

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

AND

INDEPENDENT AUDITOR'S REPORT



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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

AND

INDEPENDENT AUDITOR'S REPORT

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

**FINANCIAL STATEMENTS**

Years Ended June 30, 2016 and 2015

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Management's Discussion and Analysis .....	3 - 5
Basic Financial Statements:	
Balance Sheets.....	6
Statements of Revenues, Expenses, and Changes in Net Position.....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9 - 26
Required Supplementary Information:	
Schedule of Funding Progress for Other Post-Employment Benefits .....	27
Defined Benefit Pension Plans.....	28 - 30
Supplementary Information:	
Special Obligation Bonds.....	31 - 38
Private Activity Bonds .....	39 - 41
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 <i>Government Auditing Standards</i> .....	42 - 43

*This is a copy of the Authority's annual financial statements reproduced  
from an electronic file. An original copy of this document  
is available at the Authority's office.*

## 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 (Authority), a component unit of the State of Kansas, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority as of June 30, 2016 and 2015, 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 Authority'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 27, 2016 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

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

September 27, 2016  
Wichita, KS

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Years Ended June 30, 2016 and 2015

---

**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 increased by \$300,399 from the previous year.
- During the year, KDFA's revenue exceeded expenses by \$300,399. KDFA had expenses of \$1,798,501 compared to \$1,751,315 in 2015, and revenues of \$2,098,900 and \$1,817,702 for those same years.
- Revenues received but not earned (unearned revenues) increased by \$372,906 to \$3,621,667 during fiscal 2016.

**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. The prior period adjustment recorded during fiscal year 2015 was to restate beginning net position as of July 1, 2014 for the adoption of GASB 68: *Accounting and Financial Reporting for Pensions*.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Years Ended June 30, 2016 and 2015

	In Thousands of Dollars			Increase (Decrease)	
				2016	2015
	2016	2015	2014	vs. 2015	vs. 2014
Current and other assets	\$ 13,826	\$ 13,638	\$ 13,536	\$ 188	\$ 102
Capital assets	670	754	56	(84)	698
<b>Total assets</b>	<u>14,496</u>	<u>14,392</u>	<u>13,592</u>	<u>104</u>	<u>800</u>
Deferred outflows - pension	211	81	--	130	81
<b>Total deferred outflows</b>	<u>211</u>	<u>81</u>	<u>--</u>	<u>130</u>	<u>81</u>
Long-term liabilities	4,479	3,941	2,785	538	1,156
Other liabilities	862	1,380	734	(518)	646
<b>Total liabilities</b>	<u>5,341</u>	<u>5,321</u>	<u>3,519</u>	<u>20</u>	<u>1,802</u>
Deferred inflows – pension	115	202	--	(87)	202
<b>Total deferred inflows</b>	<u>115</u>	<u>202</u>	<u>--</u>	<u>(87)</u>	<u>202</u>
<b>Total net position</b>	<u>\$ 9,251</u>	<u>\$ 8,950</u>	<u>\$ 10,073</u>	<u>\$ 301</u>	<u>\$ (1,123)</u>
Operating revenues	\$ 1,781	\$ 1,665	\$ 1,967	\$ 116	\$ (302)
Non-operating revenues	319	152	232	167	(80)
<b>Total revenues</b>	<u>2,100</u>	<u>1,817</u>	<u>2,199</u>	<u>283</u>	<u>(382)</u>
<b>Total expenses</b>	<u>1,799</u>	<u>1,751</u>	<u>1,684</u>	<u>48</u>	<u>67</u>
<b>Excess of revenues over expenses</b>	<u>301</u>	<u>66</u>	<u>515</u>	<u>235</u>	<u>(449)</u>
<b>Prior period adjustment</b>	<u>--</u>	<u>(1,189)</u>	<u>--</u>	<u>1,189</u>	<u>(1,189)</u>
<b>Change in net position</b>	<u>\$ 301</u>	<u>\$ (1,123)</u>	<u>\$ 515</u>	<u>\$ 1,424</u>	<u>\$ (1,638)</u>

**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 2016 and 2015, approximately \$1,256,665,766 and \$554,300,000 were issued in bonds each year, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Years Ended June 30, 2016 and 2015

**Change in net position:** The majority of KDFFA's revenue comes from issuance fees and annual fees, which produce over 99% of KDFFA's operating revenues. The amount of revenues from KDFFA's issuance fee increased to \$781,495 in 2016 from \$667,948 in 2015. Additionally, the amount of revenues from KDFFA's annual fee increased to \$989,581 in 2016 from \$979,967 in 2015.

Overall expenses increased by \$47,186 as a result of increases and decreases to various expenditures. The amount recorded in the arbitrage calculation expenses account decreased by \$18,843. Beginning on January 1, 2015, the majority of the arbitrage calculation expenses began to be paid as part of an agreement for post issuance compliance services entered into with Gilmore & Bell, P.C. The cost of post issuance compliance services is included in the Professional services account.

**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.

Long-term Debt: See financial highlights above for discussion of unearned revenues.

**ECONOMIC FACTORS**

Forecasting through the next 12 months, KDFFA continues to see a very favorable debt interest rate environment, and well rated bonds should continue to price competitively. While the Federal Reserve continues to signal a willingness to gradually increase rates should economic conditions support, it has also continued to acknowledge somewhat sluggish economic growth and low inflation.

KDFFA was able to take advantage of the low interest rate environment in August 2015, issuing \$1 billion in bonds, to make a deposit of the proceeds to the Kansas Public Employees Retirement System ("KPERs") to assist in funding the KPERs unfunded actuarial liability.

KDFFA also continues to facilitate annual issuances on behalf of the various Regents Institutions, and still has authorizations for projects at the University of Kansas and Wichita State University. KDFFA closed a refunding transaction for the State of Kansas in August 2016, resulting in over \$7,000,000 present value savings for the State. KDFFA anticipates additional refunding activity, and facilitating debt transactions for certain private activity borrowers in coming months.

