

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

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

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

**Recommendation:** We recommend the State review its existing process to report deposits and investments and make revisions to ensure that all balances are reconciled from third party bank statements to SMART on a monthly basis and that reconciling items are reviewed for accuracy. The revised process should be documented and included in a written policy.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** The Department of Administration and State Treasurers Office will work together to revise the process and implement accordingly.

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

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

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

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

**2014 – 002 Audit Preparation**

**Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Condition:** In performing the fiscal year 2014 audit of the State's Comprehensive Annual Financial Report (CAFR), we experienced delays in receiving certain audit supporting schedules, including a draft CAFR. In addition, numerous revisions were required of the supporting schedules and draft CAFR once received.

CliftonLarsonAllen (CLA) received the initial CAFR draft approximately 2 weeks after the contractual deadline (see below). The initial draft did not include footnotes or various other necessary schedules, and required numerous and significant revisions through the first week of December.

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

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

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

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

**Cause:** The State's accounting function is highly decentralized, in that the DOA is reliant on various State agencies, departments and components to provide accurate financial information necessary to draft the CAFR. Due to the decentralization, the DOA does not have an effective process to coordinate receipt of information from the agencies, departments and components. If the financial information is not received on a timely basis, the DOA lacks the necessary resources to adequately review and assess the information to meet the statutory requirements.

**Recommendation:** We recommend the DOA re-evaluate the process by which it obtains and reviews the information necessary to draft and review the State's CAFR prior to the start of the audit.

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

In addition, we recommend the State identify audit supporting schedules that can be prepared well in advance of the start of the audit (or as soon as the information becomes available). Examples may include budget schedules, analysis of claims, judgments and contingent liabilities, and certain required disclosures related to bonds, compensated absences, capital leases, deposits and investments.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

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

**Responsible party:** DeAnn Hill, Chief Financial Officer – 785.368.7390

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

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

**2014 – 003 Workers' Compensation Liability**

**Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** The State operates a program that provides certain workers' compensation benefits for employees of Kansas employers. The plan does not relate to the State's self-insured workers' compensation plan for State employees.

In 2002, the State obtained an actuarial valuation to estimate the workers' compensation liability and to project claims expense and benefit payments through 2030. The State has not obtained an updated actuarial valuation since 2002.

In calculating the year-end workers' compensation liability each year, the State utilizes the annual estimates of claims expense and benefit payments, provided in the 2002 actuarial valuation.

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

However, we noted the State has incorrectly applied the 2002 projections in calculating the year-end liability. Specifically, the State uses the 2002 liability as a starting point (as opposed to the prior year liability), in calculating the liability each year. In addition, we note the State is discounting the liability based on a present value discount factor determined in 2002. Given the changes in projected payments on claims, relative to the claim date, the present value discount factor is expected to change annually.

We note the State does not have a policy regarding how frequently, or under what circumstances, it should obtain a revised actuarial valuation related to the workers' compensation program.

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

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

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

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

**Recommendation:** We recommend the State develop a policy regarding how frequently, or under what circumstances, it should obtain a revised actuarial valuation. While management has performed certain analysis to support the validity of the 2002 projections, it is difficult to accurately estimate the liability without a detailed and actuarial analysis of the claims outstanding, claims payment trends and changes in demographics of Kansas employees. Further, the policy should include procedures and guidance regarding how to apply estimates from the most recent actuarial valuation in estimating the liability. Specifically, the procedures should address the mechanics used to calculate the annual liability and how to apply a present value discount factor, as necessary.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** The DOA will work with the Insurance Commissioner to develop an appropriate method of estimating the liability which may include periodic actuarial studies.

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

**Responsible party:** DeAnn Hill, Chief Financial Officer – 785.368.7390

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

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

**2014 – 004 Unclaimed Property Liability**

**Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** The State receives and holds unclaimed (escheat) property, until such time the property owner claims the property. For the past several years, the State has recorded an estimated liability equal to one-third of the total unclaimed property balance held by the State. Management indicated the one-third calculation was likely estimated over 10 years ago and has been since carried forward. We note the use of a static calculation does not consider previous and current trends in amounts reclaimed and paid relative to amounts escheated. Further, the use of a static calculation does not adequately consider the “aging” of unclaimed property balances (balances outstanding for over 20 years have a much lower likelihood to be claimed than balances received in the last year).

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

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

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

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

**Recommendation:** While management improved its estimate of the State’s unclaimed property liability in the current year, we recommend management perform a more comprehensive analysis to calculate the liability as of June 30, 2015. We recommend the calculation give more consideration to the “aging” of unclaimed property balances. In addition, we recommend management develop a

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

policy governing the annual unclaimed property liability calculation. A policy will ensure consistency in the methodology applied by management each year.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

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

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

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

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

**2014 – 005 Income Tax Receivable**

**Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** Throughout the year, the State collects individual income tax withholdings from employees throughout the State. Related to collections during the second half of the fiscal year (January through June), the State reports a June 30 liability for the portion it expects to refund to taxpayers the following Spring. Likewise, the State reports a June 30 receivable for amounts it expects to receive from annual filers the following Spring. The State developed a methodology to estimate the liability and receivable in the late 1990's and there has been no change since that time. Related to the State's estimation process, we note the following:

- The State does not have a process to retrospectively review the validity of its estimates based on actual results from the following Spring.
- The State bases its receivable estimate on receipts from the previous April. However, for the past two years, April receipts represent less than 60% of total receipts from annual filers. The remaining receipts from annual filers (primarily in March) are not considered in the current receivable estimation.
- The June 30 liability and receivable are estimated based on prior year actual data, which does not consider potential changes in state tax law that may impact filing trends in the current year.
- The June 30 liability and receivable are estimated based only on actual refunds and collections, respectively, from the most recent year, and do not consider actual data from previous years. For the past 3 years, there appears to be little consistency in refund and collection activity (year-to-year variances in excess of 45%), which could indicate that using the most recent year alone is not the most accurate estimate for the current year.

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

**Criteria or specific requirement:** Generally accepted accounting principles require the State to estimate and report as a liability the portion of income tax receipts that will be refunded in the following year. Likewise, the State is required to estimate and report a receivable for receipts from annual filers who owe more in taxes than what has been withheld during the year. The estimates should be based on the best information available and the methodology should be re-evaluated for reasonableness at least annually.

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

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

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

**Recommendation:** We recommend the State review, improve and document its procedures to estimate the individual income tax revenue liability and receivable. In addition, we recommend the State perform a retrospective review of annual results, compared to the prior year estimate, as a means to consider the need to amend the estimation process each year. Changes in state tax law should be considered each year for potential impacts to the liability and receivable.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

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

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

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

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

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

**2014 – 006 State University System Audit Preparation**

**Type of Finding: Material Weakness in Internal Control over Financial Reporting**

**Condition:** In performing the Fiscal Year 2014 audit of the State's CAFR, CLA proposed, and the State agreed with, material entries to the amounts initially presented in the Component Units' financial information, specifically related to the State University System.

**Criteria or specific requirement:** State Statute requires the annual financial statement audit over the CAFR be completed by December 31 each year. Per the contract, CLA is required to audit and provide an opinion on the CAFR, including an opinion over the Discretely Presented Component Units (DPCU) The DPCU includes the State University System and their various component units (Other Component Units).

The DOA is responsible for issuance of the CAFR. The State University System is responsible for reporting their annual financial information to the DOA for CAFR preparation purposes. The DOA receives the State University System's and Other Component Units' financial information and, due to its required inclusion in the State's CAFR, reports the information in compliance with Generally Accepted Accounting Principles (GAAP).

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

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

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

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

**STATE OF KANSAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

**Recommendation:** We recommend the DOA re-evaluate the process by which financial information from the State University System is obtained and recorded for inclusion in the CAFR. The State University System should be required to submit to DOA complete financial statements, including their component units, with all eliminations made, on the States timeline to meet its statutory requirements. The State University System has a GAO reporting group that comprises various members of the accounting staffs of the universities. This group should undergo additional training to ensure proper financial reporting by the State University System members.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

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

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

**Responsible party:** Elaine Frisbie, Kansas Board of Regents

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

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

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**III. Federal Award Findings and Questioned Costs**

**2014 – 007**

<b>Federal Agency:</b>	Department of Health and Human Services
<b>State Department/Agency:</b>	Kansas Department for Children and Families (KDCF)
<b>Federal Program:</b>	Foster Care – Title IV-E
<b>CFDA Number:</b>	93.658
<b>Compliance Requirement:</b>	Eligibility
<b>Type of Finding:</b>	Material Weakness in Internal Control, Noncompliance

**Criteria or specific requirement:** As a part of an effective internal control system, the foster care contractors should consistently maintain support for amounts paid to foster care beneficiaries.

**Condition:** From a sample of forty foster care claim payments, three payments were not appropriately supported by the foster care contractors' documentation.

**Questioned Costs:** \$1,047

**Context:** Total sampled costs were \$17,428 and unsupported costs in the sample equaled \$1,047 a rate of 6%.

**Cause:** The recordkeeping function at the foster care contractors' may be inadequate to appropriately support claims reported to the State.

**Effect:** The eligible benefits being claimed under the program may be overstated or may not have evidence to support the full amount claimed.

**Recommendation:** KDCF should work with the foster care contractors' to emphasize documentation requirements and develop an oversight program to monitor the contractors' compliance with the requirement.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** KDCF has begun the process to update the Prevention and Protection Services Handbook of Services, which details the particulars of services for which foster care contractors are required to submit encounters, including a documentation section. The current documentation sections address documenting services delivered, but don't address the financial documentation required. KDCF financial staff will work with foster care program staff to incorporate the financial documentation requirements into the handbook.

**Responsible party:** Implementation Oversight: Mary S. Hoover, KDCF Audit Director, 785-296-3836

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

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**Plan to monitor completion of corrective action plan:** KDCF Audit Services will incorporate monitoring financial support of encounters into an overall monitoring plan that is being developed. Audit Services is currently performing more extensive audits of the contractors at the request of HHS ACF Region VII. KDCF Audit Services does plan on continuous auditing of the contractors and will incorporate audits of submitted encounters (documenting services) into that audit approach.

The corrective actions will be monitored by KDCF Audit Services as part of its follow up responsibilities under applicable standards.

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**2014 – 008**

<b>Federal Agency:</b>	Department of Health and Human Services
<b>State Department/Agency:</b>	Kansas Department for Children and Families (KDCF)
<b>Federal Program:</b>	Foster Care – Title IV-E
<b>CFDA Number:</b>	93.658
<b>Compliance Requirement:</b>	Subrecipient Monitoring
<b>Type of Finding:</b>	Material Weakness in Internal Control, Noncompliance

**Criteria or specific requirement:** Per guidance from the Administration for Children and Families (ACF), a component of the Department of Health and Human Services (HHS), KDCF determined that foster care contractors should be treated as subrecipients instead of contractors. This requires the State to monitor these contractors as subrecipients.

