KANSAS DEVELOPMENT FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF KANSAS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

AND

INDEPENDENT AUDITOR'S REPORT

AGH CPAs & ADVISORS

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AGH CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kansas Development Finance Authority
Topeka, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of Kansas Development Finance Authority (KDFA), a component unit of the State of Kansas, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the KDFA's basic financial statements as listed on 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the KDFA as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the KDFA's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017 on our consideration of the KDFA'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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the KDFA's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 18, 2017
Wichita, KS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of Kansas Development Finance Authority's (KDFA) operations and financial position should be read in conjunction with the financial statements and appropriate notes appearing elsewhere in this document.

FINANCIAL HIGHLIGHTS

- KDFA's total net position decreased by $374,467 from the previous year.
- During the year, KDFA's expenses exceeded revenues by $374,467. KDFA had expenses of $1,892,888 compared to $1,798,501 in 2016, and revenues of $1,518,421 and $2,098,900 for those same years.
- Revenues received but not earned (unearned revenues) decreased by $206,377 to $3,415,290 during fiscal 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of 2 parts: (1) management's discussion and analysis (this section) and (2) the basic financial statements. The financial statements also include notes which provide more detailed data.

FINANCIAL ANALYSIS OF KDFA AS A WHOLE

The following analysis focuses on KDFA's operating assets and liabilities. The following table excludes the balances for Investment in Direct Financing Leases and Lease Revenue Bonds Payable. See the Notes to the Financial Statements for discussion related to these accounts. Balances for these accounts fluctuate each year based on the number of bond issuances and redemptions.

	In Thousands of Dollars			Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Current and other assets	$ 13,171	$ 13,826	$ 13,638	$ (655)	$ 188
Capital assets	581	670	754	(89)	(84)
Total assets	13,752	14,496	14,392	(744)	104
Deferred outflows - pension	357	211	81	146	130
Total deferred outflows	357	211	81	146	130
Long-term liabilities	4,313	4,479	3,941	(166)	538
Other liabilities	826	862	1,380	(36)	(518)
Total liabilities	5,139	5,341	5,321	(202)	20
Deferred inflows - pension	94	115	202	(21)	(87)
Total deferred inflows	94	115	202	(21)	(87)
Total net position	$ 8,876	$ 9,251	$ 8,950	$ (375)	$ 301
Operating revenues	$ 1,314	$ 1,781	$ 1,665	$ (467)	$ 116
Non-operating revenues	204	319	152	(115)	167
Total revenues	1,518	2,100	1,817	(582)	283
Total expenses	1,893	1,799	1,751	94	48
Excess of revenues over expenses	(375)	301	66	(676)	235
Prior period adjustment	--	--	(1,189)	--	1,189
Change in net position	$ (375)	$ 301	$ (1,123)	$ (676)	$ 1,424

Total assets, liabilities and net position: Overall, the significant balance sheet accounts such as cash, investments, and unearned revenues fluctuate depending on the number and dollar amount of bond issuances completed each year. In fiscal 2017 and 2016, approximately $247,208,500 and $1,256,665,766 were issued in bonds each year, respectively.

Change in net position: The majority of KDFA's revenue comes from issuance fees and annual fees, which produce over 98% of KDFA's operating revenues. The amount of revenues from KDFA's issuance fee decreased to $469,915 in 2017 from $781,495 in 2016. Additionally, the amount of revenues from KDFA's annual fee decreased to $822,598 in 2017 from $989,581 in 2016.

Overall expenses increased by $94,387 as a result of increases and decreases to various expenditures. The amount recorded in the post issuance compliance expense account increased by $39,989. Post issuance compliance is a fee paid to Gilmore & Bell's Compliance Services Division for post issuance compliance services and assistance to KDFA staff, which includes arbitrage rebate calculations, annual borrower compliance reviews, and continuing disclosure services. Beginning on July 1, 2016, 501(c)(3) State University financings were added to the post issuance compliance services agreement. The cost of post issuance compliance services is included in Professional services expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Capital assets include furniture, office and computer equipment, and building improvements. Improvements are depreciated over the ten-year life of the lease. Furniture and equipment are depreciated over a three to five year time frame. For additional information on capital assets, see Note 4.

Long-term Debt: See financial highlights above for discussion of unearned revenues. For additional information on debt, see Notes 5, 6, 7 and supplementary information.

ECONOMIC FACTORS

Forecasting through the next 12 months, KDFA continues to see a favorable debt interest rate environment, and well rated bonds should continue to price attractively. The Federal Reserve continues to signal a willingness to increase rates, but low inflation, modest GDP growth and other indications still support a cautious and gradual approach.

KDFA continues to facilitate annual issuances on behalf of the various Regents Institutions, and has 2017 authorizations for projects at the University of Kansas and Emporia State University. KDFA closed a $8,000,000 transaction for electrical upgrades at Kansas State University in August 2017. Additionally, KDFA is authorized to facilitate a $155,000,000 project on behalf of the Kansas Department of Corrections.

On the private activity bond side, KDFA anticipates issuing approximately $65,000,000 to facilitate another senior assisted living facility transaction on behalf of Village Shalom, Inc., located in Overland Park, Kansas, and may facilitate an affordable housing project.

CONTACTING KDFA'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of KDFA's finances and to demonstrate KDFA's accountability for funds received. If you have questions about this report or need additional information, contact KDFA at 534 S. Kansas Avenue, Suite 800, Topeka, KS 66603.

KANSAS DEVELOPMENT FINANCE AUTHORITY
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BALANCE SHEETS

June 30, 2017 and 2016

ASSETS AND DEFERRED OUTFLOWS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	**$ 193,585**	$ 144,123
Investments	**9,432,311**	9,948,446
Investments, restricted	**3,415,290**	3,621,667
Accounts receivable	**32,747**	29,761
Prepaid expenses	**96,886**	82,023
Investment in direct financing leases, current portion	**695,000**	655,000
Total current assets	**13,865,819**	14,481,020
INVESTMENTS IN DIRECT FINANCING LEASES, NET OF CURRENT PORTION	**1,480,000**	2,175,000
CAPITAL ASSETS		
Furniture and equipment	**321,574**	349,080
Building improvements	**585,984**	584,062
Less accumulated depreciation and amortization	**(326,946)**	(263,275)
Net capital assets	**580,612**	669,867
DEFFERED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	**357,189**	211,270
Total assets and deferred outflows of resources	**$ 16,283,620**	$ 17,537,157

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2017	2016
CURRENT LIABILITIES		
Accrued salaries and related benefits	**$ 399,576**	$ 394,391
Accounts payable	**20,281**	39,802
Unearned revenue - current portion	**406,339**	428,140
Lease revenue bonds payable, current portion	**695,000**	655,000
Total current liabilities	**1,521,196**	1,517,333
LONG-TERM LIABILITIES		
Unearned revenue	**3,008,951**	3,193,527
Lease revenue bonds payable	**1,480,000**	2,175,000
Net OPEB obligation	**--**	545
Net pension liability	**1,303,753**	1,285,093
Total long-term liabilities	**5,792,704**	6,654,165
Total liabilities	**7,313,900**	8,171,498
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	**93,652**	115,124
NET POSITION		
Invested in capital assets	**580,612**	669,867
Unrestricted	**8,295,456**	8,580,668
	8,876,068	9,250,535
Total liabilities, deferred inflows of resources and net position	**$ 16,283,620**	$ 17,537,157

The accompanying notes are an integral
part of these financial statements.

KANSAS DEVELOPMENT FINANCE AUTHORITY
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STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Issuance fees	**$ 469,915**	$ 781,495
Annual fees	**822,598**	989,581
Application fees	**5,400**	3,900
Miscellaneous revenue	**16,528**	5,779
Total operating revenues	**1,314,441**	1,780,755
Operating expenses:		
Salaries and related payroll expense	**1,016,845**	1,036,847
Pension expense	**139,165**	100,370
Annual OPEB cost	**(545)**	(48,455)
Telecommunications	**13,839**	15,067
Maintenance agreements and repairs	**28,722**	25,048
Publication fees and advertising	**3,132**	2,826
Rents	**88,805**	89,654
Insurance	**53,124**	50,635
Travel	**323**	809
Continuing education expenses	**25,614**	24,515
Professional services	**356,481**	340,457
Memberships and subscriptions	**13,861**	13,357
Professional and office supplies	**19,928**	13,548
Depreciation and amortization	**111,149**	113,806
Arbitrage calculation expenses	**5,750**	2,700
Miscellaneous	**16,695**	17,317
Total operating expenses	**1,892,888**	1,798,501
Operating loss	**(578,447)**	(17,746)
Non-operating revenues (expenses):		
Investment income	**207,444**	183,715
Net change in fair value of investments	**(197,443)**	134,430
Non-employer pension contributions	**193,979**	--
Total non-operating revenues (expenses)	**203,980**	318,145
Excess of revenues over expenses (expenses over revenues)	**(374,467)**	300,399
Net position, beginning of year	**9,250,535**	8,950,136
Net position, end of year	**$ 8,876,068**	$ 9,250,535

The accompanying notes are an integral
part of these financial statements.