**CONTACTING KDFFA'S FINANCIAL MANAGEMENT**

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



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

BALANCE SHEETS

June 30, 2016 and 2015

**ASSETS AND DEFERRED OUTFLOWS**

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 144,123	\$ 732,186
Investments	13,141,973	12,388,659
Investments, restricted	428,140	414,636
Accounts receivable	29,761	34,369
Prepaid expenses	82,023	68,660
Investment in direct financing leases, current portion	<u>655,000</u>	<u>630,000</u>
Total current assets	<u>14,481,020</u>	<u>14,268,510</u>
<b>INVESTMENTS IN DIRECT FINANCING LEASES, NET OF CURRENT PORTION</b>	<u>2,175,000</u>	<u>2,830,000</u>
<b>CAPITAL ASSETS</b>		
Furniture and equipment	349,080	331,572
Building improvements	584,062	571,972
Less accumulated depreciation and amortization	<u>(263,275)</u>	<u>(149,469)</u>
Net capital assets	<u>669,867</u>	<u>754,075</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Collective deferred outflows - pension	<u>211,270</u>	<u>80,621</u>
Total assets and deferred outflows of resources	<u>\$ 17,537,157</u>	<u>\$ 17,933,206</u>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

	<u>2016</u>	<u>2015</u>
<b>CURRENT LIABILITIES</b>		
Accrued salaries and related benefits	\$ 394,391	\$ 340,927
Accounts payable	39,802	624,527
Unearned revenue - current portion	428,140	414,636
Lease revenue bonds payable, current portion	<u>655,000</u>	<u>630,000</u>
Total current liabilities	<u>1,517,333</u>	<u>2,010,090</u>
<b>LONG-TERM LIABILITIES</b>		
Unearned revenue	3,193,527	2,834,125
Lease revenue bonds payable	2,175,000	2,830,000
Net OPEB obligation	545	49,000
Net pension liability	<u>1,285,093</u>	<u>1,058,007</u>
Total long-term liabilities	<u>6,654,165</u>	<u>6,771,132</u>
Total liabilities	<u>8,171,498</u>	<u>8,781,222</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Collective deferred inflows - pension	<u>115,124</u>	<u>201,848</u>
<b>NET POSITION</b>		
Invested in capital assets	669,867	754,075
Unrestricted	<u>8,580,668</u>	<u>8,196,061</u>
	<u>9,250,535</u>	<u>8,950,136</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 17,537,157</u>	<u>\$ 17,933,206</u>

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

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

STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Issuance fees	\$ 781,495	\$ 667,948
Annual fees	989,581	979,967
Application fees	3,900	6,000
Miscellaneous revenue	5,779	11,343
<b>Total operating revenues</b>	<b>1,780,755</b>	<b>1,665,258</b>
Operating expenses:		
Salaries and related payroll expense	1,036,847	1,049,054
Pension expense	100,370	70,410
Annual OPEB cost	(48,455)	4,000
Telecommunications	15,067	15,669
Maintenance agreements and repairs	25,048	22,800
Publication fees and advertising	2,826	4,278
Rents	89,654	106,659
Insurance	50,635	59,117
Travel	809	919
Continuing education expenses	24,515	23,468
Professional services	340,457	270,766
Memberships and subscriptions	13,357	13,366
Professional and office supplies	13,548	11,520
Depreciation and amortization	113,806	45,899
Arbitrage calculation expenses	2,700	21,543
Miscellaneous	17,317	31,847
<b>Total operating expenses</b>	<b>1,798,501</b>	<b>1,751,315</b>
<b>Operating income (loss)</b>	<b>(17,746)</b>	<b>(86,057)</b>
Non-operating revenues:		
Investment income	183,715	175,658
Net change in fair value of investments	134,430	(23,214)
<b>Total non-operating revenues (expenses)</b>	<b>318,145</b>	<b>152,444</b>
Excess of revenues over expenses	<b>300,399</b>	<b>66,387</b>
Net position, beginning of year (as restated)	<b>8,950,136</b>	<b>8,883,749</b>
Net position, end of year	<b>\$ 9,250,535</b>	<b>\$ 8,950,136</b>

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

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

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from others	\$ 1,785,363	\$ 1,864,432
Cash paid to others	(1,895,155)	(958,541)
<b>Net cash flow from operating activities</b>	<b>(109,792)</b>	<b>905,891</b>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(29,598)	(743,842)
<b>Net cash flow from capital and related financing activities</b>	<b>(29,598)</b>	<b>(743,842)</b>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	50,781	200,938
Purchase of investments	(817,599)	--
Interest and dividends on investments	318,145	152,444
<b>Net cash flow from investing activities</b>	<b>(448,673)</b>	<b>353,382</b>
<b>Net change in cash and cash equivalents</b>	<b>(588,063)</b>	<b>515,431</b>
Cash and cash equivalents, beginning of year	732,186	216,755
<b>Cash and cash equivalents, end of year</b>	<b>\$ 144,123</b>	<b>\$ 732,186</b>
Reconciliation of operating income to net cash flow from operating activities:		
Operating income (loss)	\$ (17,746)	\$ (86,057)
Adjustments to reconcile operating income (loss) to net cash flow from operating activities:		
Depreciation and amortization	113,806	45,899
Change in assets, deferred outflows, liabilities and deferred inflows:		
(Increase) decrease in:		
Accounts receivable	4,608	199,174
Prepaid expenses	(13,363)	12,720
Collective deferred outflows - pension	(130,649)	(5,962)
Accrued salaries and related benefits	53,464	104,954
Accounts payable	(584,725)	537,155
Unearned revenue	372,906	98,257
Net OPEB obligation	(48,455)	4,000
Net Pension liability	227,086	(206,097)
Collective deferred inflows - pension	(86,724)	201,848
<b>Net cash flow from operating activities</b>	<b>\$ (109,792)</b>	<b>\$ 905,891</b>

**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.

	2016	2015
Principal payments and redemptions made on lease revenue bonds	\$ 630,000	\$ 595,000
Interest revenue on lease revenue bonds	\$ 154,509	\$ 183,916
Interest expense on lease revenue bonds	\$ 154,509	\$ 183,916

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

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

**NOTES TO 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.

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

NOTES TO FINANCIAL STATEMENTS

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

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

As of June 30, 2016 and 2015, 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 of Investments - For the year ended June 30, 2016, KDFFA implemented GASB 72, *Fair Value Measurement and Application*, which establishes a framework for measuring fair value that requires or permits fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

Cash Held for Others - KDFFA 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 KDFFA 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 KDFFA one day before the bond closing date and the amount is deducted from the purchase price. No interest on the Deposit is paid by KDFFA.

Accounts Receivable - KDFFA 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.

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

NOTES TO FINANCIAL STATEMENTS

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

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.

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

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.

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

NOTES TO FINANCIAL STATEMENTS

**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.

**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, 2016 and 2015, KDFA has \$481,987 and \$532,768 invested in the State of Kansas Municipal Investment Pool. As of June 30, 2016 and 2015, KDFA has \$13,088,126 and \$12,270,527 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, 2016 and 2015 totaled \$123,476 and \$735,433. 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, 2016 and 2015, KDFA was invested in the Kansas Municipal Investment Pool. As of June 30, 2016, the pool was rated AAf / S1+ by Standard & Poor's. 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.