**Condition:** For contractors selected for testing, KDCF did not obtain the contractors' DUNS number. Additionally, KDCF did not provide the contractor with the formal award information and has not established monitoring controls for subrecipients in this program.

**Questioned Costs:** None

**Context:** The State does require the contractors to provide information to support the State's reporting efforts and programs outcomes. However, the program was not setup to monitor compliance with subrecipient requirements.

**Cause:** During 2014, KDCF changed its determination of these foster care providers from contractors to subrecipients. KDCF did not have the appropriate systems in place to fulfill the subrecipient monitoring requirements.

**Effect:** During the award notification stage, KDCF did not communicate all the necessary requirements to the subrecipient increasing the likelihood subrecipient would not meet the applicable Federal requirements.

**Recommendation:** KDCF should incorporate the subrecipient monitoring framework that is in place for other KDCF managed programs into foster care to ensure compliance for subrecipient monitoring requirements.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** As is indicated in the finding, this was an error that occurred due to the change in the Department's consideration of these contractors as subrecipients rather than vendors (a determination that had been in effect since privatization in the 1990's). Processes already exist within the Department to ensure that DUNS Numbers are verified and that contractors are informed of federal award requirements. In response to this finding, appropriate program and fiscal staff have been notified of these responsibilities. In future contract negotiations, the Department will ensure that KDCF Audit Services is one of the parties who is part of the concurrence process (the process of review and approval of contracts and grants) to ensure that all necessary information is included in the grant or contract award.

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**Responsible party:** Implementation Oversight: Mary S. Hoover, KDCF Audit Director, 785-296-3836

**Planned completion date for corrective action plan:** March 1, 2015

**Plan to monitor completion of corrective action plan:**

Corrective actions will be monitored by KDCF Audit Services as part of its follow up responsibilities under applicable standards.

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**2014 – 009**

<b>Federal Agency:</b>	Department of Health and Human Services
<b>State Department/Agency:</b>	Kansas Department for Children and Families (KDCF)
<b>Federal Program:</b>	Adoption Assistance - Title IV-E
<b>CFDA Number:</b>	93.659
<b>Compliance Requirement:</b>	Eligibility
<b>Type of Finding:</b>	Material Weakness in Internal Control, Noncompliance

**Criteria or specific requirement:** Under 42 USC 673, eligibility for this adoption assistance has numerous requirements including:

- There must be documentation why the child cannot or should not be in the home.
- There must be documentation of special needs of the child.
- There must be documentation that reasonable effort was made to place the child without the subsidy.
- The subsidy agreement was signed before the adoption decree.
- The adoptive parents pass a criminal background check.
- The adoptive parents and other adults in the house pass a child abuse and neglect screening.

Additionally, the State has controls in place to monitor the compliance with the eligibility requirements to include:

- There is documentation present in the case file to support benefits.
- The adoption underwent review by a regional director.
- The adoption underwent review by a probate judge.

**Condition:** From a sample of forty beneficiary payments, four exceptions were noted. For one exception all eligibility requirements noted above were not established except for the documentation of special needs. Additionally, a documented review was not evidenced. In two other exceptions, the benefits received did not match with the adoption assistance agreement. In one of these two exceptions, the child abuse and neglect registry was not checked for the adoptive parents. The last exception, documentation of special needs was not established.

**Questioned Costs:** \$11,330

**Context:** Total sampled costs were \$189,803 and unsupported costs in the sample equaled \$11,330 a rate of 6%.

**Cause:** Lack of internal controls around certain adoption processing and errors in data entry from case file information to the State database.

**Effect:** Increased likelihood eligibility and placement requirements would not be met.

**Recommendation:** The State should design additional internal controls that monitor the workflow of adoption processing and maintain appropriate documentation. Additionally, we recommend that further training be provided to staff regarding noted concerns.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** KDCF has made the following changes to respond to the recommendations for tightening controls and enhancing training

1. **Policies** - In January 2015 policy changes were made to section 6240 regarding specific information required by the Child Welfare Case Management (CWCMP) Staff prior to determining eligibility. This policy is consistent with the requirements of the adoption home study. The policy was reviewed in the Statewide Adoption Assistance work group prior to approval for a policy change.
2. **Case Reads** – To tighten monitoring, Quarterly Case Reads are conducted by Program Improvement staff from each Region. Central Office program staff also pulls random cases for review each quarter. As part of the case review, we have developed questions to assess whether parents have met all the safety requirements. For cases not in compliance the Continuous Performance Improvement process is used in a dialog between Central Office PI staff, Central Office Adoption Assistance Program Manager and staff in the Regions responsible for the Adoption Assistance Program. This question has been a topic of discussion during these meetings. Eligibility errors are corrected through this process as well.
3. **Error Report** - An Adoption Assistance Error report is run each month to ensure IV-E versus State eligibility is coded in the systems correctly. This report is reviewed quarterly along with the case read information.
4. **Training** - Adoption Assistance Training was administered to the Child Welfare Case Management (CWCMP) Staff and the Prevention and Protection Adoption Assistance staff through the months of September, October and November 2014. The training was offered in each of the four regions to ensure all staff had access to many sites for attendance. The objectives of this training were to provide KDCF and CWCMP staff information regarding the Title IV-E State Adoption assistance, and to identify and discuss the legal, policy and procedural requirements for the Adoption Assistance Program. Training will continue to be offered to CMCWP and KDCF staff.
5. **Workgroup Meetings** - There is a Statewide Adoption Assistance workgroup that meets at least quarterly to discuss policy and procedures and to ensure consistency across the state. These meetings provide a forum for discussion of policy changes, results of case reads and error reports and training needs.

**Responsible party:** Program: Karen Wahlmeier, KDCF Adoption Assistance, 316-337-6355; Implementation Oversight: Mary S. Hoover, KDCF Audit Director, 785-296-3836

**Planned completion date for corrective action plan:** Many of these changes have been implemented already as noted in the response.

**Plan to monitor completion of corrective action plan:** Corrective actions will be monitored by KDCF Audit Services as part of its follow up responsibilities under applicable standards.

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**2014 – 010**

<b>Federal Agency:</b>	Department of Health and Human Services
<b>State Department/Agency:</b>	Kansas Department for Children and Families (KDCF)
<b>Federal Program:</b>	Child Care Development Fund Cluster: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>CFDA Number:</b>	93.575, 93.596
<b>Compliance Requirement:</b>	Eligibility
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per the eligibility requirements for the Child Care Development Cluster in 45 CFR section 98, a reduction of benefits is calculated based on household income as a % of the U.S. DOL poverty level. This reduction in benefit is considered the family share deduction.

**Condition:** From a sample sixty case files, two had exceptions. The family share deduction calculated and used for the benefit payments was not supported by proper documentation in the case file.

**Questioned costs:** None

**Context:** Total sampled costs were \$34,012 and unsupported costs in the sample equaled \$79 a rate of .3%. These participants received a benefit amount that was lower than the recalculated benefit amount based on the documentation provided.

**Cause:** Information received from program participants was not properly documented or that the income was improperly calculated and input into the database.

**Effect:** Benefit amounts due to participants are not properly calculated.

**Recommendation:** The internal control design should be improved to include better supporting documentation and a verification process on amounts paid to program participants.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:**

1. A written communication will be sent to EES Program Administrators (PA) asking them to instruct field supervisors and case readers to pay particular attention when reading cases to making sure that documentation in the file is adequate to support the income counted in determining eligibility and the amount of child care benefits authorized.

This communication will also instruct the PAs to make it mandatory for supervisors to review with all case workers who work on child care cases by April 30, 2015 the training on the EES web site "Reducing Errors in the Child Care Program", and to certify with Central Office by May 1, 2015 that the training has been completed with all staff. This training was updated in July 2014 and is aimed at common errors found by Quality Control staff during case readings. At that time, the training was made available, but was not mandated. This

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training includes missing or insufficient documentation, income calculation errors, and failure to act on reported changes.

Included in this communication will be instructions for EES supervisors to also review with all staff who process child care cases the BPM script change that was made recently to remind staff that when making a change for TANF and/or Food Assistance, they need to check for a child care case that may also need updated.

This request will be reviewed with the PAs at the next PA meeting on March 11-12, 2015.

2. The imaging system that we plan to put in place in the near future will assist us with the issue of lost or misplaced documentation. A completion date for implementation of this system is not available at this time.
3. With the implementation of the KEES system, the monthly income will be system calculated based on pay information entered by workers, and the amount of the family share will be determined by the system and applied by the system to the total benefit to determine the actual benefit amount paid. The number of child care hours to be allowed will be calculated based on the schedules entered by the worker, and the system will apply the calculated hours to the child care plan. This should reduce the number of errors that currently come from incorrect calculations, incorrectly copying figures from the income expense worksheet, incorrectly entering the family share amount and incorrectly copying the number of plan hours from the plan hours worksheet to the actual family plan. We will also eliminate the issue of staff processing a reported change for TANF or the Food Assistance program on KsCares, and forgetting to make the same change for child care on KsCares, as all programs will be in the same system. The estimated date (as of today) for implementation of KEES is sometime in mid 2016.

**Responsible party:** Program: Sally Hargis, KDCF Child Care Subsidy Program Manager, 785-296-6753

Implementation Oversight: Mary S. Hoover, KDCF Audit Director, 785-296-3836

**Planned completion date for corrective action plan:** May 1, 2015

**Plan to monitor completion of corrective action plan:** EES PAs will be asked to report back to the Child Care Subsidy Program Manager once they have instructed supervisors and case readers about making sure there is adequate documentation in the files to support the eligibility or benefit authorized, and once all supervisors in their regions have completed the review of the "Reducing Errors in the Child Care Program" training with their staff. PAs will be asked to report back by May 1, 2015.

In addition, the corrective actions will be monitored by DCF Audit Services as part of its follow up responsibilities under applicable standards.

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**2014 – 011**

<b>Federal Agency:</b>	Department of Health and Human Services
<b>State Department/Agency:</b>	Kansas Department for Children and Families (KDCF)
<b>Federal Program:</b>	Child Care Development Fund Cluster: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>CFDA Number:</b>	93.575, 93.596
<b>Compliance Requirement:</b>	Eligibility
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** In accordance with KDCF internal control framework, the department should maintain records that support eligibility determinations in either paper based case files or in electronic format facilitated by Microsoft OneNote. This documentation provides the basis for a compliance audit and internal review.

**Condition:** In three of the sixty samples selected for testing, the supporting documentation contained in the paper case files or electronically did not properly support the eligibility or benefit received by the recipient.

**Questioned costs:** \$2,060

**Context:** Total sampled costs were \$34,012 and unsupported costs in the sample equaled \$2,060 a rate of 6%.

**Cause:** Information was not being correctly entered into the Kansas System for Child Care and Realizing Economic Self Sufficiency (KSCARES) database.

