

KANSAS DEPARTMENT OF TRANSPORTATION

A DEPARTMENT OF THE STATE OF KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019

NOTE: This information is available in alternative accessible formats. To obtain an alternative format, contact the Office of Public Affairs, Eisenhower Building, 700 SW Harrison, 2nd Floor West, Topeka, KS, 66603-3754, or (785) 296-3585 (Voice)/Hearing Impaired - 711.

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PREPARED BY: BUREAU OF FISCAL SERVICES

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Kansas Department of Transportation
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

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INTRODUCTORY SECTION

**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2019**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Kansas Department of Transportation

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

Dwight D. Eisenhower State Office Building
700 S.W. Harrison Street
Topeka, KS 66603-3745
Julie L. Lorenz, Secretary



Phone: 785-296-3461
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kdot#publicinfo@ks.gov
<http://www.ksdot.org>
Laura Kelly, Governor

September 16, 2019

The Honorable Laura Kelly, Governor
Members of the Kansas Legislature, and
Citizens of the State of Kansas:

Kansas Statutes Annotated 68-2315 requires the Kansas Department of Transportation (the Department) to annually prepare a comprehensive financial report of all funds for the preceding year, which shall include a report by an independent public accountant attesting that the financial statements present fairly the financial position of the Department in conformity with accounting principles generally accepted in the United States of America (GAAP). Pursuant to that requirement, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Department for the fiscal year ended June 30, 2019.

This report consists of management's representations concerning the finances of the Department. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report.

Department managers are responsible for establishing and maintaining internal controls to protect the Department's assets from loss, theft, or misuse, and to enable adequate accounting data to be compiled for preparation of financial statements in conformity with GAAP as applied to governmental units. The Department's internal controls are designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by departmental managers.

For the fiscal year ended June 30, 2019, the independent audit required by statute was performed by CliftonLarsonAllen LLP. The auditors concluded that there was a reasonable basis for rendering unmodified opinions and that the financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. Their report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement MD&A and should be read in conjunction with it. The Department's MD&A can be found immediately following the report of the independent auditors.

Profile of the Department

The Department is an operating department of the State of Kansas and represents separate funds of the State that are not a part of the State General Fund. The Department was created by the Kansas Legislature in 1975 to succeed the State Highway Commission, which was established in 1917. The Secretary of Transportation is appointed by the Governor with the consent of the

Senate. The Department has statutory responsibility to coordinate planning, development, and operation of various modes and systems of transportation in the State. However, the Department's actual authority varies by mode and system. Although the Kansas Turnpike Authority (KTA) cooperates with the Department to achieve these objectives, the KTA is not a part of this reporting entity.

The Department's annual budget is approved by the Kansas Legislature. The budget is prepared by fund with some of the expenditures appropriated with legal limits and other expenditures appropriated without legal limits. Those budget items appropriated with legal limits can only be amended with Legislative approval. Budget items appropriated without legal limits can be amended by the Department's management without Legislative approval.

Economic Condition and Outlook

Economic forecasts are developed using a consensus process that involves the Legislative Research Department, Division of the Budget, and Department of Revenue for the State plus three consulting economists from state universities. The Consensus Revenue Estimating Group (CRE) meets bi-annually in April and November. The economic condition and outlook are based upon the April 2019 meeting.

Most key economic variables and indicators have remained consistent since the Consensus Group last convened in November. The economic expansion that began after the Great Recession in June 2009 has now lasted nearly ten years and the Consensus Group is cautiously optimistic that it will continue through the forecast period. Low levels of unemployment and rapid wage growth have contributed significantly to statewide personal income growth. Although energy prices have increased recently, inflation is expected to remain at moderate levels. While the U.S. and Kansas economies continue to grow, significant concerns exist for the economy as a whole relative to volatility in energy prices, tariffs or possible trade war effects on agricultural commodity prices, and consumer and business demand for products and services subject to sales taxation. Significant changes to state and federal tax laws over the last two years and the statutory requirement that the April CRE takes place on or before April 20th before more complete income tax processing data are available adds uncertainty to the forecast.