KANSAS DEVELOPMENT FINANCE AUTHORITY
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STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from others	$ **1,311,455**	$ 1,785,363
Cash paid to others	**(2,165,983)**	(1,895,155)
Net cash flow from operating activities	**(854,528)**	(109,792)
Cash flows from capital and related financing activities:		
Purchases of capital assets	**(23,552)**	(29,598)
Proceeds from sale of capital assets	**1,050**	--
Net cash flow from capital and related financing activities	**(22,502)**	(29,598)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	**731,269**	50,781
Purchase of investments	**(8,757)**	(817,599)
Interest and dividends on investments	**10,001**	318,145
Non-employer pension contribution	**193,979**	--
Net cash flow from investing activities	**926,492**	(448,673)
Net change in cash and cash equivalents	**49,462**	(588,063)
Cash and cash equivalents, beginning of year	**144,123**	732,186
Cash and cash equivalents, end of year	**$ 193,585**	$ 144,123
Reconciliation of operating income to net cash flow from operating activities:		
Operating loss	**$ (578,447)**	**$** (17,746)
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Depreciation and amortization	**111,149**	113,806
Loss on sale of capital assets	**608**	--
Change in assets, deferred outflows, liabilities and deferred inflows:		
(Increase) decrease in:		
Accounts receivable	**(2,986)**	4,608
Prepaid expenses	**(14,863)**	(13,363)
Deferred outflows - pension	**(145,919)**	(130,649)
Accrued salaries and related benefits	**5,185**	53,464
Accounts payable	**(19,521)**	(584,725)
Unearned revenue	**(206,377)**	372,906
Net OPEB obligation	**(545)**	(48,455)
Net pension liability	**18,660**	227,086
Deferred inflows - pension	**(21,472)**	(86,724)
Net cash flow from operating activities	**$ (854,528)**	$ (109,792)

Non-Cash Transactions

The following items are not included in the statements of revenues, expenses, and changes in net position or the statement of cash flows because the amounts are paid by various other entities directly to the bond paying agents or trustees.

	2017	2016
Principal payments and redemptions made on lease revenue bonds	**$ 655,000**	$ 630,000
Interest revenue on lease revenue bonds	**$ 123,898**	$ 154,509
Interest expense on lease revenue bonds	**$ 123,898**	$ 154,509

The accompanying notes are an integral part of these financial statements.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Executive Reorganization Order No. 30 transferred the Housing division of the Kansas Department of Commerce and Housing, effective July 1, 2003, to be organized and administered in accordance with the KDFA Act. The new corporation is called Kansas Housing Resources Corporation (KHRC). KDFA and KHRC have board members in common, but KHRC does not meet the criteria as outlined in the following paragraph to be a component unit of KDFA. Therefore, KHRC issues its own financial statements, and is not included in this report.

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading. KDFA has been determined to be a component unit of the State of Kansas. KDFA is financially accountable to the State, and the State exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, and has the ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships.

To accomplish its objectives, KDFA is empowered to acquire and dispose of real and personal property; to borrow money and issue notes, bonds, or other obligations; to make secured or unsecured loans for any of the purposes for which it may issue bonds (except making loans directly to individuals to finance housing projects); to offer technical assistance to the State or any of its political subdivisions; to enter into contracts to provide such services; and to assist minority businesses in obtaining loans or other means of financial assistance. There are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

Bonds and other debt instruments issued by KDFA are limited obligations of KDFA, payable solely from and secured by a lien on the proceeds, monies, revenues, rights, interests, titles, and/or mortgages pledged under the indentures and resolutions authorizing each particular financing transaction. Bonds and other debt instruments issued by KDFA do not constitute an indebtedness of the State, or any political subdivision thereof, or an indebtedness for which the full faith and credit or the taxing powers of the State, or any political subdivision thereof, are pledged. Under State laws, KDFA and its subsidiaries are considered a governmental entity for purposes of the Kansas Tort Claims Act, which limits the liability of KDFA and its employees.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting - KDFA is organized as a proprietary activity; therefore, the accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when incurred.

Cash and Investments - KDFA considers all short-term investments with an original maturity of three months or less to be cash equivalents. KDFA monitors the insurance and/or amount of securities pledged by financial institutions as collateral to secure the deposits of KDFA in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Statutes authorize KDFA, "to invest moneys of KDFA not required for immediate use."

As of June 30, 2017 and 2016, investments consist of funds invested in the Kansas Municipal Investment Pool (KMIP) and Vanguard investment account. The KMIP is an external investment pool not SEC (Securities and Exchange Commission) registered, which is regulated by the State. The investment in the KMIP is valued at cost. The Vanguard investment account is valued at fair value.

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

Cash Held for Others - KDFA has a Custodial Agreement with UMB Bank, N.A. for UMB Bank, N.A. to act as a depository for wire transfers of good faith deposits (Deposits) which may be a requirement in the Notice of Bond Sale. UMB Bank, N.A. holds the Deposits until notified by KDFA of the successful bidder. Deposits submitted by unsuccessful bidders will not be accepted or shall be returned in the same manner received. If a bid is accepted, and the successful bidder complies with all terms and conditions of the Notice of Bond Sale, UMB Bank, N.A. transfers the Deposit to KDFA one day before the bond closing date and the amount is deducted from the purchase price. No interest on the Deposit is paid by KDFA.

Accounts Receivable - KDFA uses the reserve method of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account, and bad debt expense is determined by adjusting the balance in the allowance account to a reserve considered reasonable by management.

Capital Assets - Capital assets are carried at historical cost less depreciation or amortization. Individual items with an initial cost of more than $1,000 are capitalized. Major renewals and betterments are capitalized, and maintenance and repairs, which do not improve or extend the life of the respective assets, are charged against earnings in the current period. Depreciation and amortization are provided on the straight-line method over estimated useful lives ranging from three to six years.

Unearned Revenue - Unearned revenue consists of prepaid annual fees. Cash received and invested is considered restricted, as the funds are to be available for the provision of specified services for existing bond issues and related credits on refunding bond issues.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes - KDFA is exempt from all federal, state, and local income, sales, and property taxes.

Net Position - Net position of KDFA is classified in two components. The investment in capital assets consists only of capital assets because there is no outstanding debt related to the acquisition of those assets. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets net position.

Deferred Inflows of Resources/Deferred Outflows of Resources - In addition to assets, the balance sheet 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. KDFA only has one item that qualifies for reporting in this category. It is the deferred outflows for pensions. See Note 8 for more information on this deferred outflow.

In addition to liabilities, the balance sheet 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. KDFA has one item that qualifies for reporting in this category. It is the deferred inflows for pensions. See Note 8 for more information on this deferred inflow.

Compensated Absences - Under terms of KDFA's Paid Time Off (PTO) policy, KDFA employees are granted leave for vacation, sickness and other personal time under a single accrual. PTO leave is earned in varying amounts dependent on tenure and employment status. Employees are paid for the PTO they have accrued at employment end. Compensated absences are included in the accrued salaries and related benefits on the balance sheet.

Pensions - The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of employee service and the Kansas Public Employees Retirement System's (KPERS) fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, KPERS' administrative expenses, current year benefit changes, and other changes in KPERS' fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

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

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses - The principal revenues of KDFA are issuance and annual fee revenues received from borrowers. KDFA also recognizes operating revenue from application fees and other revenues earned related to the operation of KDFA, and operating expenses for administrative expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Related Parties - KDFA from time to time purchases goods and supplies from other state agencies for administrative and office purposes. In addition, Kansas Housing Resources Corporation reimburses KDFA for shared staff-related expenses incurred during the year.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

2. CASH AND INVESTMENTS

KDFA has adopted a formal investment policy. The primary objectives of investment activities are, in priority order, safety, yield and liquidity. The standard of care to be used by investment officials shall be the “prudent investor” standard, and shall be applied in the context of managing an overall portfolio.