**Effect:** Overpayment of benefit amounts paid to participants.

**Recommendation:** The internal control design should be expanded to include a review process and/or computerized edit checks to mitigate data entry errors.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:**

1. A written communication will be sent to EES Program Administrators asking them to instruct field supervisors and case readers to pay particular attention when reading cases to making sure that documentation in the file is adequate to support the eligibility or benefit authorized.

This communication will also instruct the PAs to make it mandatory for supervisors to review with all case workers who work on child care cases by April 30, 2015 the training on the EES web site "Reducing Errors in the Child Care Program", and to certify with Central Office by May 1, 2015 that the training has been completed with all staff. This training was updated in July 2014 and is aimed at common errors found by Quality Control staff during case readings. At that time, the training was made available, but was not mandated. This training

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includes missing or insufficient documentation, income calculation errors, and failure to act on reported changes.

Included in this communication will be instructions for EES supervisors to also review with all staff who process child care cases the BPM script change that was made recently to remind staff that when making a change for TANF and/or Food Assistance, they need to check for a child care case that may also need updated.

This request will be reviewed with the PAs at the next PA meeting on March 11-12, 2015.

2. Supervisors and regional PI staff (case readers) will continue to review all cases prepared by probationary workers prior to authorization of the benefits. In addition, based on supervisory and regional PI staff case reading of cases processed by other staff, if workers are identified as having problems with these areas, supervisors and PI staff will read additional cases processed by those workers each month until they are satisfied that the problems have been corrected. Since it was found that at least one of these errors was made by a worker who was not new, but was in his first 6 months of doing child care, it will also be required that non-probationary workers who start processing child care cases and haven't in the past had their child care cases reviewed prior to authorization will have their cases done so for 60 days to ensure that they learn the new program.
3. Quality Assurance staff recently (October 2014) began reviewing a random sample of child care cases every other month. Data from those reviews will be reviewed quarterly and analyzed to determine any trends that may need attention.
4. The imaging system that we plan to put in place in the near future will assist us with the issue of lost or misplaced documentation. A completion date for implementation of this system is not available at this time.
5. With the implementation of the KEES system, the monthly income will be system calculated based on pay information entered by workers, and the amount of the family share will be determined by the system and applied by the system to the total benefit to determine the actual benefit amount paid. The number of child care hours to be allowed will be calculated based on the schedules entered by the worker, and the system will apply the calculated hours to the child care plan. This should reduce the number of errors that currently come from incorrect calculations, incorrectly copying figures from the income expense worksheet, incorrectly entering the family share amount and incorrectly copying the number of plan hours from the plan hours worksheet to the actual family plan. We will also eliminate the issue of staff processing a reported change for TANF or the Food Assistance program on KsCares, and forgetting to make the same change for child care on KsCares, as all programs will be in the same system. The estimated date (as of today) for implementation of KEES is sometime in mid 2016.

**Responsible party:** Program: Sally Hargis, KDCF Child Care Subsidy Program Manager, 785-296-6753; Implementation Oversight: Mary S. Hoover, KDCF Audit Director, 785-296-3836

**Planned completion date for corrective action plan:** May 1, 2015

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**Plan to monitor completion of corrective action plan:** EES PAs will be asked to report back to the Child Care Subsidy Program Manager once they have instructed supervisors and case readers about making sure there is adequate documentation in the files to support the eligibility or benefit authorized, and once all supervisors in their regions have completed the review of the “Reducing Errors in the Child Care Program” training with their staff. PAs will be asked to report back by May 1, 2015.

In addition, the corrective actions will be monitored by KDCF Audit Services as part of its follow up responsibilities under applicable standards.

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**2014 – 012**

**Federal Agency:** Department of Education  
**State Department/Agency:** Kansas Department for Children and Families (KDCF)  
**Federal Program:** Rehabilitation Services - Vocational Rehabilitation Grants to States  
**CFDA Number:** 84.126  
**Compliance Requirement:** Eligibility  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per OMB Circular A-133, eligibility must be determined within sixty days by program personnel for this grant.

**Condition:** In three of the forty samples tested, there were not eligibility determinations made within the sixty day requirement.

**Questioned costs:** None noted

**Context:** A delay in eligibility determination prolongs the timeframe before an applicant can receive benefits.

**Cause:** The likely cause of this finding is due to a lack of internal controls that monitor timeliness of processing applications or having an established and monitored workflow system.

**Effect:** This finding indicates that there could be some process improvement in how applications are reviewed.

**Recommendation:** We recommend the State develop a more robust internal control that monitors the workflow of application processing to ensure compliance requirements are met.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** Through its Kansas Management Information System (KMIS), which tracks consumer case status, Rehabilitation Services (RS) will automate a reminder system for cases with approaching deadlines for eligibility determination. Once a week, a KMIS-generated email will be sent to each Counselor with a list of eligibility deadlines approaching within the next 15 days. A summary will also be sent to Unit Rehabilitation Managers and Regional Program Administrators for monitoring and oversight. Counselors who fail to meet performance standards related to eligibility timeliness will be required to provide a weekly action plan to their supervisors.

**Responsible party:** Program: Michael Donnelly, KDCF Rehabilitation Services Director, 785-368-8204; Implementation Oversight: Mary S. Hoover, KDCF Audit Director, 785-296-3836

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**Planned completion date for corrective action plan:** June 15, 2015

**Plan to monitor completion of corrective action plan:** Rehabilitation Managers and Program Administrators will use the weekly lists provided through KMIS on an ongoing basis to monitor eligibility timeliness and will implement action plan requirements as needed. The reminder lists will also be used as a discuss tool to assure attention to this issue during regular supervisory meetings. Eligibility timeliness will be reported and monitored on a quarterly basis by the Central Office.

In addition, the corrective actions will be monitored by KDCF Audit Services as part of its follow up responsibilities under applicable standards.

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**2014 – 013**

<b>Federal Agency:</b>	Department of Education
<b>State Department/Agency:</b>	Kansas Department for Children and Families (KDCF)
<b>Federal Program:</b>	Rehabilitation Services - Vocational Rehabilitation Grants to States
<b>CFDA Number:</b>	84.126
<b>Compliance Requirement:</b>	Procurement, Suspension and Debarment
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per OMB Circular A-133, States should use the same state policies and procedures used for procurement from non-federal funds. Also, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

**Condition:** For one of the eleven vendors tested, evidence that the vendor was checked against the [www.sam.gov](http://www.sam.gov) website was not found to verify it was not suspended or debarred.

**Questioned costs:** None noted

**Context:** The State did not have evidence of compliance for suspension and debarment for one vendor.

**Cause:** A lack of tracking of suspension and debarment requirements for all vendors could have contributed to this finding.

**Effect:** This finding indicates that there could be some process improvement in how compliance with suspension and debarment requirements are verified.

**Recommendation:** We recommend the State develop a more robust internal control that monitors the tracking of all purchases and related suspension and debarment verification to ensure compliance requirements are met.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** We concur that the vendor suspension and debarment should have been checked and believe that this was an isolated instance when the documentation supporting that requirement couldn't be found. For all other transactions sampled, the auditors found that DCF had taken steps to ensure that vendors were neither suspended or debarred. In response to this finding, appropriate program and fiscal staff have

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been notified of their responsibilities to meet this guideline. We are also reviewing existing processes related to provider agreements and suspension and debarment to ensure that this process is better controlled.

**Responsible party:** Program: Michael Donnelly, DCF Rehabilitation Services Director, 785-368-8204; Implementation Oversight: Mary S. Hoover, DCF Audit Director, 785-296-3836

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

**Plan to monitor completion of corrective action plan:** The corrective actions will be monitored by DCF Audit Services as part of its follow up responsibilities under applicable standards.

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**2014 – 014**

**Federal Agency:** Department of Health and Human Services  
**State Department/Agency:** Kansas Department for Children and Families (KDCF)  
**Federal Program:** Foster Care – Title IV-E  
**CFDA Number:** 93.658  
**Compliance Requirement:** Reporting  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per the Federal Funding Accountability and Transparency Act (FFATA) that relates to subaward reporting, direct recipients of Federal awards are required to report all first-tier sub-awards and subcontracts over \$25,000 through the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

**Condition:** During our testing, we noted that the two subrecipients of the program did not submit FFATA reports for sub-awards during the fiscal year. We did note that for both subrecipients, a “FFATA Reporting Determination Form” had been considered by KDCF staff at the beginning of the sub-award year; however, the notification and monitoring to ensure the subrecipients completed FFATA reporting had not been conducted for the year.

**Questioned Costs:** None noted.

**Context:** Both subrecipients of this program did not comply with FSRS reporting requirements.

**Cause:** A lack of a system in place for the notification and monitoring of FFATA reporting by subrecipients at the beginning of the sub-award time period could have contributed to this finding.

**Effect:** The program was not in compliance with reporting requirements.

**Recommendation:** KDCF should incorporate FFATA reporting requirements and information in its subrecipient agreements to ensure these organizations are notified at the time of the award. Monitoring procedures to ensure compliance is met for the FFATA submissions should also be considered as part of overall subrecipient monitoring.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** Finding 2014-008 provided background information related to KDCF Title IV-E contractors and that, beginning with this fiscal year, the State transitioned from treating these contractors as vendors to treating them as subrecipients. The finding also noted KDCF is developing a framework of monitoring to aid in this transition. As a result of the transition, the Department did not obtain FFATA Determination Forms for funding under the contracts. (FFATA Determination Forms were completed by the contractors in July 2013 for state-funded grants issued to them by KDCF. Those forms determined the contractors were vendors, which drove the lack of reporting.)

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KDCF has developed appropriate policies and procedures to ensure that FFATA reporting occurs. This was completed in response to prior year findings. In response to this finding, appropriate program and fiscal staff have been notified of the described issues. FFATA determinations occur as part of the grant/contract awarding process. To correct the deficiency noted, the Department will ensure that KDCF Audit Services is one of the parties who is part of the concurrence process (the process of review and approval of contracts and grants) to ensure that all necessary information is included in the grant or contract award and all determinations have been correctly made.

**Responsible party:** Implementation Oversight: Mary S. Hoover, KDCF Audit Director, 785-296-3836

**Planned completion date for corrective action plan:** March 1, 2015

**Plan to monitor completion of corrective action plan:** Corrective actions will be monitored by DCF Audit Services as part of its follow up responsibilities under applicable standards.

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**2014 – 015**

<b>Federal Agency:</b>	Department of Labor
<b>State Department/Agency:</b>	Kansas Department of Labor (KDOL)
<b>Federal Program:</b>	Unemployment Insurance
<b>CFDA Number:</b>	17.225
<b>Compliance Requirement:</b>	Schedule of Expenditures of Federal Awards
<b>Type of Finding:</b>	Material Weakness in Internal Control

**Criteria or specific requirement:** The State should ensure that federal expenditures reported on the SEFA are accurate and properly reported.