The forecast contemplates no significant downturns or disruptions in the state or federal economy over the forecast period. The nominal Kansas Gross State Product growth rate is estimated to increase for each year by 3.9 percent in 2019, 2020, and 2021 (the November estimate had been 4.0 percent for all three years). Current forecasts call for the nominal U.S. Gross Domestic Product to grow by 4.1 percent in 2019 (the November estimate had been 4.5 percent), 4.0 percent in 2020 (the November estimate had been 4.1 percent), and by 3.9 percent in 2021 (the November estimate had been 3.8 percent).

Kansas Personal Income (KPI) is expected to increase by 3.9 percent for each year in 2019, 2020, and 2021, which is slightly less than the KPI forecast used in November that showed KPI increasing by 4.0 percent for all three years. Current estimates are that overall U.S. Personal Income (USPI) growth will increase by 4.1 percent in 2019, 4.0 percent in 2020, and 3.9 percent in 2021.

Data obtained from the Kansas Department of Labor indicate that employment levels have improved slightly from levels reported last year at this time. The most recent monthly data show that total Kansas private sector employment from February 2018 to February 2019 had increased by 5,100 jobs, while public sector jobs increased by 2,500 jobs. Sectors with the largest amount of job increases over the last year include education and health services; manufacturing; and professional and business services. Construction; leisure and hospitality; and financial activities

had the largest job losses over the last year. The average Kansas real hourly earnings increased by 4.1 percent over the last year and outpaced the national average of 1.9 percent growth.

Current estimates indicate that the overall Kansas unemployment rate, which was 3.4 percent in 2018, is expected to increase slightly to 3.5 percent in 2019 and will remain at that level in both 2020 and 2021. The Kansas labor market remains tight, with one survey showing the highest number of job vacancies in the 15 years since the survey began; and the number of vacancies now exceeding the number of unemployed individuals. The national unemployment rate is expected to remain above the Kansas rate, with the U.S. rate now expected to be 3.7 percent in 2019, 3.8 percent in 2020, and 3.9 percent in 2021.

Federal Funding

Fixing America's Surface Transportation (FAST) Act was signed into law on December 4, 2015, as Public Law 114-94. The FAST Act authorizes \$305 billion over federal fiscal years 2016 through 2020 for highway and motor-vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology, and statistics programs. The FAST Act replaces MAP-21 and provides Kansas with levels of funding slightly greater than MAP-21 and the extensions. The FAST Act is set to expire with the end of FFY 2020. With only some talk of reauthorization it is expected that continuing resolutions will occur for a period of time beginning in FFY 2021.

Highway Trust Fund

The Highway Trust Fund (HTF) was created by the federal Highway Revenue Act of 1956 as the primary tool for receiving highway user taxes and distributing the funds to state and local governments for qualifying highway project expenditures. The major revenue sources for the HTF are the federal motor fuels tax, truck-related taxes on tires and the sale of trucks and trailers, and heavy vehicle use.

For decades the Highway Trust Fund adequately funded the nation's roads, and in later years transit projects, as the revenue sources continued to support the spending on federal projects. However, in recent years the balances in the HTF began to take a downward slope and the solvency of the Highway Account of the Trust Fund became a major concern.

With the passage of the FAST Act, surface transportation programs have been authorized through FFY 2020. Legislation transferred \$70 billion from the general fund of the Treasury to the Highway Trust Fund. In addition to this transfer, interest from the transfer will be credited to the HTF. The transfer did not create any new revenue sources from transportation users. Spending from the HTF exceeds revenues credited to the fund from taxes on motor fuels, heavy trucks, and tires. The Congressional Budget Office projects that, under the FAST Act, both the highway and transit accounts of the Highway Trust Fund will be unable to meet all obligations in FFY 2022.

Obligation Limitation

Since the passage of SAFETEA-LU, there have been numerous rescissions of federal funding resulting from Congressional action in annual transportation appropriations bills and other federal legislation. These rescissions require states to deduct a set amount of unobligated funds which accumulate because states are not permitted to spend the entire amount of contract authority they receive due to a required obligation limitation.