As of June 30, 2017 and 2016, KDFA has $163,425 and $481,987 invested in the State of Kansas Municipal Investment Pool. As of June 30, 2017 and 2016, KDFA has $12,684,176 and $13,088,126 invested in Vanguard short-term index funds.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, KDFA will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The bank balances of KDFA’s deposits at June 30, 2017 and 2016 totaled $622,109 and $123,476. UMB Bank will pledge collateral to a Federal Reserve account for bank balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit, as well as by the standard coverage of the FDIC.

Credit Risk. KDFA’s policy limits investments to those allowed by State Statute, and further to those with one of the top two ratings from Standard & Poor’s or Moody’s Investor Services, depending on the type of investment. As of June 30, 2017 and 2016, KDFA was invested in the Kansas Municipal Investment Pool. As of June 30, 2017, the pool’s underlying securities have ratings from A1 to AA+. The Vanguard Short Term Bond Index Fund’s underlying securities are U.S. government, high quality (investment-grade) corporate, and investment-grade international dollar-denominated bonds. The Fund’s underlying securities have an average rating of Aa.

2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from the fluctuations in interest rates, KDFA's investment policy limits investment maturities as follows: the portion of the portfolio equal to 150% of the current year annual operating expense budget shall be continuously invested in obligations which have maturities of twelve months or less.

Monies in excess of the 150% may be invested in obligations greater than twelve months, but no more than sixty months.

KDFA had the following investments, excluding certificates of deposit, with the noted investment maturities:

		June 30, 2017 Investment Maturities (In Years)		
Investment Type	June 30, 2017	Less than 1	1-5	Fair Value Hierarchy
KMIP	$ 163,425	$ 163,425	$ --	N/A
Vanguard short-term bond index fund	12,684,176	12,684,176	--	Level 1
Total	$ 12,847,601	$ 12,847,601	$ --	

		June 30, 2016 Investment Maturities (In Years)		
Investment Type	June 30, 2016	Less than 1	1-5	Fair Value Hierarchy
KMIP	$ 481,987	$ 481,987	$ --	N/A
Vanguard short-term bond index fund	13,088,126	13,088,126	--	Level 1
Total	$ 13,570,113	$ 13,570,113	$ --	

KDFA's investments during the year did not vary substantially from those at year-end in amounts or level of risk.

Fair value measurements. Following is a description of the valuation methodologies used for assets measured at fair value in the table above.

An investment's categorization within the valuation hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

The Vanguard Short-term bond index fund investment is valued at Level 1 using quoted prices in active markets for identical assets.

3. INVESTMENT IN DIRECT FINANCING LEASES

KDFA issues lease revenue bonds to facilitate construction of certain capital projects for various State agencies. KDFA's interests in the projects have been assigned to various State governmental units through the use of financing lease transactions. Contained in the trust indenture or resolution and lease agreement for each series of bonds is a capital lease provision by which lease revenues paid by the various governmental units, as tenants, to KDFA as lessor, are pledged to pay bond debt service. Amounts are actually paid by the State agencies directly to the bond paying agents for the lease revenue bonds.

Net investment in direct financing leases as of June 30 are as follows:

	2017	2016
Total minimum lease payments to be received	$ 2,433,321	$ 3,212,219
Less: unearned income	(258,321)	(382,219)
Net investment in direct financing leases	$ 2,175,000	$ 2,830,000

The future minimum lease payments to be received by KDFA under the direct financing leases mirrors the payments to be made by KDFA under the lease revenue bonds payable as explained in Note 5.

4. CAPITAL ASSETS

Capital assets activity for the years ended June 30 was as follows:

	June 30, 2016 Balance	Increases	Transfers and Decreases	June 30, 2017 Balance
Furniture and equipment	$ 349,080	$ 21,630	$ (49,136)	$ 321,574
Building improvements	584,062	1,922	--	585,984
Total capital assets being depreciated	933,142	23,552	$ (49,136)	907,558
Less accumulated depreciation:				
Furniture and equipment	(199,313)	(53,024)	47,479	(204,858)
Building improvements	(63,962)	(58,126)	--	(122,088)
Total accumulated depreciation	(263,275)	(111,150)	47,479	(326,946)
Total capital assets, net	$ 669,867	$ (87,598)	$ (1,657)	$ 580,612

4. CAPITAL ASSETS (CONTINUED)

	June 30, 2015 Balance	Increases	Transfers and Decreases	June 30, 2016 Balance
Furniture and equipment	$ 331,572	$ 17,508	$ --	$ 349,080
Building improvements	571,972	12,090	--	584,062
Total capital assets being depreciated	903,544	29,598	--	933,142
Less accumulated depreciation:				
Furniture and equipment	(143,337)	(55,976)	--	(199,313)
Building improvements	(6,132)	(57,830)	--	(63,962)
Total accumulated depreciation	(149,469)	(113,806)	--	(263,275)
Total capital assets, net	$ 754,075	$ (84,208)	$ --	$ 669,867

5. LEASE REVENUE BONDS PAYABLE

Lease revenue bonds are limited obligations of KDFA, payable solely from revenues, rents, and receipts or subject to annual State appropriations. They do not represent general obligations of the State, or any political subdivision thereof, or of KDFA. KDFA records lease revenue bonds payable and investment in direct financing leases for all revenue bonds issued and outstanding which are secured by a capital lease agreement. Activity for the years ended June 30, 2017 and 2016 included additions (issuances) of $0 and $0 and reductions (principal payments or redemptions) of $655,000 and $630,000.

Lease revenue bonds payable are as follows at June 30, 2017 and June 30, 2016:

	2017	2016
Series 2001W-1 - State of Kansas Department of Human Resources Project, $1,720,000 Lease Revenue Bonds dated November 1, 2001, with aggregate amounts due annually from $25,000 to $130,000, due October 1, 2001 through October 1, 2021, at interest rates ranging from 3.00% to 5.00%. (This bond issue was included in the Pooled Bond issue, Series 2001W).	$ 600,000	$ 700,000
Series 2002H - State of Kansas Department of Human Resources, Acquisition & Renovation Project, and $3,765,000 Lease Revenue Bonds dated August 15, 2002, with aggregate amounts due annually from $140,000 to $270,000, due May 1, 2003 through May 1, 2022, at interest rates ranging from 2.50% to 4.70%.	1,215,000	1,430,000

5. LEASE REVENUE BONDS PAYABLE (CONTINUED)

Series 2002N-2 - State of Kansas Highway Patrol, Fleet Operations Project, and $3,955,000 Lease Revenue Bonds dated December 1, 2002, with aggregate amounts due annually from $200,000 to $360,000, due October 1, 2003 through October 1, 2017, at interest rates ranging from 3.00% to 5.25%.	$ 360,000	$ 700,000
	2,175,000	2,830,000
Less current portion due within one year	695,000	655,000
	$ 1,480,000	$ 2,175,000

Scheduled reduction of lease revenue bonds payable is as follows for the years ending June 30:

	Principal	Interest
2018	$ 695,000	$ 91,385
2019	345,000	66,635
2020	360,000	50,640
2021	375,000	33,743
2022	400,000	15,918
	$ 2,175,000	$ 258,321

6. KDFA SPECIAL OBLIGATION BONDS

Unlike lease revenue bonds for which KDFA has recorded lease revenue bonds payable and an investment in direct financing leases, the bond obligations and notes and bonds with original maturities of one year or less, contain no capital lease provisions under which KDFA acts as lessor. These bond obligations have various revenue streams that are pledged for repayment of principal and interest. These bonds are special limited obligations of KDFA, neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by KDFA or the State. Accordingly, special obligation bonds are not included in KDFA's balance sheet. The amounts of special obligation bonds outstanding as of June 30, 2017 and 2016 were $3,452,724,305 and $3,608,688,890, respectively.

7. PRIVATE ACTIVITY BONDS

Unlike lease revenue bonds for which KDFA has recorded lease revenue bonds payable and an investment in direct financing leases, the private activity bonds are special limited obligations of KDFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on KDFA's balance sheet. The amounts of private activity bonds outstanding as of June 30, 2017 and 2016 were $1,485,492,199 and $1,632,405,666, respectively.

From the inception of the program through June 30, 2017, the Beginning Farmer Loan Program had issued $90,583,691 in bonds.

8. EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

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

Benefits provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

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

8. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate was 10.77% and 10.81% for the fiscal year ended June 30, 2017, respectively and 11.44% and 10.91% for the fiscal year ended June 30, 2016, respectively. Contributions to the pension plan from KDFA were $93,917 and $90,657 for the years ended June 30, 2017 and 2016, respectively.