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

NOTES TO FINANCIAL STATEMENTS

**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:

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

Investment Type	June 30, 2015	June 30, 2015		Fair Value Hierarchy
		Investment Maturities		
		(In Years)		
		Less than 1	1-5	
KMIP	\$ 532,768	\$ 532,768	\$ --	N/A
Vanguard short-term bond index fund	12,270,527	12,270,527	--	Level 1
Total	<u>\$ 12,803,295</u>	<u>\$ 12,803,295</u>	<u>\$ --</u>	

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.

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

NOTES TO FINANCIAL STATEMENTS

**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:

	2016	2015
Total minimum lease payments to be received	\$ 3,212,219	\$ 3,996,728
Less: unearned income	(382,219)	(536,728)
Net investment in direct financing leases	\$ 2,830,000	\$ 3,460,000

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, 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

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

NOTES TO FINANCIAL STATEMENTS

**4. CAPITAL ASSETS (CONTINUED)**

	June 30, 2014		Transfers and Decreases	June 30, 2015
	<u>Balance</u>	<u>Increases</u>		<u>Balance</u>
Furniture and equipment	\$ 272,073	\$ 177,013	\$ (117,514)	\$ 331,572
Building improvements	<u>122,277</u>	<u>566,829</u>	<u>(117,134)</u>	<u>571,972</u>
Total capital assets being depreciated	<u>394,350</u>	<u>743,842</u>	<u>(234,648)</u>	<u>903,544</u>
Less accumulated depreciation:				
Furniture and equipment	(226,660)	(34,191)	117,514	(143,337)
Building improvements	<u>(111,558)</u>	<u>(11,708)</u>	<u>117,134</u>	<u>(6,132)</u>
Total accumulated depreciation	<u>(338,218)</u>	<u>(45,899)</u>	<u>234,648</u>	<u>(149,469)</u>
Total capital assets, net	<u>\$ 56,132</u>	<u>\$ 697,943</u>	<u>\$ --</u>	<u>\$ 754,075</u>

**5. LEASE REVENUE BONDS PAYABLE**

Lease revenue bonds are limited obligations of KDFFA, 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 KDFFA. KDFFA 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, 2016 and 2015 included additions (issuances) of \$0 and \$0 and reductions (principal payments or redemptions) of \$630,000 and \$595,000.

Lease revenue bonds payable are as follows at June 30, 2016 and June 30, 2015:

	<u>2016</u>	<u>2015</u>
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).	\$ 700,000	\$ 800,000
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%.	1,430,000	1,635,000

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

NOTES TO FINANCIAL STATEMENTS

**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%.

	<u>\$ 700,000</u>	<u>\$ 1,025,000</u>
	2,830,000	3,460,000
Less current portion due within one year	<u>655,000</u>	<u>630,000</u>
	<u>\$ 2,175,000</u>	<u>\$ 2,830,000</u>

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

	Principal	Interest
2017	\$ 655,000	\$ 123,898
2018	695,000	91,385
2019	345,000	66,635
2020	360,000	50,640
2021	375,000	33,743
2022	<u>400,000</u>	<u>15,918</u>
	<u>\$ 2,830,000</u>	<u>\$ 382,219</u>

**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, 2016 and 2015 were \$3,608,688,890 and \$2,637,479,494, respectively.

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

NOTES TO FINANCIAL STATEMENTS

**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, 2016 and 2015 were \$1,632,405,665 and \$1,916,552,696, respectively.

From the inception of the program through June 30, 2016, the Beginning Farmer Loan Program had issued \$86,204,694 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](http://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.

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

NOTES TO FINANCIAL STATEMENTS

**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.

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 (not including the 0.85% contribution rate for the Death and Disability Program) was 10.80% for the fiscal year ended June 30, 2015. The statutory contribution rate was 11.27% from July 1, 2014 to December 31, 2014 and 8.65% from January 1, 2015 to June 30, 2015. The actuarially determined employer contribution rate and the statutory contribution rate was 11.44% and 10.91% for the fiscal year ended June 30, 2016, respectively. Contributions to the pension plan from KDFA were \$90,657 and \$80,621 for the years ended June 30, 2016 and 2015, respectively.

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:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Net pension liability	\$ 1,285,093	\$ 1,058,007
Measurement date	June 30, 2015	June 30, 2014
Valuation date	December 31, 2014	December 31, 2013
Proportion	0.018%	0.017%
Change in proportion	0.001%	0.0008%

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

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

NOTES TO FINANCIAL STATEMENTS

**8. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

Subgroup within KPERS for the fiscal years ended June 30, 2015 and 2014. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

For the years ended June 30, 2016 and 2015, KDFA recognized pension expense of \$100,370 and \$70,410, respectively. At June 30, 2016 and 2015, KDFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2016		June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 38,511	\$ --	\$ 25,060
Net difference between projected and actual earnings on pension plan investments	--	33,478	--	125,960
Changes in proportionate share	120,613	40,275	--	50,828
Changes in assumptions	--	2,860	--	--
KDFA contributions subsequent to measurement date	90,657	--	80,621	--
Total	<u>\$ 211,270</u>	<u>\$ 115,124</u>	<u>\$ 80,621</u>	<u>\$ 201,848</u>

The \$90,657 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (12,107)
2018	(12,107)
2019	(12,107)
2020	26,134
2021	15,676
Total	<u>\$ 5,489</u>

*Actuarial assumptions.* The total pension liability for KPERS in the December 31, 2014 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%

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

NOTES TO FINANCIAL STATEMENTS

**8. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

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, 2014 valuation were based on the results of an actuarial experience study conducted for the three-year period beginning December 31, 2012.

Changes in actuarial assumptions from the December 31, 2013 valuation include a change in the maximum salary increase from 12.50% to 16.00%.

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	13	0.80
Yield driven	8	4.20
Real return	11	1.70
Real estate	11	5.40
Alternatives	8	9.40
Short-term investments	2	(0.50)
Total	<u>100%</u>	

*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.