Although there were no rescissions in FFY 2011 and FFY 2012, \$717,334 was rescinded in FFY 2013, which is much lower than in previous years. In prior years, the amounts of unobligated

balances rescinded for the State were: \$20.7 million in FFY 2010; \$29.6 million in FFY 2009; and \$30.1 million in FFY 2008. Over the years, states have received more contract authority than obligation limitation. Recently, this trend has changed. States are now receiving more obligation limitation than contract authority because of bigger August redistributions. With shrinking contract authority balances, states will struggle to come up with future rescissions. In FFY 2017 there was a rescission of \$12,270,431 and in FFY 2020, we anticipate we will have a rescission of approximately \$113 million. Due our shrinking balance in contract authority, we will struggle to come up with the 2020 rescission as will other states.

In addition to the rescissions, our National Highway Performance Program (NHPP) allocation was reduced by the sequestration of funds in FFY's 2013-2016. The amounts sequestered from the State were: \$330,733 in FFY 2013; \$462,338 in FFY 2014; \$468,759 in FFY 2015; \$436,652 in FFY 2016; \$440,174 in FFY 2017; \$421,749 in FFY 2018; and \$397,494 in FFY 2019.

Conclusion

The FAST Act is the first legislation authorizing long term funding for transportation in many years. The Act authorizes surface transportation programs through FFY 2020. Federal funding is clearly an important source of revenue for implementing the T-WORKS program and future transportation programs. It is critical for future planning purposes that federal funding be stable and predictable.

Future financial planning and budgetary outlook

With the passage of the 10-year Transportation Works for Kansas (T-WORKS) Program during the 2010 Legislative Session, the Department's activities are geared towards delivering a program focused on preserving the existing transportation system and protecting the public investment made in our system, while also supporting the transportation needs and economic development of the state. The purpose of T-WORKS is to provide for:

- Construction, improvement, reconstruction and maintenance of the state highway system,
- Assistance, including credit and credit enhancements, to cities and counties in meeting their responsibilities for the construction, improvement, reconstruction and maintenance of the roads and bridges not on the state highway system,
- Assistance for the preservation and revitalization of the rail service in the State,
- Assistance for the planning, constructing, reconstructing or rehabilitating the facilities for public use general aviation airports,
- Public transit programs to aid elderly persons, persons with disabilities and the general public,
- Assistance for transportation-sensitive economic opportunities on a local or regional basis,
- Analysis of the feasibility of constructing new toll or turnpike projects or designating existing highways or portions thereof as toll or turnpike projects, and
- Expending or committing at least \$8 million in each county of the State.

Expenditures for the T-WORKS program are estimated to be \$15.8 billion, including construction expenditures estimated to be \$6.3 billion. The T-WORKS program began in FY 2011.

The T-WORKS program authorizes the Secretary to issue highway revenue bonds so long as the Secretary certifies that, as of the date of issuance of any such bonds, the maximum annual debt service on all outstanding bonds and on such bonds proposed to be issued will not exceed 19% of State Highway Fund revenues projected for the then-current or any future fiscal year for FY 2017. The 2017 Legislature changed the debt requirement for FY 2018 and FY 2019 to total principal debt for T-WORKS shall not exceed \$1.7 billion. In addition, the 2017 Legislature limited the aggregate principal amount of bond issuances over the course of FY 2018 and FY 2019 to \$400

million. The 2018 Legislature further amended the debt requirement for FY 2019 by limiting debt issuance to \$200 million of net bond proceeds.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its CAFR for the fiscal year ended June 30, 2018. This was the 31st consecutive year that the Department has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

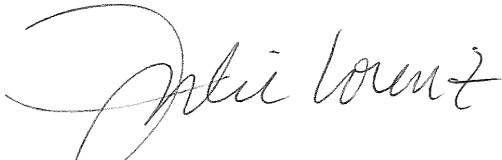
A Certificate of Achievement is valid for a period of one year only. The Department believes the current report continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for another certificate.