During the 2015 state legislative session, Senate Bill 228 was passed authorizing the issuance of one or more series of revenue bonds to provide deposits to KPERS in a total amount not to exceed $1 billion. The purpose of such bond issuance would be for financing a portion of the unfunded actuarial pension liability of KPERS, which would also have an effect on the collective net pension liability. On August 20, 2015, the State issued $1,005,180,000 of bonds in accordance with this bill. During June 30, 2017, KDFA recorded $193,979 in nonemployer contribution revenue for their proportionate share of this deposit.

8. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

Net pension liability activity for the years ended June 30 was as follows:

	June 30, 2017	June 30, 2016
Net pension liability	$ 1,303,753	$ 1,285,093
Measurement date	June 30, 2016	June 30, 2015
Valuation date	December 31, 2015	December 31, 2014
Proportion	0.019%	0.018%
Change in proportion	0.001%	0.001%

The collective net pension liability is measured by KPERS each June 30, and the total pension liability used to calculate the collective net pension liability is determined by an actuarial valuation as of each December 31, rolled forward to June 30. KDFA's proportion of the collective net pension liability was based on the ratio of KDFA's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the State/School Subgroup within KPERS for the fiscal years ended June 30, 2016 and 2015. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

For the years ended June 30, 2017 and 2016, KDFA recognized pension expense of $139,165 and $100,370, respectively. At June 30, 2017 and 2016, KDFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2017		June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ --	$ 61,553	$ --	$ 38,511
Net difference between projected and actual earnings on pension plan investments	117,756	--	--	33,478
Changes in proportionate share	145,516	29,742	120,613	40,275
Changes in assumptions	--	2,357	--	2,860
KDFA contributions subsequent to measurement date	93,917	--	90,657	--
Total	$ 357,189	$ 93,652	$ 211,270	$ 115,124

The $93,917 reported as deferred outflows of resources related to pensions resulting from KDFA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

8. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Year ended June 30:		
2018	$	24,632
2019		24,632
2020		64,516
2021		53,493
2022		2,347
	$	169,620

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00% to 16.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	8.00%

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for the three-year period beginning December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.80%
Fixed income	13	1.25
Yield driven	8	6.55
Real return	11	1.71
Real estate	11	5.05
Alternatives	8	9.85
Short-term investments	2	(0.25)
Total	100%	

8. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
June 30, 2017	$ 1,695,287	$ 1,303,753	$ 971,168
June 30, 2016	$ 1,654,345	$ 1,285,093	$ 971,495

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

As provided by K.S.A. 1995 Supp. 74-4911f, the President of KDFA, an appointed official, may elect not to be a member of KPERS. Upon this election, KDFA contributes to the Plan on the official's behalf an amount equal to 8% of the official's salary. The current President has not made this election.

9. DEFERRED COMPENSATION PLAN

As a component unit of the State of Kansas, KDFA participates in the State's Deferred Compensation Plan (Plan), a voluntary defined contribution retirement plan, as authorized by Internal Revenue Services (IRS) Code Section 457. Salary reduction agreements are made with eligible employees whereby prescribed amounts are withheld from the employee's pay and remitted to the Trustee, Great West Financial, which invests the withholdings in allowable investments in accordance with the investment instructions of the employees. These monies are not available to employees until termination or retirement from employment, death, or unforeseeable emergency. Any classified or unclassified employees, except those employed on an emergency, temporary, or intermittent basis, are eligible on their first day of employment to participate in the Plan. During fiscal year 2017, eight employees of KDFA participated in the Plan.

9. DEFERRED COMPENSATION PLAN (CONTINUED)

All assets under this Plan are held in trust for the exclusive benefit of participants and their beneficiaries. For this purpose, an annuity contract or custodial account described in IRS Code Section 497(g) is treated as a trust.

10. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Description. As a component unit of the State of Kansas, KDFA participates in the State's health insurance benefit plan. Kansas statute provides that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. The health insurance benefit generally provides the same coverage for retirees and their dependants as for active employees and their dependents. The health insurance benefit plan is a single employer defined benefit plan administered by Kansas Department of Health and Environment. The benefit is available for selection at retirement and is extended to retirees and their dependents for life. Non-Medicare participants are subsidized by KDFA, thus resulting in a liability to KDFA. At the State level, 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.

The Plan does not issue separate financial statements.

Funding Policy. KDFA provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). 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.

KDFA appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditure on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. KDFA's annual OPEB (Other Postemployment Benefits) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 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 KDFA's annual OPEB cost for the year, the contribution to the plan, and changes in KDFA's net OPEB obligation.

10. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Annual OPEB Cost for Fiscal 2017		
Annual Required Contribution (ARC)	$	545
Interest on Net OPEB Obligation		21
Adjustment to the ARC		(566)
Annual OPEB Cost	$	--
Employer Contributions for Fiscal 2017		
Claims plus Admin Paid on Behalf of Retirees	$	946
Retiree Contributions		401
Net Employer Contributions	$	545
Net OPEB Obligation		
Net Obligation at July 1, 2016	$	545
Annual OPEB Cost		--
Net Employer Contributions		545
Net Obligation at June 30, 2017	$	--

Schedule of Employer Contributions (for fiscal year ended June 30)

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2015	4,000	--	0%	$ 49,000
2016	(47,134)	1,321	2.8%	545
2017	--	545	N/A	--

Funded Status and Funding Progress. As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $0. The KDFA’s policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of $0. The covered payroll (annual payroll of active employees covered by the plan) was $873,452, and the ratio of the UAAL to the covered payroll was 0 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, presented as required supplementary information following the notes to the financial statements, 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.

10. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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

In the June 30, 2017 actuarial valuation, the entry age normal, level dollar method was applied. The actuarial assumptions included a 3.58 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. Since the Plan became employee-pay-all in 2017, the trend rates for Medical, Prescription Drug, and Administrative costs is 100% in 2017 and 0% thereafter.

11. LEASES

KDFA has an operating lease ending in May 2025 for its office space and parking spaces. The combined rent expense for the years ended June 30, 2017 and 2016 was $84,443 and $85,198, respectively.

In 2016, KDFA entered into a new equipment lease ending in April 2020. Equipment expense for the years ended June 30, 2017 and 2016 was $4,362 and $4,456, respectively.

Future minimum lease payments due under the non-cancelable office space and equipment operating leases are approximately as follows:

2018	$ 81,223
2019	81,223
2020	80,697
2021	83,395
2022	83,395
Thereafter	243,235
	$ 653,168

12. RISK MANAGEMENT

KDFA is exposed to various risks of loss related to torts: professional liability, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. KDFA has not made a claim against any of the insurance policies.

KDFA has commercial insurance coverage related to miscellaneous professional liability with a limit of liability of $10,000,000 and retention of $200,000 deductible. KDFA also has commercial insurance coverage on personal property with a limit of $1,000,000 and $1,000 deductible, which includes coverage on electronic data processing equipment, media, and data. This policy also provides general liability coverage with a $2,000,000 per

12. RISK MANAGEMENT (CONTINUED)

occurrence / $4,000,000 aggregate limit. In addition, there is a Public Officials and Employees Liability Insurance Policy with an aggregate limit of $2,000,000 and a deductible of $1,000. Insurance settlements have not exceeded insurance coverage for the past three fiscal years. In addition, KDFA purchased public official surety bonds for an additional coverage of $1,250,000. KDFA also participates as a Non-State group in the State's employee health benefit plan.

13. PENDING GASB PRONOUNCEMENTS

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

GASB Statement No. 83, *Certain Asset Retirement Obligations,* addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources for AROs when the liability is incurred and reasonable estimable. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimating the liability and the estimated remaining useful life of the associated tangible capital asset. The provisions of this statement are effective for financial statements for the KDFA's fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities,* improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when demands for resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. The provisions of this statement are effective for financial statements for the KDFA's fiscal year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017,* addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions of this statement are effective for financial statements for the KDFA's fiscal year ending June 30, 2018.

13. PENDING GASB PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The provisions of this statement are effective for financial statements for the KDFA's fiscal year ending June 30, 2018.

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

14. ARBITRAGE REBATES HELD FOR STATE AGENCIES

The investments of the proceeds of bonds issued by KDFA are subject to certain restrictions under the Internal Revenue Code, which could result in a liability for arbitrage rebate. When it becomes apparent that bonds will likely incur a material liability for arbitrage rebate, the state agencies for whom the bonds were issued are required to transfer funds for the estimated rebate liability into a rebate account. Any balance remaining in these accounts after the final rebate amount has been paid to the IRS is transferred in accordance with the bond resolution or indenture. As of June 30, 2017 and 2016, the balance in these state agency restricted rebate accounts was $312,949 and $515,623, respectively. As issuer of the bonds, KDFA is legally responsible for payment of any arbitrage rebate. However, the likelihood is not probable that KDFA will need to fund the liability; therefore, this restricted cash and the corresponding liability is not reflected on the balance sheet.