**Condition:** During review of expenditures detail from the State's accounting system, SMART, as compared to the Kansas Department of Administration's (D of A) DA-89 reporting mechanism for the Statewide SEFA preparation, it was found that the amount reported per the DA-89 report by the KDOL was \$30 million larger than the supporting SMART general ledger detail for the Unemployment Insurance (UI) program. This was due to a data entry error per the DA-89 report, which was used for the Statewide SEFA amounts reported. This amount was corrected after being discussed with the D of A and KDOL. Additionally, it was noted that an amount for \$736,864 was reported per the DA-89 report for expenditures that KDOL had passed to another state agency, the Kansas Department of Commerce. However, based on the supporting general ledger detail per the SMART system, \$237,252 of this amount had been returned to the grantor, U.S. Department of Labor, for excess cash on hand. As such, the amount reported per the DA-89 report and the Statewide SEFA was overstated by the \$237,252.

**Questioned costs:** None noted

**Context:** The Statewide SEFA was overstated due to data entry errors during the preparation of the supporting schedules.

**Cause:** Inadequate review of the amounts reported for the SEFA preparation process at the Department level could have contributed to this finding.

**Effect:** The major program determination could have been significantly impacted due to the data entry errors impacting the Statewide SEFA preparation process by the State.

**Recommendation:** We recommend that the D of A conduct additional trainings for the various State agencies involved with the Statewide SEFA preparation process to provide best practice and internal control suggestions at the agency-level to help minimize errors and improve the control structure for this process across all agencies.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

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**Actions planned in response to finding:** KDOL will do two things:

1. KDOL will in the future have a second individual review the SMART information pulled for preparation of the SEFA and review the SEFA report to make sure errors do not exist.
2. KDOL will reach out to Department of Administration staff to coordinate receipt of additional training documents and processes for the SEFA preparation.

**Responsible party:** Dawn Palmberg, KDOL Chief Fiscal Officer, 785-296-5000, ext. 2551

**Planned completion date for corrective action plan:** By July 31, 2015.

**Plan to monitor completion of corrective action plan:** Corrective actions will be monitored as part of the year-end closing and review process.

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**2014 – 016**

<b>Federal Agency:</b>	Department of Labor
<b>State Department/Agency:</b>	Kansas Department of Labor (KDOL)
<b>Federal Program:</b>	Unemployment Insurance
<b>CFDA Number:</b>	17.225
<b>Compliance Requirement:</b>	Allowable Costs / Cost Principles
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per OMB Circular A-133 guidelines, capital expenditures for general purpose equipment, buildings and land are unallowable as direct charges, except where approved in advance by the awarding agency.

**Condition:** Through our analysis of expenditures, it was found that equipment purchases and contractor payments had been paid out of the grant funding. This was for approximately \$275,000 in expenditures for the State's Fiscal Year 2014 that was paid by the Unemployment Insurance program. Approval by the awarding agency (U.S. Department of Labor) had not been obtained for this activity by the State.

**Questioned costs:** \$275,404

**Context:** Approximately \$275,000 was charged to the grant in unallowable costs.

**Cause:** Lack of understanding of all costs allowed to be charged to the grant could have contributed to this finding.

**Effect:** The State was not in compliance with OMB Circular A-133 requirements relating to allowable costs.

**Recommendation:** We recommend that the Kansas Department of Labor (KDOL) strengthen its control process over the monitoring of allowable costs to ensure that costs incurred are allowable per the requirements of the grant.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** As soon as the questioned costs were brought to the attention of KDOL staff, steps were taken to reclassify the expenditures and inform all accountants of the disallowed costs. The grant affected by this expenditure was the 2013 UI Admin grant which is still open and active. The expense was moved to non-grant funding in State fiscal year 2015.

The accounting system has been set up to have a two step review process for all expenditures. The three accountants with review level access are being given regulations to review regarding allowable costs and are also being sent to training to gain the knowledge needed to review expenditures efficiently and accurately.

KDOL has sent two accountants to training for the new Uniform Grant Guidance in the fall of 2014. Additionally, KDOL is sending two accountants to Financial Grants Management Training

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sponsored by the USDOL in March 2015. As new information is acquired policies and procedures are being updated or written to coincide with these rules and regulations.

Additionally, KDOL has developed a good working relationship with USDOL and accountants are encouraged to reach out to our contacts with additional questions.

**Responsible party:** Dawn Palmberg, KDOL Chief Fiscal Officer, 785-296-5000, ext. 2551

**Planned completion date for corrective action plan:** The target date for staff accountants to have a sufficient training/experience base is April 1, 2015.

**Plan to monitor completion of corrective action plan:** Regular internal meetings will be set up to discuss and review training materials, rules and regulations. This will be an ongoing process.

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**2014 – 017**

<b>Federal Agency:</b>	Department of Labor
<b>State Department/Agency:</b>	Kansas Department of Labor (KDOL)
<b>Federal Program:</b>	Unemployment Insurance
<b>CFDA Number:</b>	17.225
<b>Compliance Requirement:</b>	Cash Management
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per the A-102 Common Rule and OMB Circular A-110, these require that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

**Condition:** During the testing of five cash draws for the administrative cash management requirements for the program, it was found that two of the selections did not have evidence of someone other than the preparer reviewing the draw. This was primarily due to turnover at KDOL and only one individual able to perform the draw down.

**Questioned costs:** None noted

**Context:** Two draw downs selected for testing did not have someone separate from the preparer review the draw. It is noted that the draws were properly supported and calculated based on testing.

**Cause:** Lack of cross-training and segregation of duties over the preparation and review of cash draws for this program contributed to this finding.

**Effect:** The potential for data entry error is more prevalent when segregation of duties is not in place.

**Recommendation:** We recommend that the KDOL continue to develop cross-training for employees so that there is more than one individual that can conduct program tasks to ensure proper segregation of duties.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** KDOL has three individuals that are trained to complete the process and review of cash draws. The individual preparing the cash draw is required to pass the information to another accountant who is trained for review and approval. All deposits are reviewed by someone other than the preparer. This is designated either by a signature on the paperwork being reviewed or by electronic approval in the accounting system or both.

**Responsible party:** Dawn Palmberg, KDOL Chief Fiscal Officer, 785-296-5000, ext. 2551

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**Planned completion date for corrective action plan:** The practice described above was implemented in December 2014.

**Plan to monitor completion of corrective action plan:** The practice has been implemented.

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**2014 – 018**

<b>Federal Agency:</b>	Department of Labor
<b>State Department/Agency:</b>	Kansas Department of Labor (KDOL)
<b>Federal Program:</b>	Unemployment Insurance
<b>CFDA Number:</b>	17.225
<b>Compliance Requirement:</b>	Special Tests and Provisions
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per the U.S. Department of Labor's Standards in Employment and Training Handbook 395, 5 ed., VI-11, relating to the Special Tests and Provisions requirements for UI benefit payments, the requirements indicate that the Benefits Accuracy Measurement (BAM) program should complete a review of 70% of cases within sixty days and 95% of cases within ninety days.

**Condition:** Through testing of a sample of forty cases that had gone through the BAM review process, it was noted that there were seven exceptions found that were not in compliance with the timeliness standards.

**Questioned costs:** None noted

**Context:** These seven exceptions were due to several different reasons, including: a case not being signed off by the investigator so the review was untimely; an investigator being on leave; and instances where cases were being further investigated or insufficient explanations were noted for untimely cases.

**Cause:** The likely cause of this finding is due to internal restructuring of activities with KDOL's BAM unit.

**Effect:** The State was not in compliance with requirements relating to the BAM program.

**Recommendation:** We recommend that a standardized training program for all BAM investigators be conducted to better ensure compliance with those standards. This could include setting up a time table of expectations for case reviews and make those expectations known to the investigators. Also, consideration of compliance with deadline requirements could be used as a component of the employee evaluation process, with corrective action on employees not meeting those standards be considered.

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

**Explanation of disagreement with audit finding:** The audit findings are not specific as to whether the audit examined only paid claims or also included denied claims. See ETA 395, VI-11 (PCA), and ETA 395 VIII-2 (DCA). We respond based upon the assumption that only PCA cases were audited because the auditors indicated application of the 70% in 60 days and the 95% in 90 days standards, which are the applicable standards for PCA cases. It is in that context that we do not disagree with the findings.

**Actions planned in response to finding:** As noted by the auditors, the major cause of this issue has been restructuring and organization of the BAM unit over the last couple of years,

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which most recently included adjudications training for BAM investigators that contributed to the delays due to their being out of the office for that training.

Currently, we have five investigators and one supervisor in the BAM unit. All but the newest investigator have attended adjudications training. Filling the vacant UI Performance and Reporting Manager role will remove some administrative duties from the BAM supervisor, allowing her to focus more on closing cases. Additionally, the UI Performance and Reporting Manager may begin assisting with closing cases after BAM peer review the last week of February.

These actions should allow the BAM unit to begin to clear up the backlog of open investigations and to close cases in a timely manner. The UI Performance and Reporting Manager will begin evaluating local BAM processes and practices to ensure streamlined and systematic investigations as well as focused case management by investigators, which will include the implementation of a 7-week investigation completion goal.

Throughout this process, we will also continue to evaluate whether this issue necessitates that we hire an additional investigator in the unit.

**Responsible party:** Shawn Yancy, KDOL Unemployment Insurance Performance and Reporting Manager, (785) 296-5000, ext. 2582

**Planned completion date for corrective action plan:** Many of these actions will be taken/implemented before the end of the first quarter 2015 or shortly thereafter. However, their impact will be delayed by the natural pace of the BAM process, but each quarter we anticipate seeing progress both in terms of the number of cases completed timely as well as a decrease in the number of outstanding open cases. It is our goal to be fully compliant with PCA standards by the end of first quarter 2016.

**Plan to monitor completion of corrective action plan:** The UI Performance and Reporting Manager will plan to frequently check the time lapse for investigations as well as monitor investigation status pursuant to the 7-week goal to ensure a minimum of lag in investigations as well as evaluate the need, if any, of hiring and additional investigator. He will periodically report progress to relevant directors within the Department.

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**2014 – 019**

<b>Federal Agency:</b>	Department of Labor
<b>State Department/Agency:</b>	Kansas Department of Labor (KDOL)
<b>Federal Program:</b>	Unemployment Insurance
<b>CFDA Number:</b>	17.225
<b>Compliance Requirement:</b>	Special Tests and Provisions
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per OMB Circular A-133 requirements, Unemployment Compensation (UC) program integrity relating to overpayments is a Special Provision of this program. States are (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) States are prohibited from providing relief from charges to an employer's UC account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information. States may continue to waive recovery of overpayments in certain situations and must continue to offer the individual a fair hearing prior to recovery.

**Condition:** Through testing of forty overpayment selections, three exceptions were found. One selection had a data entry error which resulted in the full overpayment not being included in the assessment and resulted in the overpayment not being attempted to be recovered due to the error. Another selection was misclassified and concluded as not being due to fraud, when it should have been based on the criteria presented, discussions with KDOL program staff, and lack of sufficient explanation in the documentation provided. The third selection was determined by KDOL as being properly classified as not being due to fraud; however, the necessary documentation was not in the file at the time of the audit to come to this determination.