Other Information

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The timely preparation of this report was achieved by the efficient and dedicated service of the entire staff of the Bureau of Fiscal Services. I would like to express appreciation to members of the Bureau and others throughout the Department who assisted and contributed to this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie Lorenz", with a large, stylized initial "J" that loops around the first part of the name.

Julie Lorenz
Secretary of Transportation
Director of Kansas Turnpike Authority

KANSAS DEPARTMENT OF TRANSPORTATION

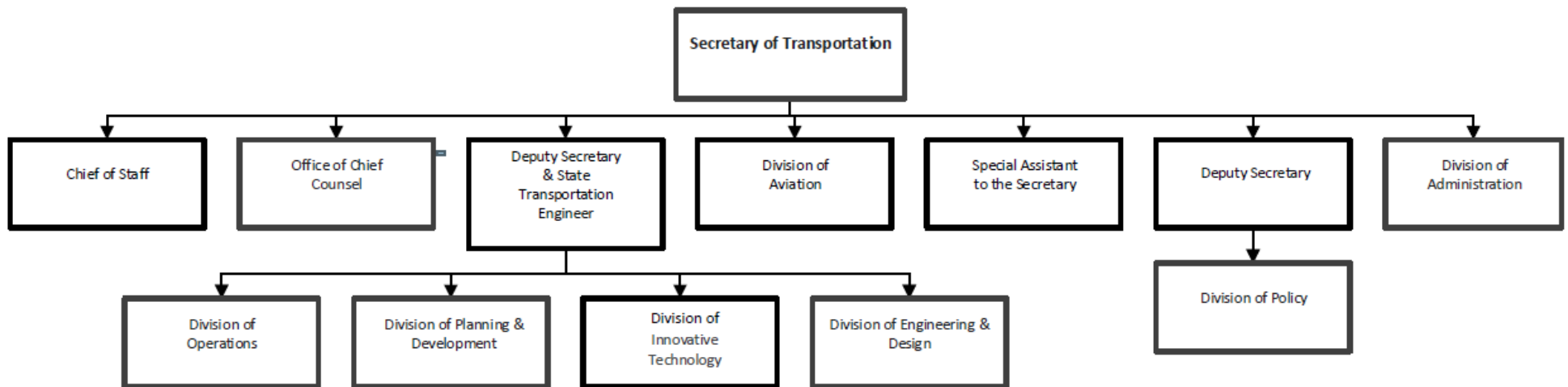
LIST OF PRINCIPAL OFFICIALS

**Comprehensive Annual Financial Report
As of June 30, 2019**

EXECUTIVE STAFF

<u>TITLE</u>	<u>NAME</u>
Secretary of Transportation	Julie Lorenz
Deputy Secretary and State Transportation Engineer	Burt Morey
Deputy Secretary	Lindsey Douglas
Chief of Staff	Maggie Doll
Special Assistant to the Secretary	Catherine M. Patrick
Chief Counsel	Gelene Savage
Director, Division of Administration	Robert Stacks
Director, Division of Policy	Joel Skelley
Director, Division of Aviation	Robert Brock
Director, Division of Planning and Development	Chris J. Herrick
Director, Division of Operations	Larry L. Thompson
Director, Division of Innovative Technologies	Mike Floberg
Director, Division of Engineering and Design	Ronald J. Seitz

Kansas Department of Transportation



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FINANCIAL SECTION

Comprehensive Annual Financial Report For the fiscal year ended June 30, 2019



INDEPENDENT AUDITORS' REPORT

Secretary of Transportation
Kansas Department of Transportation
Topeka, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kansas Department of Transportation (the Department), a component of the State of Kansas, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2019, and the respective changes in financial position, the State Highway Fund Budget to Actual, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of State of Kansas as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our auditors' opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, infrastructure assets reported using the modified approach, other postemployment benefits schedule and pension schedules on pages 18-29 and 78-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