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

NOTES TO FINANCIAL STATEMENTS

**8. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

*Sensitivity of K DFA's proportionate share of the collective net pension liability to changes in the discount rate.* The following presents K DFA's proportionate share of the collective net pension liability calculated using the discount rate of 8.00%, as well as what K DFA'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, 2016	\$ 1,654,345	\$ 1,285,093	\$ 971,495
June 30, 2015	\$ 1,381,019	\$ 1,058,007	\$ 783,750

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

*Subsequent events.* Under the budgetary allotment process for the State of Kansas, the Kansas governor has authority to reduce or defer the approved budget for purposes of balancing the budget. For the State's fiscal year ending June 30, 2016, approximately \$99 million in State funded employer contributions to the state/School group were deferred. It is unknown at the time whether this reduction will have a significant effect on K DFA's proportionate share of the KPERS' collective net pension liability, or an effect on any actuarial assumptions used by KPERS to calculate the collective net pension liability.

During the 2015 state legislative session, Senate Bill 228 was passed authoring 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. The effect of this bond issuance on K DFA's proportionate share of the KPERS' collective net pension liability is unknown at this time.

**9. DEFERRED COMPENSATION PLAN**

As a component unit of the State of Kansas, K DFA 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 2016, eight employees of K DFA participated in the Plan.

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

NOTES TO FINANCIAL STATEMENTS

**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.

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.

**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 Post-Employment 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.

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

NOTES TO FINANCIAL STATEMENTS

**10. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

**Annual OPEB Cost for Fiscal 2016**

Annual Required Contribution (ARC)	\$ 831
Interest on Net OPEB Obligation	1,887
Adjustment to the ARC	<u>(49,852)</u>
Annual OPEB Cost	<u>\$ (47,134)</u>

**Employer Contributions for Fiscal 2016**

Claims plus Admin Paid on Behalf of Retirees	\$ 2,122
Retiree Contributions	<u>801</u>
Net Employer Contributions	<u>\$ 1,321</u>

**Net OPEB Obligation**

Net Obligation at July 1, 2015	\$ 49,000
Annual OPEB Cost	<u>(47,134)</u>
Net Employer Contributions	<u>1,321</u>
Net Obligation at June 30, 2016	<u>\$ 545</u>

**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
2014	\$ 5,000	\$ --	0%	\$ 45,000
2015	4,000	--	0%	49,000
2016	(47,134)	1,321	2.8%	545

*Funded Status and Funding Progress.* As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$545. 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 \$545. The covered payroll (annual payroll of active employees covered by the plan) was \$835,393, and the ratio of the UAAL to the covered payroll was .07 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.

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

NOTES TO FINANCIAL STATEMENTS

**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, 2016 actuarial valuation, the entry age normal, level dollar method was applied. The actuarial assumptions included a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. Since the Plan is becoming employee-pay-all in 2017, the trend rates for Medical, Prescription Drug, and Administrative costs was assumed to be -100% in 2017 and 0% thereafter. As the subsidy ends December 31, 2016, the amortization is set equal to the benefit payments for the period.

**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, 2016 and 2015 was \$85,198 and \$101,972, respectively.

In 2013, KDFA entered into an equipment lease ending in April 2016. Equipment expense for the years ended June 30, 2016 and 2015 was \$4,456 and \$4,395, respectively.

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

2017	\$ 81,223
2018	81,223
2019	81,223
2020	80,516
2021	83,395
Thereafter	<u>326,630</u>
	<u>\$ 734,210</u>

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

NOTES TO FINANCIAL STATEMENTS

**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 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 Post-Employment Benefits Other Than Pensions* replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment 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. 80, *Blending Requirements for Certain Component Units*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions of this statement are effective for financial statements for KDFA's fiscal year ending June 30, 2017.

GASB Statement No. 82, *Pension Issues*, addresses certain issues that have been raised with respect to Statement No. 67, Statement No. 68 and Statement No. 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this statement are effective for financial statements for KDFA's fiscal year ending June 30, 2017.

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

NOTES TO FINANCIAL STATEMENTS

**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, 2016 and 2015, the balance in these state agency restricted rebate accounts was \$515,623 and \$467,403, 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, 2016:

Name	Principal Amount	Series	Type	Issued
State of Kansas Refundings	\$ 51,220,000	2016H	Refunding Revenue Bonds	08/31/2016
State of Kansas Refundings	\$ 280,000	2016H	Taxable Refunding Revenue Bonds	08/31/2016

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF 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)
06/30/2014	\$ --	\$ 38,000	\$ 38,000	0%	\$ 688,000	6%
06/30/2015	--	37,000	37,000	0%	761,000	5%
06/30/2016	--	545	545	0%	835,393	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, 2016 relative to the prior valuation are as follows:

- Assumed Medical, Prescription Drug, and Administrative costs were updated to reflect recent experience.
- Retirement Turnover and Mortality assumptions were updated to match the most recent KPERs pension valuation.
- Trend rates for all costs were set to -100% starting in 2017.



**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 Three Years\***

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

\* GASB 68 requires presentation of ten years. As of June 30, 2016, only three years of information is available.

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

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
Schedules of Required Supplementary Information

**DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**SCHEDULE OF KDFA'S CONTRIBUTIONS**  
**Kansas Public Employees Retirement System**  
**Last Ten Fiscal Years<sup>^</sup>**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 90,657	\$ 80,621	\$ 74,659	\$ 70,616	\$ 67,148	\$ 62,514	\$ 55,797	\$ 49,556	\$ 42,151	\$ 36,779
Contributions in relation to the contractually required contribution	<u>(90,657)</u>	<u>(80,621)</u>	<u>(74,659)</u>	<u>(70,616)</u>	<u>(67,148)</u>	<u>(62,514)</u>	<u>(55,797)</u>	<u>(49,556)</u>	<u>(42,151)</u>	<u>(36,779)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KDFA's covered-employee payroll	\$ 830,945	\$ 795,550	\$ 726,959	\$ 753,634	\$ 765,661	\$ 765,164	\$ 737,081	\$ 710,983	\$ 661,715	\$ 637,416
Contributions as a percentage of covered-employee payroll	10.91%	10.13%	10.27%	9.37%	8.77%	8.17%	7.57%	6.97%	6.37%	5.77%

<sup>^</sup> Covered payroll is measured as of the fiscal year end, the most recent of which was June 30, 2016.

**KANSAS DEVELOPMENT FINANCE AUTHORITY  
A COMPONENT UNIT OF THE STATE OF KANSAS**  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

**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.

*Changes in assumptions.*

The major items of impact in the actuarial valuation dated December 31, 2014 relative to the prior valuation are as follows:

- Reduce disability rates by 20% for all three KPERS groups.
- Increase the termination of employment rates for State-Males and Local Males and Females.
- Modify the election of a deferred benefit by Local vested members who terminate employment in future years.
- Modify the retirement rates for the C60 group.
- Increase the load for the impact of final average salary provisions for Local, C55 and C60 members hired before July 1, 1993.
- Establish an interest crediting rate of 6.50% for KPERS 3 members.