15. SUBSEQUENT EVENTS

KDFA has issued two special obligation bonds subsequent to June 30, 2017:

Name	Principal Amount	Series	Type	Issued
Adventist Health System	$ 45,250,000	2017C-ADV	Revenue Private Activity Bond	07/26/2017
Kansas State University Electrical Distribution Upgrades	$ 8,100,000	2017E	Private Placed Revenue Bond	08/17/2017

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
06/30/2015	$ --	$ 37,000	$ 37,000	0%	$ 761,000	5%
06/30/2016	--	545	545	0%	835,393	0%
06/30/2017	--	--	--	0%	873,452	0%

Note 1: Significant Factors Affecting Trends in Actuarial Information for KDFA's Other Post-Employment Benefits other than Pensions

The major items of impact in the actuarial valuation dated January 1, 2017 relative to the prior valuation are as follows:

- Many of the demographic assumptions became irrelevant with the plan change, as no active employees are due a subsidy.
- The mortality was removed, as the payments cover a limited number of participants and the payment period is generally two years or less.
- The discount rate was set to an index of the June 30, 2017 20-year, municipal bond rates. The rate selected was reported by Bond Buyer.

KANSAS DEVELOPMENT FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF KANSAS

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

DEFINED BENEFIT PENSION PLANS

SHARE OF THE COLLECTIVE NET PENSION LIABILITY
Kansas Public Employees Retirement System
Last Four Years*

	2017	2016	2015	2014
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
KDFA's proportion of the collective net pension liability	0.0194%	0.0186%	0.0166%	0.0174%
KDFA's proportionate share of the collective net pension liability	$ 1,303,753	$ 1,285,093	$ 1,058,007	$ 1,264,104
KDFA's covered payroll	$ 830,945	$ 795,550	$ 726,959	$ 753,634
KDFA's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	157%	162%	146%	168%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%	59.94%

* GASB 68 requires presentation of ten years. As of June 30, 2017, only four years of information is available.

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

DEFINED BENEFIT PENSION PLANS (CONTINUED)

SCHEDULE OF KDFA'S CONTRIBUTIONS
Kansas Public Employees Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 93,917	$ 90,657	$ 80,621	$ 74,659	$ 70,616	$ 67,148	$ 62,514	$ 55,797	$ 49,556	$ 42,151
Contributions in relation to the contractually required contribution	(93,917)	(90,657)	(80,621)	(74,659)	(70,616)	(67,148)	(62,514)	(55,797)	(49,556)	(42,151)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
KDFA's covered-employee payroll	$ 868,803	$ 830,945	$ 795,550	$ 726,959	$ 753,634	$ 765,661	$ 765,164	$ 737,081	$ 710,983	$ 661,715
Contributions as a percentage of covered-employee payroll	10.81%	10.91%	10.13%	10.27%	9.37%	8.77%	8.17%	7.57%	6.97%	6.37%

^ Covered payroll is measured as of the fiscal year end, the most recent of which was June 30, 2017.

DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in benefit terms for KPERS. Effective January 1, 2015, KPERS Tier 1 member's employee contribution rate increased to 6.00%, with an increase in benefit multiplier to 1.85% for future years of service. For Tier II members retiring after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85% multiplier for all years of service.

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

SUPPLEMENTARY INFORMATION

KANSAS DEVELOPMENT FINANCE AUTHORITY

A COMPONENT UNIT OF THE STATE OF KANSAS
SPECIAL OBLIGATION BONDS
Years Ended June 30, 2017 and 2016

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2017	Balance at 6/30/2016
Kansas Board of Regents – Emporia State University Student Recreation Facility Project	$ 2,805,000	2001B	Revenue Bonds	$ 795,000	$ 970,000
Kansas Department of Health and Environment – Water Pollution Control Revolving Loan Fund Leveraged Bonds	124,540,000	2001 Series II	Revenue Bonds	--	2,610,000
Kansas Board of Regents - Scientific Research & Development Facilities Project – WSU Engineering Complex	2,305,000	2003C-5	Revenue Bonds	--	2,305,000
Kansas Public Employees Retirement System	500,000,000	2004C	Revenue Bonds	393,075,000	407,160,000
Kansas Board of Regents – Scientific Research & Development Facilities Projects: Kansas State University	20,980,000	2005D-1	Revenue Bonds	6,630,000	7,780,000
Kansas Board of Regents – Scientific Research & Development Facilities Projects: Wichita State University	9,180,000	2005D-4	Revenue Bonds	870,000	1,700,000
Kansas Department of Health and Environment – Water Pollution Control Revolving Loan Fund Program	112,175,000	2005 CW-II	Revolving Fund Revenue Bonds	--	23,955,000
Kansas Board of Regents – Emporia State University Towers Residential Complex Improvement Project	8,930,000	2005F	Revenue Bonds	5,235,000	5,710,000
Kansas Department of Administration – Comprehensive Transportation Program	209,490,000	2006A	Revenue Bonds	10,230,000	20,045,000
Kansas Board of Regents – University of Kansas Parking Facilities Project	9,790,000	2006B	Revenue Bonds	--	6,690,000
State of Kansas, Department of Administration Capitol Restoration Phase IV	7,475,000	2006L-1	Revenue Bonds	--	580,000
Kansas Board of Regents – Pittsburg State University Joint Armory Project	4,215,000	2006L-2	Revenue Bonds	--	215,000
Kansas Adjutant General – Joint Armory Project with Pittsburg State University	1,520,000	2006L-3	Revenue Bonds	--	80,000
Kansas Department of Transportation – Revolving Loan Fund Program	24,755,000	2006 TR	Revolving Fund Revenue Bonds	--	8,600,000
Kansas Board of Regents – University of Kansas Student Recreation Center	6,275,000	2007E	Revenue Bonds	--	4,050,000
Kansas Department of Commerce – Investments in Major Projects and Comprehensive Training (“IMPACT”) Program	34,505,000	2007F	Revenue Bonds	--	4,240,000

KANSAS DEVELOPMENT FINANCE AUTHORITY

A COMPONENT UNIT OF THE STATE OF KANSAS
SPECIAL OBLIGATION BONDS
Years Ended June 30, 2017 and 2016

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2017	Balance at 6/30/2016
Kansas Department of Administration – Capitol Restoration Phase V	27,505,000	2007K-1	Revenue Bonds	4,005,000	5,225,000
Kansas Adjutant General – Great Plains Joint Training Facility	9,170,000	2007K-2A	Revenue Bonds	1,335,000	1,740,000
Kansas Adjutant General – Armories Renovation Phase VI	3,170,000	2007K-2B	Revenue Bonds	460,000	600,000
Kansas Department of Corrections – Correctional Infrastructure	19,610,000	2007K-3	Revenue Bonds	2,855,000	3,725,000
Kansas Boards of Regents – University of Kansas Law Enforcement Training Center	18,220,000	2007M	Revenue Bonds	--	12,140,000
Kansas Board of Regents – Kansas State University Student Life Center Salina Campus	1,600,000	2008D	Revenue Bonds	1,600,000	1,600,000
Kansas Department of Transportation – Communication System Lease Program	14,199,600	2008G	Revenue Bonds	568,200	787,100
Kansas Department of Administration – Capitol Restoration Phase VI	38,995,000	2008L-1	Revenue Bonds	3,530,000	28,820,000
Kansas Adjutant General – Refund BAN 2008-2, Army National Guard Armories Renovation Project Phase VII	3,195,000	2008L-2	Revenue Bonds	290,000	2,365,000
Kansas Department of Corrections – Refund BAN 2008-1, Prison Expansion Project	1,075,000	2008L-3	Revenue Bonds	245,000	360,000
Kansas Board of Regents – University of Kansas School of Pharmacy	21,070,000	2008L-4	Revenue Bonds	1,910,000	15,570,000
Kansas Department of Transportation – Revolving Loan Fund Program	30,950,000	2009 TR	Revolving Funds Revenue Bonds	15,805,000	17,945,000
Kansas Department of Administration – Refunding Revenue Bonds	3,825,000	2009A	Refunding Revenue Bonds	3,460,000	3,585,000
Kansas Department of Administration – Taxable Refunding Revenue Bonds	515,000	2009B	Taxable Refunding Revenue Bonds	225,000	325,000
Kansas Board of Regents – Postsecondary Educational Institution Infrastructure Finance Program	20,000,000	2009C	Revenue Bonds	--	2,500,000
Kansas Department of Commerce – Investments in Major Projects and Comprehensive Training ("IMPACT") Program	49,425,000	2009F	Revenue Bonds	13,895,000	20,445,000