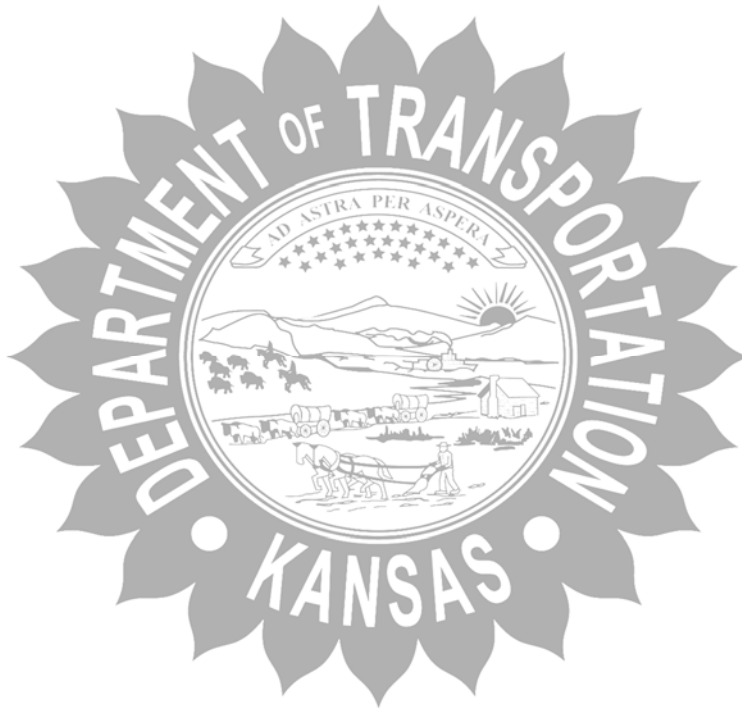
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019, on our consideration of the Department'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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Broomfield, Colorado
September 16, 2019



Management's Discussion and Analysis

**Kansas Department of Transportation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)**

The following section of our annual financial report presents our discussion and analysis of the Department's financial performance during the year. It is intended to assist you, the reader, in understanding how the various statements relate to each other and provide an objective and easily readable analysis of the Department's financial activities based on currently known facts, decisions and conditions. We encourage you to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal. Unless otherwise indicated, amounts are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- At June 30, 2019, the Department's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$11,431,244. Of this amount, \$587,458 is unrestricted and available to use to meet future obligations to citizens and creditors.
- The Department's net position increased by \$295,319 during the year.
- At the end of the fiscal year, the combined ending fund balances of the Department's governmental funds were \$965,810.
- The ending fund balances of governmental funds increased by \$310,924.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this Comprehensive Annual Financial Report consists of the auditors' report, this Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information and other supplementary information. This MD&A is intended to serve as an introduction to the Department's basic financial statements.

The basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business. These statements take a much longer view of the Department's finances than the fund-level statements.

The Statement of Net Position presents information on all of the Department's assets, liabilities, deferred outflows of resources, and deferred inflows of resources. The net between these four items is reported as the Department's net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net position changed during the last fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Department's governmental activities include: maintenance and preservation; communications system; local support; general government; rail, air and public transportation; and interest on long-term debt. The business-type activities are the Transportation Revolving Fund and the Communication System Revolving Fund.

Fund financial statements

The fund financial statements provide more detailed information about the Department's most significant funds – not the Department as a whole. A fund is an accounting device used to keep track of specific sources of funding and spending for particular purposes. Funds are used to ensure and demonstrate compliance with financial related legal requirements.

The Department has three kinds of funds:

- Governmental funds – Governmental funds focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the future to finance the Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information explaining the differences between them is provided on the subsequent pages.

The Department maintains eleven individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the State Highway Fund (the Agency's general fund) and the Debt Service Fund. These funds are considered major funds. Information from the other governmental funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in the CAFR.

A Budgetary Comparison Statement is provided for the State Highway Fund to demonstrate compliance with its budget. A reconciliation statement between this budgetary statement and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance is also provided.

- Proprietary funds – The proprietary fund statements report the business-type activities in the government-wide statements in more detail. The Transportation Revolving Fund is considered the only major fund.
- Agency funds – The Department functions as an agent for the cities and counties in holding tax money until it is distributed to those entities. Since these funds cannot be used to finance the Department's operations, they are excluded from the government-wide financial statements.