SUPPLEMENTARY INFORMATION

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
**SPECIAL OBLIGATION BONDS**  
**Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
Kansas Board of Regents – Emporia State University Student Recreation Facility Project	\$ 2,805,000	2001B	Revenue Bonds	\$ 970,000	\$ 1,135,000
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	31,000,000
Kansas Board of Regents – Pittsburg State University Overman Student Center Renovation Project	2,610,000	2003A	Revenue Bonds	--	115,000
Kansas Board of Regents - Scientific Research & Development Facilities Project – WSU Engineering Complex	2,305,000	2003C-5	Revenue Bonds	2,305,000	2,305,000
Kansas Board of Regents - Fort Hays State University Housing System Lewis Field Stadium Renov. Project	1,150,000	2003D-2	Revenue Bonds	--	365,000
Kansas Public Employees Retirement System	500,000,000	2004C	Revenue Bonds	407,160,000	420,600,000
Kansas Department of Health and Environment – Water Pollution Control Revolving Loan Fund Leveraged Bonds	42,950,000	2004 Series II	Revenue Bonds	--	2,915,000
Kansas Department of Health and Environment – Public Water Supply Revolving Loan Fund State Match Bonds	9,695,000	2004 Series 1 (DW)	Revenue Bonds	--	937,000
Kansas Department of Health and Environment – Public Water Supply Revolving Loan Fund Leveraged Bonds	93,255,000	2004 Series 2 (DW)	Revenue Bonds	--	3,000
Kansas Board of Regents – Scientific Research & Development Facilities Projects: Kansas State University	20,980,000	2005D-1	Revenue Bonds	7,780,000	8,875,000
Kansas Board of Regents – Scientific Research & Development Facilities Projects: University of Kansas Medical Center	27,130,000	2005D-2	Revenue Bonds	--	2,595,000
Kansas Board of Regents – Scientific Research & Development Facilities Projects: Wichita State University	9,180,000	2005D-4	Revenue Bonds	1,700,000	2,490,000
Kansas Board of Regents – Scientific Research & Development Facilities Projects: Pittsburg State University	3,000,000	2005D-5	Revenue Bonds	--	3,000,000
Kansas Board of Regents – University of Kansas Housing System Refunding & Renovation Project	16,030,000	2005E-1	Revenue Bonds	--	515,000
Kansas Board of Regents – University of Kansas Medical Center Parking Garage #3	3,330,000	2005E-2	Revenue Bonds	--	165,000

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
**SPECIAL OBLIGATION BONDS**  
**Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
Kansas Department of Health and Environment – Water Pollution Control Revolving Loan Fund Program	6,685,000	2005 CW-I	Revolving Fund Revenue Bonds	--	260,000
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	36,720,000
Kansas Department of Transportation – Revolving Loan Fund Program	32,690,000	2005 TR	Revolving Fund Revenue Bonds	--	15,395,000
Kansas Board of Regents – Emporia State University Towers Residential Complex Improvement Project	8,930,000	2005F	Revenue Bonds	5,710,000	6,160,000
Kansas Board of Regents – Fort Hays State University Memorial Union Renovation Project	7,205,000	2005G-1	Revenue Bonds	--	5,180,000
Kansas Department of Administration – Comprehensive Transportation Program	209,490,000	2006A	Revenue Bonds	20,045,000	29,425,000
Kansas Board of Regents – University of Kansas Parking Facilities Project	9,790,000	2006B	Revenue Bonds	6,690,000	7,875,000
State of Kansas, Department of Administration Capitol Restoration Phase IV	7,475,000	2006L-1	Revenue Bonds	580,000	1,140,000
Kansas Board of Regents – Pittsburg State University Joint Armory Project	4,215,000	2006L-2	Revenue Bonds	215,000	420,000
Kansas Adjutant General – Joint Armory Project with Pittsburg State University	1,520,000	2006L-3	Revenue Bonds	80,000	155,000
Kansas Department of Transportation – Revolving Loan Fund Program	24,755,000	2006 TR	Revolving Fund Revenue Bonds	8,600,000	10,670,000
Kansas Board of Regents – University of Kansas Student Recreation Center	6,275,000	2007E	Revenue Bonds	4,050,000	4,340,000
Kansas Department of Commerce – Investments in Major Projects and Comprehensive Training (“IMPACT”) Program	34,505,000	2007F	Revenue Bonds	4,240,000	8,280,000
Kansas Board of Regents – Kansas State University Parking System	17,855,000	2007H	Revenue Bonds	--	15,225,000
Kansas Department of Administration – Capitol Restoration Phase V	27,505,000	2007K-1	Revenue Bonds	5,225,000	6,395,000
Kansas Adjutant General – Great Plains Joint Training Facility	9,170,000	2007K-2A	Revenue Bonds	1,740,000	2,130,000

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
**SPECIAL OBLIGATION BONDS**  
**Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
Kansas Adjutant General – Armories Renovation Phase VI	3,170,000	2007K-2B	Revenue Bonds	600,000	735,000
Kansas Department of Corrections – Correctional Infrastructure	19,610,000	2007K-3	Revenue Bonds	3,725,000	4,560,000
Kansas Boards of Regents – University of Kansas Law Enforcement Training Center	18,220,000	2007M	Revenue Bonds	12,140,000	13,000,000
Kansas Board of Regents – Postsecondary Education Institution Loan Program	20,000,000	2008A	Revenue Bonds	--	2,500,000
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	787,100	996,300
Kansas Department of Administration – Capitol Restoration Phase VI	38,995,000	2008L-1	Revenue Bonds	28,820,000	30,420,000
Kansas Adjutant General – Refund BAN 2008-2, Army National Guard Armories Renovation Project Phase VII	3,195,000	2008L-2	Revenue Bonds	2,365,000	2,495,000
Kansas Department of Corrections – Refund BAN 2008-1, Prison Expansion Project	1,075,000	2008L-3	Revenue Bonds	360,000	470,000
Kansas Board of Regents – University of Kansas School of Pharmacy	21,070,000	2008L-4	Revenue Bonds	15,570,000	16,435,000
Kansas Department of Transportation – Revolving Loan Fund Program	30,950,000	2009 TR	Revolving Funds Revenue Bonds	17,945,000	19,495,000
Kansas Department of Administration – Refunding Revenue Bonds	3,825,000	2009A	Refunding Revenue Bonds	3,585,000	3,705,000
Kansas Department of Administration – Taxable Refunding Revenue Bonds	515,000	2009B	Taxable Refunding Revenue Bonds	325,000	420,000
Kansas Board of Regents – Postsecondary Educational Institution Infrastructure Finance Program	20,000,000	2009C	Revenue Bonds	2,500,000	5,000,000
Kansas Department of Commerce – Investments in Major Projects and Comprehensive Training (“IMPACT”) Program	49,425,000	2009F	Revenue Bonds	20,445,000	26,685,000
Kansas Board of Regents – Refund BAN 2008-3, Pittsburg State University Student Health Center Project	825,000	2009G	Revenue Bonds	490,000	540,000