KANSAS DEVELOPMENT FINANCE AUTHORITY

A COMPONENT UNIT OF THE STATE OF KANSAS
SPECIAL OBLIGATION BONDS
Years Ended June 30, 2017 and 2016

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2017	Balance at 6/30/2016
Kansas Board of Regents – Refund BAN 2008-3, Pittsburg State University Student Health Center Project	825,000	2009G	Revenue Bonds	435,000	490,000
Kansas Board of Regents – Refunds BAN 2009-1, Pittsburg State University Housing System Improvement Project	13,460,000	2009H-2 (BAB)	Taxable Revenue Bonds - (Build America Bonds)	12,185,000	12,625,000
Kansas Board of Regents – Refunds BAN 2009-2, Pittsburg State University Parking System Project	3,880,000	2009J-2 (BAB)	Taxable Revenue Bonds - (Build America Bonds)	3,325,000	3,515,000
Kansas Board of Regents – Kansas State University Child Care Facility Project	4,610,000	2009K-1	Revenue Bonds	4,610,000	4,610,000
Kansas Board of Regents – Kansas State University Child Care Facility Project	1,530,000	2009K-2	Taxable Revenue Bonds	930,000	1,060,000
Kansas Department of Administration - Eisenhower Bldg. (Refunds 2002J); Capitol Restoration; Debt Restructure-SGF (Current Refundings)	62,310,000	2009M-1	Revenue Bonds - Tax Exempt	41,815,000	44,940,000
Kansas Board of Regents - University of Kansas School of Pharmacy Tax Exempt	13,515,000	2009M-1	Revenue Bonds - Tax Exempt	6,140,000	7,500,000
Kansas Department of Wildlife & Parks - Office Space	730,000	2009M-1	Revenue Bonds - Tax Exempt	310,000	380,000
Kansas Department of Admininstration - Capitol Restoration	21,295,000	2009M-2	Taxable Revenue Bonds - (Build America Bonds)	25,795,000	25,795,000
Kansas Board of Regents - University of Kansas School of Pharmacy Tax Exempt	18,135,000	2009M-2	Taxable Revenue Bonds - (Build America Bonds)	13,635,000	13,635,000
Kansas Department of Wildlife & Parks - Office Space	930,000	2009M-2	Taxable Revenue Bonds - (Build America Bonds)	930,000	930,000
Kansas Department of Administration - General Fund Debt Restructure (Refundings)	10,050,000	2009N	Taxable Revenue Bonds	7,835,000	8,605,000
Kansas Department of Health and Environment – Public Water Supply Revolving Loan Fund	6,800,000	2009 DW-1	Revolving Funds Revenue Bonds	--	3,640,000
Kansas Department of Health and Environment – Public Water Supply Revolving Loan Fund	31,400,000	2009 DW-2 (BAB)	Revolving Funds Revenue Bonds	--	31,400,000
Kansas Board of Regents – University of Kansas Housing System Project	23,700,000	2010A	Revenue Bonds	17,920,000	19,035,000
University of Kansas - Energy Conservation Program	21,650,000	2010B	Revenue Bonds	14,530,000	15,735,000

KANSAS DEVELOPMENT FINANCE AUTHORITY

A COMPONENT UNIT OF THE STATE OF KANSAS
SPECIAL OBLIGATION BONDS
Years Ended June 30, 2017 and 2016

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2017	Balance at 6/30/2016
Kansas Department of Commerce – IMPACT Program	52,755,000	2010C	Revenue Bonds	20,210,000	26,315,000
SRS - Larned State Hospital	29,090,000	2010E-1.5	Revenue Bonds	20,225,000	23,110,000
Kansas Department of Administration. - SGF Debt Restructure (Current) & Economic Refundings (Adv.)	30,540,000	2010E-1.1-1.4	Revenue Bonds - Tax Exempt	18,035,000	20,700,000
Kansas Department of Admininstration. - National Bio-&Agro Defense Facility Taxable (Build America Bonds)	24,530,000	2010E-2	Taxable Revenue Bonds (Build America Bonds)	24,110,000	24,530,000
Kansas Department of Admininstration - NBADF & SGF Restructuring. (Current Ref. 2004C)	18,400,000	2010F	Taxable Revenue Bonds	9,285,000	10,785,000
Kansas Board of Regents – Kansas State University Student Recreation Complex Expansion Project	20,050,000	2010G-2	Taxable Revenue Bonds - (Build America Bonds)	19,525,000	20,050,000
Emporia State University - Student Union Project	14,765,000	2010J	Revenue Bonds	10,605,000	11,235,000
Kansas Board of Regents - University of Kansas Edwards Campus (Refunds 2002K-Partial)	3,615,000	2010K-1	Revenue Bonds	2,935,000	3,370,000
Kansas Board of Regents - University of Kansas Medical Center Parking Facilities	7,190,000	2010K-2	Taxable Revenue Bonds - Taxable (Build America Bonds)	6,655,000	6,925,000
Kansas Board of Regents – University of Kansas Edwards Campus Building No. 4	14,865,000	2010M-2	Taxable Sales Tax Revenue Bonds - (Build America Bonds)	13,560,000	14,865,000
Kansas Department of Administration - Capitol Restoration, Phase VIII	37,015,000	2010 O-2	Taxable Revenue Bonds - (Build America Bonds)	29,935,000	31,765,000
State of Kansas Projects - Adj. General - Armories Renovations, Phase VIII	2,930,000	2010 O-2	Taxable Revenue Bonds - (Build America Bonds)	2,370,000	2,515,000
Kansas Board of Regents - University of Kansas Clinical Research Center Project	3,950,000	2010P-1	Sales Tax Revenue Bonds	--	705,000
Kansas Board of Regents - University of Kansas Clinical Research Center Project	11,980,000	2010P-2	Taxable Sales Tax Revenue Bonds - (Build America Bonds)	11,980,000	11,980,000
Kansas Department of Health and Environment - Kansas Revolving Funds (Drinking Water-Public Water Supply)	61,510,000	2010 SRF-1	Revolving Funds Revenue Bonds	41,960,000	46,200,000
Kansas Department of Health and Environment - Kansas Revolving Funds (Clean Water-Water Pollution Control)	83,530,000	2010 SRF-1	Revolving Funds Revenue Bonds	63,830,000	67,670,000
Kansas Department of Health and Environment - Kansas Revolving Funds (Clean Water-Water Pollution Control)	60,520,000	2010 SRF-2 (BAB)	Taxable Revolving Funds Revenue Bonds - (Build America Bonds)	60,520,000	60,520,000