**Questioned costs:** None noted

**Context:** The program was not in compliance with this provision based on requirements and internal procedures.

**Cause:** Inadequate documentation and review to demonstrate conclusions on overpayment cases could have contributed to this finding.

**Effect:** The State was not in compliance with requirements relating to UC program integrity for overpayments.

**Recommendation:** We recommend that additional training be provided over this requirement for employees conducting these assessments, which could include a standardized checklist for all situations to consider and conclude upon to meet compliance requirements.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** Fraud unit management will develop regular training protocols to ensure staff knowledge and compliance with relevant policies and procedures. Further, KDOL will seek additional clarification and feedback from the audit team concerning possible implementation of the stated recommendation.

**Responsible party:** Kenneth Massey, KDOL Chief of Special Investigations, (785) 296-5000, ext. 2572

**Planned completion date for corrective action plan:**

June 1, 2015

**Plan to monitor completion of corrective action plan:** Review by agency executive staff.

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**2014 – 020**

**Federal Agency:** Department of Labor  
**State Department/Agency:** Kansas Department of Labor (KDOL)  
**Federal Program:** Unemployment Insurance  
**CFDA Number:** 17.225  
**Compliance Requirement:** Reporting  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per OMB Circular A-133 requirements and instructions provided for the ETA 9130 reports, this report is to be used for program and administrative expenditures. This data should include correct data for fields presented.

**Condition:** Through testing of seven ETA 9130 reports, it was noted four reports used general ledger detail from the SMART system that incorrectly excluded the encumbered amount for payroll expenditures. The encumbrance amounts and variance columns for payroll are to be included for reporting.

**Questioned costs:** None noted

**Context:** Reports selected prior to the quarter ended March 31, 2014 were incorrect. Those tested subsequent to that date were corrected calculated.

**Cause:** Lack of understanding of certain data fields in the report could have contributed to this finding.

**Effect:** The State was not in compliance with requirements relating to ETA 9130 reports.

**Recommendation:** We recommend that additional training be provided for employees responsible for Reporting requirements and cross-training be considered as well.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** As noted above the 9130 reports as of March 31, 2014 are being submitted correctly. 9130 reports are prepared by the Grant's Manager. All 9130 reports and back-up is reviewed by the Chief Fiscal Officer prior to certification on the e-grants website.

**Responsible party:** Dawn Palmberg, KDOL Chief Fiscal Officer, (785) 296-5000, ext. 2551

**Planned completion date for corrective action plan:** The correction was implemented March 31, 2014.

**Plan to monitor completion of corrective action plan:** The correction was implemented March 31, 2014.

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**2014 – 021**

<b>Federal Agency:</b>	Department of Labor
<b>State Department/Agency:</b>	Kansas Department of Labor (KDOL)
<b>Federal Program:</b>	Unemployment Insurance
<b>CFDA Number:</b>	17.225
<b>Compliance Requirement:</b>	Reporting
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per OMB Circular A-133 requirements and instructions provided for the ETA 227 reports, this report is to be used for State Workforce Agency (SWA) activities in principal detection and recovery areas of benefit payment control. This data should include correct data for fields presented.

**Condition:** Through testing of two ETA 227 reports, it was found that sections C (Recovery / Reconciliation) and D (Criminal Civil Actions) of the reports were not able to be tied to the KDOL legacy mainframe detail. This was due to an incorrect programming error in regards to the recording of accounts receivable. As a result, KDOL manually adjusts these sections of the reports through the use of spreadsheets or detail from the Criminal and Civil Prosecution division.

**Questioned costs:** None noted

**Context:** Reports selected did not have accounting system generated detail to support amounts reported, which is different from other sections of the report.

**Cause:** Lack of system capabilities to support certain data fields in the report could have contributed to this finding.

**Effect:** Amounts were not supported by system generated detail, and could be calculated incorrectly due to being a manual process.

**Recommendation:** We recommend that consideration of system generated information be developed to meet this requirement and help reduce the time involved to generate these fields manually.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** KDOL has been working on correcting issues with section C of the ETA 227 report for an extended period of time. Improvements have been made, but some errors are ongoing. KDOL will review existing IT priorities to see if additional programming resources can be assigned to the issue. Further, KDOL has tasked the UI Performance and Reporting Manager to lead a workgroup tasked with addressing any ETA 227 report deficiencies. The workgroup will also explore the business and IT feasibility of automating the completion of Section as recommended.

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**Responsible party:** Shawn Yancy, KDOL Unemployment Insurance Performance and Reporting Manager, (785) 296-5000, ext. 2582 and Brett Flachsbarth, KDOL Director of Unemployment Insurance, (785) 296-5000, ext. 2507

**Planned completion date for corrective action plan:** The workgroup has been implemented.

**Plan to monitor completion of corrective action plan:** The UI Performance and Reporting Manager will provide monthly status reports to the UI Director and Chief Counsel beginning April 1, 2015.

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**2014 – 022**

**Federal Agency:** Department of Labor  
**State Department/Agency:** Kansas Department of Labor (KDOL)  
**Federal Program:** Unemployment Insurance  
**CFDA Number:** 17.225  
**Compliance Requirement:** Reporting  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per the A-102 Common Rule and OMB Circular A-110, these require that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. OMB Circular A-133 requirements dictate submission of quarterly ETA 581 reports.

**Condition:** Through testing of two ETA 581 reports, it was noted that one report did not have evidence of a review being conducted other than someone preparing the report.

**Questioned costs:** None noted

**Context:** The amounts reported for the ETA 581 are obtained from other groups without KDOL, but there is not a secondary review of the information prior to submission.

**Cause:** Lack of segregation of duties for each submission of the report caused this finding.

**Effect:** The potential for data entry error is more prevalent when segregation of duties is not in place.

**Recommendation:** We recommend that the KDOL continue to develop cross-training for employees so that there is more than one individual that can conduct program tasks to ensure proper segregation of duties.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** KDOL has implemented the recommendation of the auditors. Specifically, additional supervisors within the tax division will conduct parallel reviews of the information prior to submission.

**Responsible party:** Brett Flachsbarth, KDOL Director of Unemployment Insurance, (785) 296-5000, ext. 2507 and Joe Vining, KDOL Chief of Contributions, (785) 296-5000, ext. 7642 and Cindy Morris, KDOL Chief of Audits and Investigations, (785) 296-5000, ext. 7639

**Planned completion date for corrective action plan:** The practice has been implemented.

**Plan to monitor completion of corrective action plan:** The practice has been implemented.

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**2014 – 023**

<b>Federal Agency:</b>	Department of Health and Human Services
<b>State Department/Agency:</b>	Kansas Department of Health and Environment (KDHE)
<b>Federal Program:</b>	State Medicaid Fraud Control Units, State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, Medical Assistance Program (Medicaid; Title XIX) – Medicaid Cluster
<b>CFDA Number:</b>	93.775, 93.777, 93.778
<b>Compliance Requirement:</b>	Cash Management, Period of Availability
<b>Type of Finding:</b>	Material Weakness in Internal Control, Noncompliance

**Criteria or specific requirement:** Per the A-102 Common Rule and OMB Circular A-110, these require that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

**Condition:** During testing of fourteen cash draws for the program, it was found that for two of the benefit assistance selections, the supporting Medicaid Management Information Systems (MMIS) reports did not fully reconcile to the draw amount submitted. One of the recalculations during the audit process resulted in the supporting reports showing an amount greater than the actual draw submitted. For the other recalculation, it was found that the amount entered on the draw spreadsheet had been mistyped as a negative amount instead of a positive amount, which resulted in an overdraw of approximately \$3.7 million. In both cases, the over or underdrawn amounts were applied to the next draw, resulting in the correct amount eventually being drawn. For one additional administrative payment selection, the supporting documentation was not able to reconcile to the drawn amount for an amount of \$2,429 due to payroll shifts at points in time.

**Questioned costs:** None noted

**Context:** Three draw downs were not properly supported or were incorrect when recalculated. There were control procedures in place over the draw downs as evidenced by approvals from someone other than the preparer.

**Cause:** Inadequate review of the amounts reported for draw downs in comparison to supporting reports could have contributed to this finding.

**Effect:** Amounts drawn for cash management requirements could be incorrect or unsupported.

**Recommendation:** We recommend that KDHE strengthen its preparation and review process over cash management requirements so that amounts drawn are reviewed against support documentation to ensure data entry errors are minimized.

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

**Explanation of disagreement with audit finding:** KDHE does not disagree that a keying error occurred. As noted, the over or underdrawn amounts were applied to the next draw, resulting in a net correct amount being drawn.

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**Actions planned in response to finding:** KDHE-Division of Health Care Finance (DHCF) will fill a vacant position to cross train in SMART and accounting functions. The position will be able to provide KDHE-DHCF financial with increased oversight of duties.

**Responsible party:** Jason Osterhaus, Program Integrity Manager, 785-296-2319, Carla Williams, Program Integrity Analyst, 785-296-7762

**Planned completion date for corrective action plan:** Training for the Medical Program Financial and Reporting Manager will begin March 2, 2015.

**Plan to monitor completion of corrective action plan:** Management will continue to monitor program staff preparing the report and provide review support.

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**2014 – 024**

**Federal Agency:** Department of Health and Human Services  
**State Department/Agency:** Kansas Department of Health and Environment (KDHE)  
**Federal Program:** State Medicaid Fraud Control Units, State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, Medical Assistance Program (Medicaid; Title XIX) – Medicaid Cluster  
**CFDA Number:** 93.775, 93.777, 93.778  
**Compliance Requirement:** Reporting – SF-425 Reports  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per the A-102 Common Rule and OMB Circular A-110, these require that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. OMB Circular A-133 requirements dictate submission of quarterly SF-425 reports.

**Condition:** Through testing of two SF-425 reports submitted for the State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare program, CFDA 93.777, it was noted that the reports did not have evidence of a review being conducted other than someone preparing the reports.

**Questioned costs:** None noted

**Context:** Two reports selected for testing did not have someone separate from the preparer review the report. It is noted the reports were properly supported based on the testing.

**Cause:** Lack of cross-training and segregation of duties over the preparation and review of cash draws for this program contributed to this finding.

**Effect:** The potential for data entry error is more prevalent when segregation of duties is not in place.

**Recommendation:** We recommend that KDHE continue to develop cross-training for employees so that there is more than one individual that can conduct program tasks to ensure proper segregation of duties.

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

**Explanation of disagreement with audit finding:** KDHE does not disagree. Staff turnover has been a contributing factor to lack of segregation of duties and cross-training.

**Actions planned in response to finding:** KDHE-DHCF will fill the vacant Medical Program Finance and Reporting Manager position March 2, 2015 This position will cross train in SMART and accounting functions in order to provide segregation of duties and review of SF-425 reports.