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
**SPECIAL OBLIGATION BONDS**  
**Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
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)	12,625,000	13,050,000
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)	3,515,000	3,700,000
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	1,060,000	1,185,000
Kansas Department of Administration - Eisenhower Bldg. (Refunds 2002J); Capitol Restoration; Debt Restructure-SGF (Current Refundings)	62,310,000	2009M-1	Revenue Bonds - Tax Exempt	44,940,000	48,475,000
Kansas Board of Regents - University of Kansas School of Pharmacy Tax Exempt	13,515,000	2009M-1	Revenue Bonds - Tax Exempt	7,500,000	8,800,000
Kansas Department of Wildlife & Parks - Office Space	730,000	2009M-1	Revenue Bonds - Tax Exempt	380,000	445,000
Kansas Department of Administration - 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	8,605,000	9,340,000
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	4,670,000
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	31,400,000
Kansas Board of Regents – University of Kansas Housing System Project	23,700,000	2010A	Revenue Bonds	19,035,000	20,105,000
University of Kansas - Energy Conservation Program	21,650,000	2010B	Revenue Bonds	15,735,000	16,890,000
Kansas Department of Commerce – IMPACT Program	52,755,000	2010C	Revenue Bonds	26,315,000	32,130,000
SRS - Larned State Hospital	29,090,000	2010E-1.5	Revenue Bonds	23,110,000	25,890,000



**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
**SPECIAL OBLIGATION BONDS**  
**Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
Kansas Department of Administration. - SGF Debt Restructure (Current) & Economic Refundings (Adv.)	30,540,000	2010E-1.1-1.4	Revenue Bonds - Tax Exempt	20,700,000	23,865,000
Kansas Department of Administration. - National Bio-&Agro Defense Facility Taxable (Build America Bonds)	24,530,000	2010E-2	Taxable Revenue Bonds (Build America Bonds)	24,530,000	24,530,000
Kansas Department of Administration - NBADF & SGF Restructuring. (Current Ref. 2004C)	18,400,000	2010F	Taxable Revenue Bonds	10,785,000	12,640,000
Kansas Board of Regents – Kansas State University Student Recreation Complex Expansion Project	1,515,000	2010G-1	Revenue Bonds	--	510,000
Kansas Board of Regents – Kansas State University Student Recreation Complex Expansion Project	20,050,000	2010G-2	Taxable Revenue Bonds - (Build America Bonds)	20,050,000	20,050,000
Kansas Board of Regents – Kansas State University Farrell Library Expansion Project	1,530,000	2010H	Revenue Bonds	--	250,000
Emporia State University - Student Union Project	14,765,000	2010J	Revenue Bonds	11,235,000	11,845,000
Kansas Board of Regents - University of Kansas Edwards Campus (Refunds 2002K-Partial)	3,615,000	2010K-1	Revenue Bonds	3,370,000	3,415,000
Kansas Board of Regents - University of Kansas Medical Center Parking Facilities	7,190,000	2010K-2	Taxable Revenue Bonds - Taxable (Build America Bonds)	6,925,000	7,190,000
Kansas Board of Regents – University of Kansas Edwards Campus Building No.4	6,125,000	2010M-1	Sales Tax Revenue Bonds	--	1,275,000
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)	14,865,000	14,865,000
Kansas Department of Administration - Capitol Restoration, Phase VIII	37,015,000	2010 O-2	Taxable Revenue Bonds - (Build America Bonds)	31,765,000	33,550,000
State of Kansas Projects - Adj. General - Armories Renovations, Phase VIII	2,930,000	2010 O-2	Taxable Revenue Bonds - (Build America Bonds)	2,515,000	2,655,000
Kansas Board of Regents - University of Kansas Clinical Research Center Project	3,950,000	2010P-1	Sales Tax Revenue Bonds	705,000	1,390,000
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	46,200,000	50,160,000

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
**SPECIAL OBLIGATION BONDS**  
**Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
Kansas Department of Health and Environment - Kansas Revolving Funds (Clean Water-Water Pollution Control)	83,530,000	2010 SRF-1	Revolving Funds Revenue Bonds	67,670,000	72,645,000
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 State University Projects - Qualified Energy Conservation Bonds (QECB)	17,815,000	2010U-1	Taxable Revenue Bonds - (Qualified Energy Conservation Bonds)	13,255,000	14,395,000
Kansas State University Projects	7,365,000	2010U-2	Revenue Bonds	3,535,000	4,105,000
Kansas Department of Administration - Capitol Restoration, Phase IX	53,780,000	2011B	Revenue Bonds	43,035,000	45,140,000
University of Kansas - Housing System Project	13,450,000	2011C	Revenue Bonds	11,540,000	11,935,000
Pittsburg State University Projects	9,465,000	2011D	Revenue Bonds	5,535,000	6,375,000
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	2,775,000
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	14,125,000	14,500,000
Kansas Department of Commerce - IMPACT Program	109,135,000	2011K	Revenue Bonds	96,380,000	97,645,000
Wichita State University Projects - Rhatigan Student Center	21,730,000	2012A-1	Revenue Bonds	15,835,000	17,420,000
Wichita State University Projects - Refund 2002P Housing System Renov. Project	5,880,000	2012A-2	Revenue Bonds	3,580,000	4,200,000
University of Kansas - Refund: 1999C; 2002A-2; & 2002K	7,370,000	2012D-1	Refunding Revenue Bonds	570,000	2,320,000
University of Kansas Medical Center - Refund: 2003C-2; & 2003J-1	41,830,000	2012D-2	Refunding Revenue Bonds	41,820,000	41,825,000
Kansas State University - Energy Conservation (General Pledge)	17,205,000	2012F	Revenue Bonds	15,310,000	15,960,000
Kansas State University - Refund: 2003C-1 University Research & Development	23,510,000	2012H-1	Refunding Revenue Bonds	22,940,000	23,025,000
Kansas State University - Refund: 2003J-1 Energy Conservation	12,460,000	2012H-2	Refunding Revenue Bonds	10,125,000	11,245,000
Kansas Department of Administration - Capital Restoration	10,840,000	2013A	Revenue Bonds	9,675,000	10,040,000