KANSAS DEVELOPMENT FINANCE AUTHORITY

A COMPONENT UNIT OF THE STATE OF KANSAS
SPECIAL OBLIGATION BONDS
Years Ended June 30, 2017 and 2016

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2017	Balance at 6/30/2016
Kansas State University Projects - Qualified Energy Conservation Bonds (QECB)	17,815,000	2010U-1	Taxable Revenue Bonds - (Qualified Energy Conservation	12,115,000	13,255,000
Kansas State University Projects	7,365,000	2010U-2	Revenue Bonds	2,950,000	3,535,000
Kansas Department of Administration - Capitol Restoration, Phase IX	53,780,000	2011B	Revenue Bonds	40,865,000	43,035,000
University of Kansas - Housing System Project	13,450,000	2011C	Revenue Bonds	11,135,000	11,540,000
Pittsburg State University Projects	9,465,000	2011D	Revenue Bonds	4,675,000	5,535,000
Kansas Department of Health and Environment - Kansas Revolving Funds (Drinking Water-Public Water Supply)	3,500,000	2011 SRF (DW-1)	Revolving Funds Revenue Bonds	--	1,395,000
Kansas Department of Health and Environment - Kansas Revolving Funds (Drinking Water-Public Water Supply)	49,880,000	2011 SRF (DW-2)	Revolving Funds Revenue Bonds	49,880,000	49,880,000
Kansas State University Projects	16,300,000	2011G	Revenue Bonds	13,740,000	14,125,000
Kansas Department of Commerce - IMPACT Program	109,135,000	2011K	Revenue Bonds	95,050,000	96,380,000
Wichita State University Projects - Rhatigan Student Center	21,730,000	2012A-1	Revenue Bonds	14,170,000	15,835,000
Wichita State University Projects - Refund 2002P Housing System Renov. Project	5,880,000	2012A-2	Revenue Bonds	2,930,000	3,580,000
University of Kansas - Refund: 1999C; 2002A-2; & 2002K	7,370,000	2012D-1	Refunding Revenue Bonds	385,000	570,000
University of Kansas Medical Center - Refund: 2003C-2; & 2003J-1	41,830,000	2012D-2	Refunding Revenue Bonds	39,615,000	41,820,000
Kansas State University - Energy Conservation (General Pledge)	17,205,000	2012F	Revenue Bonds	14,645,000	15,310,000
Kansas State University - Refund: 2003C-1 University Research & Development	23,510,000	2012H-1	Refunding Revenue Bonds	22,850,000	22,940,000
Kansas State University - Refund: 2003J-1 Energy Conservation	12,460,000	2012H-2	Refunding Revenue Bonds	8,940,000	10,125,000
Kansas Department of Administration - Capital Restoration	10,840,000	2013A	Revenue Bonds	9,295,000	9,675,000
Kansas Department of Administration - NBAF	41,795,000	2013A	Revenue Bonds	35,895,000	37,365,000
Kansas State Fair (Ref 2004A-2)	6,225,000	2013A	Revenue Bonds	4,925,000	5,510,000
Kansas Department of Administration - Capital Restoration (Ref 2004G-1)	11,770,000	2013A	Revenue Bonds	8,660,000	9,690,000
Kansas Department of Wildlife & Parks - Wildlife and Parks	1,255,000	2013A	Revenue Bonds	1,080,000	1,125,000
Kansas Deparment of Corrections - JJA (Ref 2001D)	23,370,000	2013B	Refunding Revenue Bonds	10,840,000	14,130,000

KANSAS DEVELOPMENT FINANCE AUTHORITY

A COMPONENT UNIT OF THE STATE OF KANSAS
SPECIAL OBLIGATION BONDS
Years Ended June 30, 2017 and 2016

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2017	Balance at 6/30/2016
Kansas Department of Aging and Disability Services - KDADS (Ref 2004A-1)	17,185,000	2013B	Refunding Revenue Bonds	13,355,000	15,190,000
University of Kansas - Engineering Project	74,370,000	2013G-1	Revenue Bonds	70,465,000	72,465,000
University of Kansas - Refunding Project	2,965,000	2013G-2	Revenue Bonds	1,305,000	1,895,000
Pittsburg State University Projects - Refund BAN 2012-3 Housing System Project	33,490,000	2014A-1	Revenue Bonds	31,210,000	32,380,000
Pittsburg State University Projects - Refund 2003A-1 and Refund 2004D	1,685,000	2014A-2	Refunding Revenue Bonds	1,205,000	1,460,000
University of Kansas Medical Center - Energy Conservation Project	2,423,400	2014B	Revenue Bonds	976,443	1,461,024
University of Kansas - 2005E-1 Refunding	55,310,000	2014C	Revenue Bonds	52,310,000	54,030,000
University of Kansas Medical Canter - 2005E-2 Refunding	1,345,000	2014C	Revenue Bonds	1,205,000	1,345,000
Kansas State University - College of Engineering Project, Refund 2005A and Refund 2007A	18,615,000	2014D-1	Revenue Bonds	15,730,000	16,690,000
Kansas State University - Residence/Dining and 2005A & 2007A	114,935,000	2014D-2	Revenue Bonds	110,480,000	113,575,000
State of Kansas Projects - University of Kansas Medical Education Building	21,795,000	2015A	Revenue Bonds	21,795,000	21,795,000
State of Kansas Projects - KWO John Redmond Reservoir	17,390,000	2015A	Revenue Bonds	15,715,000	16,560,000
Kansas Department of Administration - 2005H Refunding	47,390,000	2015A	Revenue Bonds	43,780,000	47,390,000
Kansas Department of Administration - 2006A Refunding	108,945,000	2015A	Revenue Bonds	108,945,000	108,945,000
Kansas Department of Administration - 2006L Refunding	5,430,000	2015A	Revenue Bonds	5,430,000	5,430,000
Kansas Department of Administration - 2007K Refunding	29,525,000	2015A	Revenue Bonds	29,525,000	29,525,000
Kansas State University - Chill Plant	53,650,000	2015B	Revenue Bonds	50,185,000	51,965,000
Kansas State University - 2005A Refunding	800,000	2015B	Revenue Bonds	740,000	770,000
Kansas State University - 2007A Refunding	7,415,000	2015B	Revenue Bonds	6,735,000	6,745,000
State of Kansas Project (NBAF) - $203,585,000	203,585,000	2015G	Revenue Bonds	203,585,000	203,585,000
State of Kansas--KPERS (Taxable) - $1,005,180,000	1,005,180,000	2015H	Taxable Revenue Bonds	986,880,000	1,005,180,000
PSU - 2005D-5 Refunding	1,500,000	2015K	Refunding Revenue Bonds	1,253,785	1,500,000
PSU - Refinance 2002 Lease purchase agreement	2,135,766	2015M	Refunding Revenue Bonds	1,837,377	2,135,766
DW (PWS) - State Match	2,000,000	2015SRF-1	Revolving Funds Revenue Bonds	--	2,000,000

KANSAS DEVELOPMENT FINANCE AUTHORITY

A COMPONENT UNIT OF THE STATE OF KANSAS
SPECIAL OBLIGATION BONDS
Years Ended June 30, 2017 and 2016

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2017	Balance at 6/30/2016
CW (WPC) - State Match	2,500,000	2015SRF-1	Revolving Funds Revenue Bonds	--	2,500,000
KSU - Student Union	24,275,000	2016A	Revenue Bonds	23,445,000	24,275,000
KSU - Seaton Hall	59,000,000	2016A	Revenue Bonds	57,395,000	59,000,000
KSU - Refund 2007H	14,540,000	2016A	Revenue Bonds	14,045,000	14,540,000
KUMC Parking #5	45,330,000	2016C	Revenue Bond	45,330,000	45,330,000
FHSU - 2016B Project and Refunding 2005G and 20033-D-2	31,115,000	2016B	Revenue Bond	30,595,000	31,115,000
State of Kansas Refundings (refunds 2007M & 2008L)	51,500,000	2016H	Refunding Revenue Bonds	51,500,000	--
Wichita State University - Parking Garage & 2003C Refunding	9,245,000	2016J	Refunding Revenue Bonds	9,100,000	--
KU Projects - 2006B Refunding	5,505,000	2017A	Revenue Bonds	4,280,000	--
KU Projects - 2007E Refunding	3,265,000	2017A	Revenue Bonds	2,970,000	--
KU Projects - Corbin Hall Renovation	13,775,000	2017A	Revenue Bonds	13,775,000	--
KU Projects - EEEC Building	24,540,000	2017A	Revenue Bonds	24,540,000	--
KU Projects - Health Ed Building	20,425,000	2017A	Revenue Bonds	20,425,000	--
K-State Energy Projects Salina	2,883,500	2017B	Revenue Bonds	2,883,500	--
				$ 3,452,724,305	$ 3,608,688,890

KANSAS DEVELOPMENT FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF KANSAS
PRIVATE ACTIVITY BONDS
Years Ended June 30, 2017 and 2016