**Responsible party:** Jason Osterhaus, Program Integrity Manager, 785-296-2319, Carla Williams, Program Integrity Analyst, 785-296-7762

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**Planned completion date for corrective action plan:** Training for the position will begin March 2, 2015.

**Plan to monitor completion of corrective action plan:** Management will continue to monitor the program staff responsible for preparing the report and provide review.

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**2014 – 025**

**Federal Agency:** Department of Health and Human Services  
**State Department/Agency:** Kansas Department of Health and Environment (KDHE)  
**Federal Program:** State Medicaid Fraud Control Units, State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, Medical Assistance Program (Medicaid; Title XIX) – Medicaid Cluster  
**CFDA Number:** 93.775, 93.777, 93.778  
**Compliance Requirement:** Reporting – CMS-64 Reports  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per the U.S. Department of Health and Human Services (HHS) Centers for Medicare and Medicaid Services (CMS) guidelines, States are required to electronically submit the CMS-64, Quarterly Statement of Expenditures for the Medicaid Assistance Program, within thirty days after the end of the quarter.

**Condition:** Through testing of two quarterly submissions of the CMS-64 report, it was found that both reports were not submitted within thirty days after the end of the quarter.

**Questioned costs:** None noted

**Context:** For the December 31, 2013 quarter-end report, the delay until the February 28, 2014 submission was due to awaiting approval of an amendment by CMS, which KDHE then held the submission of the CMS-64 to await this approval. However, approval to delay submission had not been requested from CMS. For the June 30, 2014 quarter-end report, this was submitted on August 4, 2014.

**Cause:** The primary cause was due to KDHE waiting to submit the report until other CMS approval was obtained for an amendment to an agreement.

**Effect:** Timely submission of the CMS-64 reports was not done.

**Recommendation:** We recommend that KDHE get written approval from CMS for any delays in submission of reporting requirements for the Medicaid Cluster.

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

**Explanation of disagreement with audit finding:** KDHE does not disagree that both reports were submitted after the due date. However, KDHE-DHCF worked closely with Kevin Slaven from CMS and CMS was aware of the circumstances involving these reports.

**Actions planned in response to finding:** KDHE will request written approval from CMS for extended filing deadlines for the CMS 64 report in the future.

**Responsible party:** Jason Osterhaus, Program Integrity Manager, 785-296-2319, Carla Williams, Program Integrity Analyst, 785-296-7762

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**Planned completion date for corrective action plan:** The corrective action plan is currently in place. Program staff that prepare and submit the CMS 64 have added a process to request written confirmation from CMS.

**Plan to monitor completion of corrective action plan:** KDHE-DHCF will ensure a confirmation from CMS is included with any delay when submitting this report.

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**2014 – 026**

<b>Federal Agency:</b>	Department of Health and Human Services
<b>State Department/Agency:</b>	Kansas Department of Health and Environment (KDHE)
<b>Federal Program:</b>	State Medicaid Fraud Control Units, State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, Medical Assistance Program (Medicaid; Title XIX) – Medicaid Cluster
<b>CFDA Number:</b>	93.775, 93.777, 93.778
<b>Compliance Requirement:</b>	Eligibility
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Under 42 USC 1320b-7(d), 42 CFR sections 435.907 and 935.913, 42 CFR 435.911 and 42 CFR 435.915, applications for Medicaid are to be submitted online, by telephone, via mail, or in person and include each applicant's case records facts to support the agency's decision on the application. Also, the determination is to be completed in a timely manner, which is ninety days for applicants applying on the basis disability, and forty-five days for all other cases. Lastly, the eligibility effective date is not to be earlier than three months prior to the month of application.

**Condition:** From a sample of sixty participants of the program, it was found that one participant's case file did not contain a signed Medicaid application. As such, the criteria noted above could not be audited.

**Questioned costs:** None noted

**Context:** Lack of evidence of an application resulted in being unable to test these requirements for the program. Other forms of evidence were available to test other compliance requirements for Eligibility.

**Cause:** Lack of internal controls around all compliance requirements to evidence eligibility being met for all participants could have contributed to this finding.

**Effect:** Evidence of compliance with certain criteria for eligibility could not be verified.

**Recommendation:** We recommend further training be provided to staff regarding all eligibility criteria, as well as consideration of additional cross-checks for documentation in case files at the time of eligibility determination.

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

**Explanation of disagreement with audit finding:** KDHE does not disagree with this finding. This was a filing error by KDCF.

**Actions planned in response to finding:** The supervisor in charge of this division has been made aware and has re-educated staff.

**Responsible party:** Jason Osterhaus, Program Integrity Manager, 785-296-2319, Carla Williams, Program Integrity Analyst, 785-296-7762

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**Planned completion date for corrective action plan:** The State of Kansas will be implementing a new eligibility system by July 2015. This system will be paperless and all application will be scanned into an imaging system for storage.

**Plan to monitor completion of corrective action plan:** The State will verify the use of the imaging system after July 1, 2015.

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**2014 – 027**

**Federal Agency:** Department of Health and Human Services  
**State Department/Agency:** Kansas Board of Regents  
**Federal Program:** Research and Development Cluster  
**CFDA Number:** 98.855  
**Compliance Requirement:** Activities Allowed or Unallowed  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Per OMB Circular A-21: At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, facilities and administrative cost or other categories are reasonable in relation to the work performed.

**Condition:** The two samples tested from Pittsburg State University (the University) resulted in exceptions due to the lack of a signed effort report or time sheet for workers on the grant tested. Upon further investigation it was noted that the University does not use effort reports or time sheets to track employee time spent on Federal Grants.

**Questioned costs:** \$5,920

**Context:** There were no such findings noted at other universities tested as part of the Research & Development Cluster. Total sampled costs were \$39,314 and unsupported costs in the sample equaled \$5,920 a rate of 15%.

**Cause:** The exception was caused by a lack of internal controls monitoring administration of Research and Development Cluster funds at the University.

**Effect:** The University could be charging incorrect payroll costs to Federal Grants.

**Recommendation:** We recommend that the University institute a policy that requires effort reports to be signed by workers when spending time assisting in efforts related to Federal Grants.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** The University will convene a group of stakeholders to formalize a policy that requires at least annually, effort reports to be signed by workers when spending time assisting in efforts related to Federal Grants.

**Responsible party:** John Patterson, Vice President for Administration and Campus Life, 620-235-4152

**Planned completion date for corrective action plan:** The policy set forth by the stakeholder group will be submitted to the University's President's Council for approval. It is estimated that this process will take 60-90 days to complete.

**Plan to monitor completion of corrective action plan:** The stakeholder group will provide periodic progress reports to ensure appropriate adherence to the timeline provided.

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**2014 – 028**

**Federal Agency:** Department of Health and Human Services  
**State Department/Agency:** Kansas Department of Commerce (KDOC)  
**Federal Program:** Program of Competitive Grants for Worker Training And Placement In High Growth And Emerging Industry Sectors (SESPT)  
**CFDA Number:** 17.275  
**Compliance Requirement:** Subrecipient Monitoring  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria Or Specific Requirement:** According to OMB A-133 compliance supplement Part 3, KDOC is responsible for monitoring the subrecipients use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

**Condition:** Through determining the status of prior year's Finding 2013-005, it was found that monitoring reports had not been conducted for subrecipients of the grant due to the timing of the finding from the prior year being after the grant being fully expended by KDOC by September 30, 2013. It is noted that changes to the monitoring policy was made and can be found at <http://kwppolicies.kansascommerce.com/Pages/Default.aspx>.

**Context:** This finding is repeated as it was unable to be remediated in the current year due to the grant ending.

**Cause:** KDOC did not fully understand the responsibilities of subrecipient monitoring for the SESPT program during the prior year.

**Effect:** KDOC is not in compliance with Subrecipient Monitoring requirements for this grant during fiscal year 2014.

**Recommendation:** We recommend that the KDOC continue to utilize the process and related controls to effectively monitor all subrecipients for federal grants.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** Although this grant has closed the agency has addressed the finding as follows. The SESPT grant's monitoring responsibilities were assigned to grant administrators within the agency. Agency policy was revised July 2013 to include that all employment and training grants will be scheduled for monitoring by Commerce's Regulatory Compliance (CRC) unit. This unit is organizationally housed in Legal Services and is independent from grant administration or program operations. CRC's responsibilities will include, but are not limited to, working toward insuring administrative policies, practices,

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standards, and systems are functioning and operating within the parameters established by federal and state legislation, regulations, and policy directives.

The results of the monitoring effort will be documented and compiled in a formal report and disseminated to grant administrators, and as warranted, outstanding issues will be referred for corrective action to the appropriate administrative entities, or the agency's internal Corrective Action Board.

**Responsible party:** Traci Herrick, KDOC Chief Fiscal Officer, 785-296-2929

**Planned completion date for corrective action plan:** Already implemented.

**Plan to monitor completion of corrective action plan:** See Actions section above.

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**2014 – 029**

**Federal Agency:** Department of Health and Human Services  
**State Department/Agency:** Kansas Department of Commerce (KDOC)  
**Federal Program:** Program of Competitive Grants for Worker Training and Placement In High Growth And Emerging Industry Sectors (SESPT)  
**CFDA Number:** 17.275  
**Compliance Requirement:** Subrecipient Monitoring  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria Or Specific Requirement:** According to OMB A-133 compliance supplement Part 3, KDOC is required, at the time of the award, to identify award information (i.e. CFDA title and number, award name and number, whether the award is 'Research and Development,' and name of the Federal awarding agency) and applicable compliance requirements imposed by laws, regulations, and the provisions of contract or grant agreements.

**Condition:** Through determining the status of prior year's Finding 2013-006, it was found that identifying award information to subrecipients at the time of the award had not been conducted for subrecipients of the grant due to the timing of the finding from the prior year being after the grant being fully expended by KDOC by September 30, 2013. It is noted that the Special Grants Process Flow chart was obtained and reviewed and indicated that KDOC will review all communications that are delivered to the grant subrecipients regarding subawards to assure a consistent and documented process.

**Context:** This finding is repeated as it was unable to be remediated in the current year due to the grant ending.

**Cause:** KDOC did not fully understand the responsibilities of subrecipient monitoring for the SESPT program during the prior year.

**Effect:** KDOC is not in compliance with subrecipient monitoring requirements for this grant during fiscal year 2014.

**Recommendation:** We recommend that the KDOC continue to utilize the process and related controls to effectively monitor all subrecipients for federal grants.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** Although this grant has closed the agency has addressed the finding as follows. The Department of Commerce, through a collaborative effort between the Workforce Development Division and the Fiscal unit, reviewed all communications that are delivered to the grant subrecipients regarding subawards to assure a consistent and documented process that meets regulations. This was formalized into process flow charts to assure this information is communicated to subrecipients going forward.