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
**SPECIAL OBLIGATION BONDS**  
**Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
Kansas Department of Administration - NBAF	41,795,000	2013A	Revenue Bonds	37,365,000	38,780,000
Kansas State Fair (Ref 2004A-2)	6,225,000	2013A	Revenue Bonds	5,510,000	6,070,000
Kansas Department of Administration - Capital Restoration (Ref 2004G-1)	11,770,000	2013A	Revenue Bonds	9,690,000	10,680,000
Kansas Department of Wildlife & Parks - Wildlife and Parks	1,255,000	2013A	Revenue Bonds	1,125,000	1,165,000
Kansas Department of Corrections - JJA (Ref 2001D)	23,370,000	2013B	Refunding Revenue Bonds	14,130,000	17,260,000
Kansas Department of Aging and Disability Services - KDADS (Ref 2004A-1)	17,185,000	2013B	Refunding Revenue Bonds	15,190,000	16,940,000
University of Kansas - Engineering Project	74,370,000	2013G-1	Revenue Bonds	72,465,000	74,370,000
University of Kansas - Refunding Project	2,965,000	2013G-2	Revenue Bonds	1,895,000	2,445,000
Pittsburg State University Projects - Refund BAN 2012-3 Housing System Project	33,490,000	2014A-1	Revenue Bonds	32,380,000	33,205,000
Pittsburg State University Projects - Refund 2003A-1 and Refund 2004D	1,685,000	2014A-2	Refunding Revenue Bonds	1,460,000	1,585,000
University of Kansas Medical Center - Energy Conservation Project	2,423,400	2014B	Revenue Bonds	1,461,024	1,943,194
University of Kansas - 2005E-1 Refunding	55,310,000	2014C	Revenue Bonds	54,030,000	55,275,000
University of Kansas Medical Center - 2005E-2 Refunding	1,345,000	2014C	Revenue Bonds	1,345,000	1,345,000
Kansas State University - College of Engineering Project, Refund 2005A and Refund 2007A	18,615,000	2014D-1	Revenue Bonds	16,690,000	17,605,000
Kansas State University - Residence/Dining and 2005A &	114,935,000	2014D-2	Revenue Bonds	113,575,000	114,675,000
Kansas Department of Health and Environment - Kansas Public Water Supply & Water Pollution Control DW (PWS)	2,200,000	2014SRF-1	Revolving Funds Revenue Bonds	--	2,200,000
Kansas Department of Health and Environment - Kansas Public Water Supply & Water Pollution Control CW (WPC)	3,000,000	2014SRF-1	Revolving Funds Revenue Bonds	--	3,000,000
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	16,560,000	17,390,000
Kansas Department of Administration - 2005H Refunding	47,390,000	2015A	Revenue Bonds	47,390,000	47,390,000

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
**SPECIAL OBLIGATION BONDS**  
**Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
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	51,965,000	53,650,000
Kansas State University - 2005A Refunding	800,000	2015B	Revenue Bonds	770,000	800,000
Kansas State University - 2007A Refunding	7,415,000	2015B	Revenue Bonds	6,745,000	7,415,000
State of Kansas Project (NBAF)	203,585,000	2015G	Revenue Bonds	203,585,000	203,585,000
State of Kansas--KPERs (Taxable)	1,005,180,000	2015H	Taxable Revenue Bonds	1,005,180,000	--
PSU - 2005D-5 Refunding	1,500,000	2015K	Refunding Revenue Bonds	1,500,000	--
PSU - Refinance 2002 Lease purchase agreement	2,135,766	2015M	Refunding Revenue Bonds	2,135,766	--
DW (PWS) - State Match	2,000,000	2015SRF-1	Revolving Funds Revenue Bonds	2,000,000	--
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	24,275,000	--
KSU - Seaton Hall	59,000,000	2016A	Revenue Bonds	59,000,000	--
KSU - Refund 2007H	14,540,000	2016A	Revenue Bonds	14,540,000	--
KUMC Parking #5	45,330,000	2016C	Revenue Bond	45,330,000	--
FHSU - 2016B Project and Refunding 2005G and 20033-D-2	31,115,000	2016B	Revenue Bond	31,115,000	--
				<u>\$ 3,608,688,890</u>	<u>\$ 2,637,479,494</u>

**KANSAS DEVELOPMENT FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE STATE OF KANSAS**  
**PRIVATE ACTIVITY BONDS**  
**Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
FHA Insured Mortgage Loans - Section 8 Assisted Projects	\$ 3,265,000	1992A	Housing Development Refunding Revenue Bonds	\$ 555,000	\$ 610,000
Woodridge Apartments Project	7,285,000	1995	Variable Rate Demand Multifamily Housing Refunding Revenue Bonds	6,585,000	6,700,000
Metcalf 56 Apartments Project	2,510,000	1995J	Multifamily Housing Refunding Revenue Bonds	1,955,000	2,010,000
Trails of Garden City and Cottonwood of Liberal Projects	8,740,000	1997P	Multifamily Housing Revenue Bonds	6,273,000	6,518,000
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	18,800,354	19,560,846
Chimney Hills Apartments Project	9,575,000	2000U-1	Multifamily Housing Revenue Bonds	9,423,000	9,575,000
Chimney Hills Apartments Project	2,925,000	2000U-3	Subordinate Multifamily Housing Revenue Bonds	2,687,000	2,735,000
Intercollegiate Athletic Council of Kansas State University	3,495,889	2002E	Athletic Facilities Capital Appreciation Revenue Bonds	5,259,275	6,721,200
DLR Deer Creek Project	4,300,000	2002O	Industrial Enterprise Taxable Revenue Bonds	--	2,940,000
Luther Place Apartments	7,193,000	2003F	Multifamily Housing Revenue Bonds	5,323,589	5,509,746
Woodland Village	8,160,000	2003G	Multifamily Housing Revenue Bonds	7,284,777	7,395,268
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	1,798,649	1,845,487
Spirit AeroSystems, Inc. Project	80,000,000	2005J	Taxable Revenue Bonds	80,000,000	80,000,000
Hays Medical Center, Inc.	22,995,000	2005L	Health Facilities Refunding Revenue Bonds - Fixed Rate	--	13,175,000
University of Kansas Center for Research	17,085,000	2006G	Revenue Bonds	1,415,000	2,080,000
Tree House Apartments	10,000,000	2006K	Multifamily Housing Revenue Bonds	--	8,105,000
Olathe Good Samaritan Towers	6,100,000	2006N	Multifamily Housing Revenue Bonds	5,469,804	5,559,293
Northeast Renaissance Center Apartments	3,800,000	2007B-2	Multifamily Housing Revenue Bonds	859,703	867,890
Cleveland Chiropractic College	16,000,000	2007D	Education Facility Revenue Bonds	10,874,557	11,474,557
Stormont-Vail HealthCare, Inc.	50,050,000	2007L	Healthcare Facilities Refunding Revenue Bonds	50,050,000	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	24,930,000
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	262,005,000	267,740,000
Adventist Health System/Sunbelt Obligated Group	100,000,000	2009D-ADV	Hospital Revenue Bonds	85,230,000	87,730,000
Wichita State University Intercollegiate Athletics Assoc., Inc. - Eck Stadium Improvements - Ph. V-A	1,715,000	2009E	Athletic Facilities Revenue Bonds	469,000	618,000
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	12,580,000	13,155,000
University of Kansas Hospital Authority (KUHA)-Medical Office Building Project - University of Kansas, Tenant	55,250,000	2009O	Lease Revenue Bonds	52,330,000	53,075,000