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2017	Balance at 6/30/2016
FHA Insured Mortgage Loans - Section 8 Assisted Projects	$ 3,265,000	1992A	Housing Development Refunding Revenue Bonds	$ --	$ 555,000
Woodridge Apartments Project	7,285,000	1995	Variable Rate Demand Multifamily Housing Refunding Revenue Bonds	--	6,585,000
Metcalf 56 Apartments Project	2,510,000	1995J	Multifamily Housing Refunding Revenue Bonds	1,900,000	1,955,000
Trails of Garden City and Cottonwood of Liberal Projects	8,740,000	1997P	Multifamily Housing Revenue Bonds	6,012,000	6,273,000
Bluffs at Olathe Apartments Project	9,500,000	1998X	Multifamily Housing Revenue Bonds	9,500,000	9,500,000
Chesapeake Estates Apartments Project	21,500,000	2000M	Multifamily Housing Refunding Revenue Bonds	17,985,210	18,800,354
Chimney Hills Apartments Project	9,575,000	2000U-1	Multifamily Housing Revenue Bonds	9,264,000	9,423,000
Chimney Hills Apartments Project	2,925,000	2000U-3	Subordinate Multifamily Housing Revenue Bonds	2,639,000	2,687,000
Intercollegiate Athletic Council of Kansas State University	3,495,889	2002E	Athletic Facilities Capital Appreciation Revenue Bonds	3,974,348	5,259,275
Luther Place Apartments	7,193,000	2003F	Multifamily Housing Revenue Bonds	5,172,024	5,323,589
Woodland Village	8,160,000	2003G	Multifamily Housing Revenue Bonds	7,166,064	7,284,777
Springhill Apartments Project	9,285,000	2004B	Multifamily Housing Revenue Bonds - Variable	9,285,000	9,285,000
Santa Fe Apartments	2,820,000	2004L	Multifamily Housing Revenue Bonds	1,748,976	1,798,649
Spirit AeroSystems, Inc. Project	80,000,000	2005J	Taxable Revenue Bonds	80,000,000	80,000,000
University of Kansas Center for Research	17,085,000	2006G	Revenue Bonds	720,000	1,415,000
Olathe Good Samaritan Towers	6,100,000	2006N	Multifamily Housing Revenue Bonds	5,374,509	5,469,804
Northeast Renaissance Center Apartments	3,800,000	2007B-2	Multifamily Housing Revenue Bonds	851,010	859,703
Cleveland Chiropractic College	16,000,000	2007D	Education Facility Revenue Bonds	10,274,557	10,874,557
Stormont-Vail HealthCare, Inc.	50,050,000	2007L	Healthcare Facilities Refunding Revenue Bonds	--	50,050,000
Boulevard Apartments	25,000,000	2008B	Multifamily Housing Revenue Bonds	22,590,000	22,590,000
Stormont-Vail HealthCare, Inc.	28,300,000	2008F	Healthcare Facilities Refunding Revenue Bonds	--	23,485,000
Applewood Apartments	992,000	2008J	Multifamily Housing Refunding Revenue Bonds	992,000	992,000
Adventist Health System/Sunbelt Obligated Group	330,390,000	2009C-ADV	Hospital Revenue Bonds	255,960,000	262,005,000
Adventist Health System/Sunbelt Obligated Group	100,000,000	2009D-ADV	Hospital Revenue Bonds	12,100,000	85,230,000
Wichita State University Intercollegiate Athletics Assoc., Inc. - Eck Stadium Improvements - Ph. V-A	1,715,000	2009E	Athletic Facilities Revenue Bonds	316,000	469,000
Johnson County Education Research Triangle - K-State - Olathe Innovation Campus, Inc. Project	15,225,000	2009L-1	Sales Tax Revenue Bonds	15,225,000	15,225,000
Johnson County Education Research Triangle - K-State - Olathe Innovation Campus, Inc. Project	15,275,000	2009L-2	Taxable Sales Tax Revenue Bonds	11,985,000	12,580,000
University of Kansas Hospital Authority (KUHA)-Medical Office Building Project - University of Kansas, Tenant	55,250,000	2009O	Lease Revenue Bonds	51,530,000	52,330,000
Sisters of Charity of Leavenworth Health System (SCLHS)	197,895,000	2010A-SCL	Health Facilities Refunding Revenue Bonds	20,945,000	21,800,000
Adventist Health System/Sunbelt Obligated Group	25,000,000	2010C-ADV	Hospital Revenue Bonds	20,000,000	21,000,000
Siemens Energy, Inc.	5,300,000	2010L	Revenue Bonds	2,135,200	3,975,000

KANSAS DEVELOPMENT FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF KANSAS
PRIVATE ACTIVITY BONDS
Years Ended June 30, 2017 and 2016

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2017	Balance at 6/30/2016
University of Kansas Medical Center Research Institute, Inc. Project	30,160,000	2010N	Revenue Bonds	16,140,000	18,570,000
Hays Medical Center, Inc.	46,710,000	2010Q	Health Facilities Revenue Bonds	--	41,295,000
Learjet, Inc.	27,122,000	2010R	Revenue Bonds	2,271,000	6,640,000
Lifespace Communities, Inc.	25,685,000	2010S	Revenue Bonds	25,685,000	25,685,000
Stormont-Vail HealthCare, Inc.	57,905,000	2011F	Health Facilities Revenue Bonds	47,465,000	49,490,000
University of Kansas Hospital Authority (KUHA) - (KU Health System) Fixed Rate	100,000,000	2011H	Health Facilities Revenue Bonds	97,580,000	100,000,000
University of Kansas Hospital Authority (KUHA) - (KU Health System) Variable Rate	25,000,000	2011J	Variable Rate Demand Health Facilities Revenue Bonds	24,400,000	25,000,000
Kansas State University Athletics, Inc. Project	23,640,000	2012B-2	Taxable Athletic Facilities Revenue Bonds	20,880,000	21,920,000
University of Kansas Center for Research, Inc. Project	14,075,000	2012E-1	Refunding Revenue Bonds	14,075,000	14,075,000
University of Kansas Center for Research, Inc. Project	15,600,000	2012E-2	Taxable Refunding Revenue Bonds	4,330,000	6,650,000
Learjet, Inc.	6,057,000	2012G	Revenue Bonds	611,000	1,794,000
Stormont-Vail HealthCare, Inc.	8,750,000	2012L	Health Facilities Revenue Bonds	--	7,200,000
Adventist Health System	276,965,000	2012A-ADV	Hospital Revenue Refunding Bonds	276,965,000	276,965,000
Kansas State University Research Park Project	7,560,000	2013D-1	Revenue Bonds (Tax Exempt)	7,560,000	7,560,000
Kansas State University Research Park Project	1,475,000	2013D-2	Revenue Bonds (Taxable)	810,000	1,145,000
Village Shalom Obligated Group Project	12,155,000	2013E	Refunding Revenue Bonds	9,457,291	10,148,458
Wichita State University Union Corporation	55,555,000	2013F-1	Revenue Bonds (Tax Exempt)	55,080,000	55,080,000
Wichita State University Union Corporation	8,275,000	2013F-2	Revenue Bonds (Taxable)	6,180,000	7,240,000
Stormont-Vail HealthCare, Inc.	40,000,000	2013J	Health Facilities Revenue Bonds	39,710,000	39,815,000
University of Kansas Center for Research, Inc Project	10,580,000	2014E	Revenue Bonds	10,195,000	10,285,000
Kansas Athletics, Inc.	39,430,000	2014F	Refunding Revenue Bonds	34,830,000	36,385,000
Adventist Health System	30,000,000	2014C-ADV		24,000,000	26,000,000
Lifespace Communities, Inc. - Claridge Court Project	5,485,000	2014G		4,460,000	4,985,000
Kansas State University Foundation Project	8,930,000	2014M		7,087,000	8,108,500
Pioneer Group Osage Apartments Project	2,400,000	2015D		--	2,400,000
Pioneer Group Rehwinkel Hall Apartments Project	2,000,000	2015E		--	2,000,000
Pioneer Group Courthouse Square Apartments Project	1,800,000	2015F		--	1,800,000
K-State Athletics, Incorporated Projects (refunds 2011A and 2012B)	48,110,000	2016D		46,830,000	48,110,000
YMCA of Greater Kansas City Projects	11,010,000	2016E&F	Various Projects	11,010,000	11,010,000
Hays Medical Center, Inc. - Health Facilities Refunding (refunds 2005L)	9,970,000	2016G	Refunding Revenue Bonds	--	9,970,000
Madison Street Apartments	7,600,000	2016L	Senior Housing Revenue Bonds	7,600,000	--
Stormont-Vail HealthCare, Inc.	102,220,000	2016M,N,O	Health Facilities Revenue Bonds	102,220,000	--
Village Shalom Project[1]	6,250,000	2017C	Revenue Bonds	2,416,010	--
				$ 1,485,492,199	$ 1,632,405,666

[1]The principal balance at 6/30/17 of $2,416,010 is the amount of principal advances from the Original Purchaser to the Bond Trustee as of 6/30/17. The full principal amount of $6,250,000 shall be advanced by the Original Purchaser to the Bond Trustee on or before June 30, 2018.

AGH CPAs & ADVISORS

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Kansas Development Finance Authority
Topeka, 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 Kansas Development Finance Authority (KDFA) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the KDFA's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the KDFA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the KDFA's internal control. Accordingly, we do not express an opinion on the effectiveness of the KDFA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Allen, Gibbs & Houlik, L.C. aghlc.com aghemployersolutions.com aghuniversity.com 316.267.7231 301 N. Main, Suite 1700 Wichita, KS 67202-4868

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the KDFA'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 KDFA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 18, 2017
Wichita, Kansas