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**Responsible party:** Traci Herrick, KDOC Chief Fiscal Officer, 785-296-2929

**Planned completion date for corrective action plan:** Already implemented.

**Plan to monitor completion of corrective action plan:** See Actions section above.

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**2014 – 030**

**Federal Agency:** Department of Education  
**State Department/Agency:** Kansas Department of Education (KSDE)  
**Federal Program:** School Improvement Grants Cluster  
**CFDA Number:** 84.377, 84.388  
**Compliance Requirement:** Reporting  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria Or Specific Requirement:** According to OMB Circular A-133, Part 3, FFATA requirements are, “(1) recipient reporting of each first-tier subaward or subaward amendment that results in an obligation of \$25,000 or more in Federal funds; and (2) contractor reporting of each first-tier subcontract award of \$25,000 or more in Federal funds... the triggering event for reporting under a grant or cooperative agreement is the obligation of funds under a subaward or subaward amendment rather than a payment made pursuant to the subaward; the triggering event for reporting under a contract is awarding or modifying a first-tier subcontract. Under either set of requirements, the reporting in FSRs must be accomplished by the end of the month following the month in which the reportable action occurred.”

**Condition:** Through determining the status of prior year’s Finding 2013-024, one submission of FFATA reporting was selected for testing. It was found that the FFATA report had not been submitted by the end of the month following the month in which the reportable action occurred, which was the award date. The award date was January 27, 2014, and the FFATA reporting occurred in April 2014. It was noted that the consultant that was utilized for this work had not informed KSDE staff about the award until March 2014. An email was sent to the consultants about providing the information and related forms within two weeks of the federal grant award letters in order to enter it into the FFATA system within thirty days of the award date as required.

**Context:** This finding is repeated as it was not fully remedied during fiscal year 2014.

**Cause:** Lack of timeliness of award notification date and related FFATA reporting contributed to this finding.

**Effect:** KSDE is not in compliance with FFATA reporting requirements for this grant during fiscal year 2014.

**Recommendation:** It is recommended that KSDE implement further processes and controls to ensure that all required FFATA reports are submitted on a timely basis.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** The Accounting Specialist processing the federal payment will sign and date the Allocation Form when the Form is given to the FFATA Coordinator. The FFATA Coordinator will initial the Form upon receipt. This signature prompt

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should help ensure that payments are reported to the FFATA Coordinator so reports may be filed in a timely manner.

**Responsible party:** Craig Neuenswander, KSDE Director of School Finance, 785-296-3872

**Planned completion date for corrective action plan:** Already implemented.

**Plan to monitor completion of corrective action plan:** See Actions section above.

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**2014 – 031**

**Federal Agency:** Department of Education  
**State Department/Agency:** Kansas Board of Regents (KBOR)  
**Federal Program:** Statewide Data Systems Cluster  
**CFDA Number:** 84.372, 84.384  
**Compliance Requirement:** Procurement, Suspension and Debarment  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria Or Specific Requirement:** According to OMB Circular A-133, “When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).”

**Condition:** Through determining the status of prior year’s Finding 2013-025, it was found that no new contracts were issued under this program due to the timing of the finding from the prior year being after the grant being fully expended by June 30, 2014. It is noted that KBOR did implement a process to have each new contract include a statement to certify that the contracted vendor is not suspended or debarred, which requires the vendor signing the statement.

**Context:** This finding is repeated as it was unable to be remediated in the current year due to the grant ending.

**Cause:** KBOR did not have policies or related controls in place requiring verification that the entity they are contracting with is not suspended or debarred during the prior year.

**Effect:** KBOR is not in compliance with procurement, suspension and debarment requirements for this grant during fiscal year 2014.

**Recommendation:** We recommend that the KBOR continue to utilize the process and related controls to ensure compliance with procurement, suspension and debarment.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** KBOR is implemented a change in its procedures to require a clause in contract agreements whereby the vendor certifies they are not presently suspended or debarred at the time of signing of the agreement.

**Responsible party:** Kelly Oliver, KBOR Senior Director for Finance and Administration, 785-296-5235

**Planned completion date for corrective action plan:** Already implemented.

**Plan to monitor completion of corrective action plan:** See Actions section above.

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**2014 – 032**

<b>Federal Agency:</b>	Department of Education
<b>State Department/Agency:</b>	Kansas Board of Regents
<b>Federal Program:</b>	Student Financial Assistance Cluster
<b>CFDA Number:</b>	84.038
<b>Compliance Requirement:</b>	Special Tests and Provisions
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:** Universities are required to ensure their third party services are in compliance with all statutory or regulatory provisions, and special arrangements, agreements, limitations, suspensions, and terminations entered into under the Title IV HEA Programs. Any finding a third party servicer receives becomes a finding of institutions they service.

ECSI did not include in all contracts with institutions language stating that as a third-party servicer ECSI agrees to:

- Comply with all statutory or regulatory provisions, and special arrangements, agreements, limitations, suspensions, and terminations entered into under Title IV HEA Programs.
- Refer to the ED Office of Inspector General for Investigations any information indicating there is reasonable cause to believe:
  - the institution might have engaged in fraud or other criminal misconduct in connection with the institution's administration of any Title IV, HEA program, or
  - an applicant for Title IV, HEA program assistance might have engaged in fraud or other criminal misconduct in connection with his or her application.
- Be jointly and severally liable with the institution for any violation by the servicer of any statutory or regulatory provisions, and special arrangements, agreements, limitations, suspensions, and terminations entered into under Title IV HEA Programs.

**Condition:** During our testing, we noted Heartland Campus Solutions ECSI (ECSI) (Third Party Servicer for The University of Kansas, Wichita State University, Pittsburg State University, Emporia State University and Fort Hays State University) has not complied with the Third-Party Eligibility Compliance Requirements listed in Section IV of the Department of Education SFA Guide.

**Questioned costs:** None

**Context:** There was one instance of noncompliance identified at University of Kansas, Wichita State University, Pittsburg State University, Emporia State University and Fort Hays University.

**Cause:** The Universities do not have review processes in place to ensure that their third party servicers are in compliance with statutory or regulatory provisions, special arrangements, agreements, limitations, suspensions, and terminations entered into under the Title IV HEA Programs.

**Effect:** ECSI is not in compliance with all statutory or regulatory provisions, and special arrangements, agreements, limitations, suspensions, and terminations entered into under the Title IV HEA Programs. Any finding ECSI receives becomes a finding of the institution they service.

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**Recommendation:** We recommend that The University of Kansas, Wichita State University, Pittsburg State University, Emporia State University and Fort Hays State University implement a thorough review process of all third-party servicer contracts to make sure they comply with all Department of Education Rules and Regulations.

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

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** The applicable universities will review third-party servicer contracts for compliance with Department of Education Rules and Regulations.

**Responsible party:** The associated university controllers.

**Planned completion date for corrective action plan:** The corrective action plan is estimated to take 60-90 days to complete from the report issuance date.

**Plan to monitor completion of corrective action plan:** The associated university controllers offices will monitor the corrective action plan.

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**2014 – 033**

<b>Federal Agency:</b>	Department of Health and Human Services
<b>State Department/Agency:</b>	Kansas Department of Health and Environment (KDHE)
<b>Federal Program:</b>	State Grants to Promote Health Information Technology ARRA
<b>CFDA Number:</b>	93.719
<b>Compliance Requirement:</b>	Subrecipient Monitoring
<b>Type of Finding:</b>	Significant Deficiency in Internal Control, Noncompliance

**Criteria Or Specific Requirement:** Per OMB Circular A-133 Part 3, “A pass-through entity is responsible for: Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC (see also N, Special Tests and Provisions in this Part).”

Additionally, per OMB Circular A-133 Part 3, “A pass-through entity is responsible for: Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003, as provided in OMB Circular A-133, have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.”

**Condition:** Through determining the status of prior year’s Finding 2013-008, it was found that identifying award information to subrecipients at the time of the award had not been conducted for one subrecipient selected for testing. It was also noted that evidence was not available to show that a copy of the subrecipient’s audit was obtained and reviewed for compliance. It was noted that KDHE did implement a step in the contract review process to ensure information regarding Federal award information was included in contracts.

**Context:** This finding is repeated as it was unable to be remediated in the current year.

**Cause:** KDHE did not fully understand the responsibilities of subrecipient monitoring for the program during the prior year.

**Effect:** KDHE is not in compliance with subrecipient monitoring requirements for this grant during fiscal year 2014.

**Recommendation:** We recommend that the KDHE continue to utilize the process and related controls to effectively monitor all subrecipients for federal grants.

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

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**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** Subawards were based on performance metrics and were not predetermined, therefore, providing an amount of the subaward would have been impractical. In the future we will assign a maximum available amount to the subaward for each subrecipient based on maximum achievable metric incentives. In addition, KDHE will assure that information regarding the Federal award information (i.e., CFDA title and number; award name and number) and applicable compliance requirements are included in the preamble to contracts. It was an oversight that these items were left out of these contracts. KDHE has taken action to assure that this requirement is specifically called out in any contract that might result in an excess of \$500,000 from federal sources being provided to any entity we contract with.

**Responsible party:** Aaron Dunkel, KDHE Deputy Secretary, 785-296-0461

**Planned completion date for corrective action plan:** Already implemented.

**Plan to monitor completion of corrective action plan:** See Actions section above.

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**SCHEDULE OF PRIOR YEAR FINDINGS**  
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**Finding Reference: 2013-001**

**CFDA-Federal Program:** 14.228 - Community Development Block Grant

**Compliance Requirement:** Reporting

**Type of Finding:** Significant deficiency

**Condition:** During our testing, we noted that no Federal Funding Accountability and Transparency Act (FFATA) reports were submitted for sub-awards over the \$25,000 minimum made during the year.

**Current status:** Resolved

**Finding Reference: 2013-002**

**CFDA-Federal Program:** 17.225 – Unemployment Insurance

**Compliance Requirement:** Eligibility

**Type of Finding:** Significant deficiency

**Condition:** Out of our sample of 60 claimants tested, 1 claimant was paid unemployment benefits without going through the appeals process requested by the employer.

**Current status:** Resolved

**Finding Reference: 2013-003**

**CFDA-Federal Program:** 17.225 – Unemployment Insurance

**Compliance Requirement:** Eligibility

**Type of Finding:** Significant deficiency

**Condition:** For 1 out of 60 claimants tested, KDOL disbursed full payments to the claimant while having an overpayment balance outstanding from that claimant. The claimant was incorrectly flagged as being in the appeals process, therefore collection activity on the overpayment was suspended. In accordance with Section 4005(b) KDOL had the option, in its discretion, to waive the recovery of the overpayment, however the claimant file did not contain evidence of a waiver.