**KANSAS DEVELOPMENT FINANCE AUTHORITY  
A COMPONENT UNIT OF THE STATE OF KANSAS  
PRIVATE ACTIVITY BONDS  
Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
Sisters of Charity of Leavenworth Health System (SCLHS)	197,895,000	2010A-SCL	Health Facilities Refunding Revenue Bonds	21,800,000	171,160,000
Adventist Health System/Sunbelt Obligated Group	25,000,000	2010C-ADV	Hospital Revenue Bonds	21,000,000	22,000,000
Siemens Energy, Inc.	5,300,000	2010L	Revenue Bonds	3,975,000	4,240,000
University of Kansas Medical Center Research Institute, Inc. Project	30,160,000	2010N	Revenue Bonds	18,570,000	20,880,000
Hays Medical Center, Inc.	46,710,000	2010Q	Health Facilities Revenue Bonds	41,295,000	42,240,000
Learjet, Inc.	27,122,000	2010R	Revenue Bonds	6,640,000	10,789,000
Lifespace Communities, Inc.	25,685,000	2010S	Revenue Bonds	25,685,000	25,685,000
Kansas State University Athletics, Inc. Project	21,790,000	2011A-1	Athletic Facilities Revenue Bonds	--	17,225,000
Stormont-Vail HealthCare, Inc.	57,905,000	2011F	Health Facilities Revenue Bonds	49,490,000	51,420,000
University of Kansas Hospital Authority (KUHA) - (KU Health System) Fixed Rate	100,000,000	2011H	Health Facilities Revenue Bonds	100,000,000	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	25,000,000	25,000,000
Sisters of Charity of Leavenworth Health System (SCLHS)	76,290,000	2012A-SCL	Revenue Refunding Bonds	--	63,535,000
Kansas State University Athletics, Inc. Project	30,035,000	2012B-1	Athletic Facilities Revenue Bonds	--	30,035,000
Kansas State University Athletics, Inc. Project	23,640,000	2012B-2	Taxable Athletic Facilities Revenue Bonds	21,920,000	22,695,000
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	6,650,000	8,925,000
Learjet, Inc.	6,057,000	2012G	Revenue Bonds	1,794,000	2,929,000
Stormont-Vail HealthCare, Inc.	8,750,000	2012L	Health Facilities Revenue Bonds	7,200,000	7,690,000
Adventist Health System	276,965,000	2012A-ADV	Hospital Revenue Refunding Bonds	276,965,000	276,965,000
Lifespace Communities, Inc.	30,000,000	2013C	Revenue Bonds	--	28,191,212
Kansas State University Resarch Park Project	7,560,000	2013D-1	Revenue Bonds (Tax Exempt)	7,560,000	7,560,000
Kansas State University Resarch Park Project	1,475,000	2013D-2	Revenue Bonds (Taxable)	1,145,000	1,475,000
Village Shalom Obligated Group Project	12,155,000	2013E	Refunding Revenue Bonds	10,148,458	10,816,197
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)	7,240,000	8,275,000
Stormont-Vail HealthCare, Inc.	40,000,000	2013J	Health Facilities Revenue Bonds	39,815,000	39,920,000
University of Kansas Center for Research, Inc. Project	10,580,000	2014E	Revenue Bonds	10,285,000	10,380,000
Kansas Athletics, Inc.	39,430,000	2014F	Refunding Revenue Bonds	36,385,000	37,880,000
Adventist Health System	30,000,000	2014C-ADV		26,000,000	28,000,000
Lifespace Communities, Inc. - Claridge Court Project	5,485,000	2014G		4,985,000	5,485,000

**KANSAS DEVELOPMENT FINANCE AUTHORITY  
A COMPONENT UNIT OF THE STATE OF KANSAS  
PRIVATE ACTIVITY BONDS  
Years Ended June 30, 2016 and 2015**

Name	Original Principal Amount	Series	Type of Bonds	Balance at 6/30/2016	Balance at 6/30/2015
Kansas State University Foundation Project	8,930,000	2014M		8,108,500	8,930,000
Clusters Apartments Project	2,600,000	2015C		--	2,600,000
Pioneer Group Osage Apartments Project	2,400,000	2015D		2,400,000	2,400,000
Pioneer Group Rehwinkel Hall Apartments Project	2,000,000	2015E		2,000,000	2,000,000
Pioneer Group Courthouse Square Apartments Project	1,800,000	2015F		1,800,000	1,800,000
K-State Athletics, Incorporated Projects (refunds 2011A and 2012B)	48,110,000	2016D		48,110,000	--
YMCA of Greater Kansas City Projects	11,010,000	2016E&F	Various Projects	11,010,000	--
Hays Medical Center, Inc. - Health Facilities Refunding (refunds 2005L)	9,970,000	2016G	Refunding Revenue Bonds	9,970,000	--
				<u>\$ 1,632,405,666</u>	<u>\$ 1,916,552,696</u>

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 (Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 27, 2016.

### **Internal Control over Financial Reporting**

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

September 27, 2016  
Wichita, Kansas