**Current status:** Resolved

**Finding Reference: 2013-004**

**CFDA-Federal Program:** 17.225 – Unemployment Insurance

**Compliance Requirement:** Reporting

**Type of Finding:** Significant deficiency

**Condition:** Out of our sample of 9 ETA-9130 reports tested, 4 reports were submitted after the due date.

**Current status:** Not resolved. See Finding 2014-020 for current year finding.

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**SCHEDULE OF PRIOR YEAR FINDINGS**  
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**Finding Reference: 2013-005**

**CFDA-Federal Program:** 17.275 - Program of Competitive Grants For Worker Training And Placement In High Growth And Emerging Industry Sectors

**Compliance Requirement:** Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Condition:** In our testing of the SESPT program, the auditor selected 4 subrecipients and found that monitoring was not provided for 3 subrecipients.

**Current status:** Not resolved. See Finding 2014-028 for current year finding.

**Finding Reference: 2013-006**

**CFDA-Federal Program:** 17.275 - Program of Competitive Grants For Worker Training And Placement In High Growth And Emerging Industry Sectors

**Compliance Requirement:** Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Condition:** The auditor selected 4 subrecipient entities to test for subrecipient monitoring requirements and noted none were provided identifying award information (specifically the CFDA number) at the time of the award.

**Current status:** Not resolved. See Finding 2014-029 for current year finding.

**Finding Reference: 2013-007**

**CFDA-Federal Program:** 66.458 – Capitalization Grants for Clean Water State Revolving Fund

**Compliance Requirement:** Reporting

**Type of Finding:** Significant deficiency

**Condition:** The auditor tested 3 FFATA reports and noted that 2 were not submitted in FSRs no later than the month following the month in which the sub-award/sub-award amendment obligation was made.

**Current status:** Resolved

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**Finding Reference: 2013-008**

**CFDA-Federal Program:** 93.719 - State Grants to Promote Health Information Technology (ARRA)

**Compliance Requirement:** Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Condition:** In our testing of the State Grants to Promote Health Information Technology program, the auditor selected 2 subrecipients for testing and found that proper subrecipient monitoring was not provided to either subrecipient. It was noted that KDHE did not identify to the subrecipients the CFDA title and number, or the award name and number. Also, it was noted that KDHE did not ensure that subrecipients met the audit requirements of OMB Circular A-133.

**Current status:** Not resolved. See Finding 2014-033 for current year finding.

**Finding Reference: 2013-009**

**CFDA-Federal Program:** 66.468 – Capitalization Grant for Drinking Water State Revolving Funds

**Compliance Requirement:** Eligibility

**Type of Finding:** Significant deficiency

**Condition:** During testing we noted that for 1 out of 40 expenditures the “disbursement request forms” was missing an original signature by a member of the municipality as is required by Capitalization Grant for Drinking Water SRF internal controls.

**Current status:** Resolved

**Finding Reference: 2013-010**

**CFDA-Federal Program:** 81.041 – State Energy Program (ARRA)

**Compliance Requirement:** Cash management

**Type of Finding:** Significant deficiency

**Condition:** For 1 out of 6 cash draws tested, the Kansas Corporation Commission (KCC) did not follow the established internal controls over cash management of having the reimbursement request (cash draw) created and approve by two separate individuals.

**Current status:** Resolved

**Finding Reference: 2013-011**

**CFDA-Federal Program:** 81.041 – State Energy Program (ARRA)

**Compliance Requirement:** Period of availability

**Type of Finding:** Significant deficiency

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**Condition:** For 1 out of 40 ARRA and non-ARRA expenditures tested, the expenditure was obligated outside of the performance period of the grant.

**Current status:** Resolved

**Finding Reference: 2013-012**

**CFDA-Federal Program:** 81.128 - Energy Efficiency and Conservation Block Grant Program

**Compliance Requirement:** Cash management

**Type of Finding:** Significant deficiency

**Condition:** For 1 out of 5 cash draws tested, the KCC did not follow the established internal controls over cash management of having the reimbursement request (cash draw) created and approved by two separate individuals.

**Current status:** Resolved

**Finding Reference: 2013-013**

**CFDA-Federal Program:** 81.128 - Energy Efficiency and Conservation Block Grant Program

**Compliance Requirement:** Reporting

**Type of Finding:** Significant deficiency

**Condition:** Out of the 2 ARRA 1512 reports tested, 1 did not report the correct amount of "Total Federal Amount of ARRA Expenditures." The total did not reconcile to amounts recorded in the General Ledger.

**Current status:** Resolved

**Finding Reference: 2013-014**

**CFDA-Federal Program:** 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364 and 93.925  
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364 and 93.925 – Student Financial Aid Cluster

**Compliance Requirement:** Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Condition:** During enrollment reporting testing, the auditor noted 1 instance out of a sample of 28 where NSLDS was not updated within the required timeframe.

**Current status:** Resolved

**STATE OF KANSAS**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**For the Year Ended June 30, 2014**

**Finding Reference: 2013-015**

**CFDA-Federal Program:** 93.268 – Immunization Cooperative Agreements  
**Compliance Requirement:** Procurement  
**Type of Finding:** Significant deficiency

**Condition:** The auditor tested three contracts and noted that for all three contracts, the Immunization Program did not perform a verification check for covered transactions, by checking the EPLS, collecting a certification from the entity, or adding a clause or condition to the contract to ensure that the covered transactions were not awarded to suspended or debarred parties.

**Current status:** Resolved

**Finding Reference: 2013-016**

**CFDA-Federal Program:** 93.575, 93.596 – Child Care and Development Fund  
**Compliance Requirement:** Eligibility  
**Type of Finding:** Significant deficiency

**Condition:** During our testing, the auditor selected 40 files to test for eligibility and performed a review of the income verification process for eligibility, specifically reviewing the “Income Calculation” worksheet that is required to be part of all participant’s case files as well as the participant’s application. From the “Income Calculation” worksheet and number of people living in the household, DCF calculates the “Monthly Family Income and Family Share Deduction” using the sliding fee schedule.

For 2 out of the 40 case files tested we noted discrepancies in the number of people who lived in the household according to the application and the number of people who lived in the household according to the KSCARES system. This discrepancy resulted in an inaccurate calculation of the “Family Income and Share Deduction.”

In addition, we noted the “Family Income and Share Deduction” had been incorrectly calculated in the KSCARES system for 2 out of the 40 case files tested. These calculations were based on inaccurate information included in the case files, application, and “Income Calculation” worksheet.

**Current status:** Not resolved. See Finding 2014-010 for current year finding.

**STATE OF KANSAS**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**For the Year Ended June 30, 2014**

**Finding Reference: 2013-017**

**CFDA-Federal Program:** 93.575, 93.596 - Child Care and Development Fund

**Compliance Requirement:** Procurement

**Type of Finding:** Significant deficiency

**Condition:** The auditor examined 4 contract files and noted that DCF did not perform a verification check for contractors for suspension and debarment prior to signing the contract. Further, procurement and contract files did not contain a signed certification of debarment or a contract clause through which the contractor represented that they were not suspended or debarred.

**Current status:** Resolved

**Finding Reference: 2013-018**

**CFDA-Federal Program:** 93.658 - Foster Care – Title IV-E

**Compliance Requirement:** Reporting

**Type of Finding:** Significant deficiency

**Condition:** During our testing, we requested FFATA reports for 5 sub-awards over \$25,000. It was subsequently determined that DCF did not submit FFATA reports within FSRS during the year.

**Current status:** Not resolved. See Finding 2014-014 for current year finding.

**Finding Reference: 2013-019**

**CFDA-Federal Program:** 93.659 - Adoption Assistance

**Compliance Requirement:** Maintenance of effort

**Type of Finding:** Significant deficiency

**Condition:** During testing, we requested support for how the savings were tracked in order to verify the State spent an amount equal to the savings. It was subsequently determined that DCF was not tracking the savings and therefore not able to provide documentation that the program was in compliance with the maintenance of effort requirement.

**Current status:** Resolved

**STATE OF KANSAS**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**For the Year Ended June 30, 2014**

**Finding Reference: 2013-020**

**CFDA-Federal Program:** 93.775, 93.777, and 93.778 – Medicaid Cluster  
**Compliance Requirement:** Allowable costs  
**Type of Finding:** Significant deficiency

**Condition:** The State is not crediting the Medicaid program for State warrants that are canceled and un-cashed checks beyond 180 days of issuance (escheated warrants).

**Current status:** Resolved

**Finding Reference: 2013-021**

**CFDA-Federal Program:** 93.775, 93.777, and 93.778 – Medicaid Cluster  
**Compliance Requirement:** Eligibility  
**Type of Finding:** Significant deficiency

**Condition:** During our testing, it was noted that 1 Medicaid beneficiary out of our sample of 60 did not have their SSN verified by KDHE.

**Current status:** Resolved

**Finding Reference: 2013-022**

**CFDA-Federal Program:** 93.775, 93.777, and 93.778 – Medicaid Cluster  
**Compliance Requirement:** Eligibility  
**Type of Finding:** Significant deficiency

**Condition:** During our testing, it was noted that 2 beneficiaries out of our sample of 60 had applied for services, but their eligibility was not determined within the proper time period allowed.

**Current status:** Resolved

**Finding Reference: 2013-023**

**CFDA-Federal Program:** 10.558 - Child and Adult Care Food Program  
**Compliance Requirement:** Subrecipient monitoring  
**Type of Finding:** Significant deficiency

**Condition:** For 1 out of the 40 subrecipients tested, an internal audit was not performed by KSDE's staff.

**Current status:** Resolved

**STATE OF KANSAS**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**For the Year Ended June 30, 2014**

**Finding Reference: 2013-024**

**CFDA-Federal Program:** 84.377, 84.388 - School Improvement Grants Cluster (ARRA)

**Compliance Requirement:** Reporting

**Type of Finding:** Significant deficiency

**Condition:** The auditor tested 3 FFATA reports and noted that 1 report was not submitted on a timely basis.

**Current status:** Not resolved. See Finding 2014-030 for current year finding.

**Finding Reference: 2013-025**

**CFDA-Federal Program:** 84.372, 84.384 - Statewide Data Systems Cluster (ARRA)

**Compliance Requirement:** Procurement

**Type of Finding:** Significant deficiency

**Condition:** The auditor tested three contracts and noted that for one of the three contracts, the Statewide Data Systems Cluster did not perform a verification check for covered transactions, by checking the EPLS, collecting a certification from the entity, or adding a clause or condition to the contract to ensure that the covered transactions were not awarded to suspended or debarred parties.

**Current status:** Not resolved. See Finding 2014-031 for current year finding.

**Finding Reference: 2013-026**

**CFDA-Federal Program:** 93.658 - Foster Care - Title IV-E

**Compliance Requirement:** Reporting

**Type of Finding:** Significant deficiency

**Condition:** During testing of the CB-496 report, it was noted that Maintenance costs reported on Part 1, Line 1 (Maintenance Assistance Payments (FMAP rate)) do not appear to be properly supported. For 4 expenditure claims tested out of a sample of 40, amounts included on Line 1 as Maintenance on form CB-496 did not match the amount directly provided by the child care provider agencies to the foster child/family receiving the support.

**Current status:** Resolved