Notes to financial statements

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

Required supplementary information

In addition to the basic financial statements and accompanying notes, this section of our report presents certain information required to support the use of the modified approach for the reporting of infrastructure assets and information concerning the Department's progress in funding its obligation to provide other post-employment benefits.

Other information

Combining statements referred to earlier in connection with nonmajor governmental funds and budgetary schedules for funds not presented earlier are presented immediately following the required supplementary information.

CONDENSED GOVERNMENT-WIDE FINANCIAL STATEMENTS AND ANALYSIS

Net Position

The following table compares summary government-wide financial data at the end of the last two fiscal years:

	Summary of Net Position					
	Governmental Activities		Business-type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current and other assets	\$ 1,062,585	\$ 738,350	\$ 21,862	\$ 24,116	\$ 1,084,447	\$ 762,466
Capital assets	12,898,530	12,862,072	0	0	12,898,530	12,862,072
Total assets	13,961,115	13,600,422	21,862	24,116	13,982,977	13,624,538
Deferred outflows of resources						
Deferred pension outflows	22,150	24,898	0	0	22,150	24,898
Deferred OPEB outflows	975	725	0	0	975	725
Unamortized loss	17,595	22,658	0	0	17,595	22,658
Derivative instrument - interest rate swap	6,675	5,291	0	0	6,675	5,291
Total deferred outflows of resources	47,395	53,572	0	0	47,395	53,572
Less liabilities:						
Other liabilities	232,030	216,239	0	131	232,030	216,370
Long-term liabilities	2,338,629	2,298,907	403	777	2,339,032	2,299,684
Total liabilities	2,570,659	2,515,146	403	908	2,571,062	2,516,054
Deferred inflow of resources						
Deferred pension inflows	27,223	26,022	0	0	27,223	26,022
Deferred OPEB inflows	843	109	0	0	843	109
Total deferred inflow of resources	28,066	26,131	0	0	28,066	26,131
Net position:						
Net investments in capital assets	10,612,685	10,636,023	0	0	10,612,685	10,636,023
Restricted	230,965	135,292	136	0	231,101	135,292
Unrestricted	566,135	341,402	21,323	23,208	587,458	364,610
Total net position	\$ 11,409,785	\$ 11,112,717	\$ 21,459	\$ 23,208	\$ 11,431,244	\$ 11,135,925

As noted earlier, over time, total net position may serve as a useful indicator of a government's financial position. At the end of the year, total net position was \$11,431,244, an increase of \$295,319.

The majority of the Department's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure, less any debt still outstanding used to acquire those assets. The Department uses these assets to provide services to the traveling public and they are not available for future spending. Although this investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from current sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Some of the Department's net position is restricted for use as debt service. An additional portion of the Department's net position is restricted for transportation purposes. The remaining balance of unrestricted net position is available for use in meeting ongoing obligations to citizens, creditors and employees.

The increase in net position investment in capital assets, reflects both the activities of constructing new highways and the addition of capital-related debt (both long-term and short-term) as new bonds were issued in the current year. Unrestricted net position increased due to favorable operating results in the current year.

Changes in Net Position

The following table summarizes and compares governmental and business-type activities for the years ended June 30, 2019 and 2018.

Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues						
Program revenues						
Capital grants	\$ 162,549	\$ 192,951	\$ 0	\$ 0	\$ 162,549	\$ 192,951
Operating grants	289,968	211,151	0	0	289,968	211,151
Vehicle registrations and drivers' licenses	223,273	218,765	0	0	223,273	218,765
Charges for service & other	8,909	11,102	891	995	9,800	12,097
General revenues						
Motor fuels tax	306,865	304,705	0	0	306,865	304,705
Sales and use taxes	532,955	529,509	0	0	532,955	529,509
Investment earnings	13,604	7,336	105	214	13,709	7,550
Unrestricted appropriations from other state funds	51,226	1,101	0	0	51,226	1,101
Total revenue	<u>1,589,349</u>	<u>1,476,620</u>	<u>996</u>	<u>1,209</u>	<u>1,590,345</u>	<u>1,477,829</u>
Expenses						
Maintenance and preservation	539,962	385,337	0	0	539,962	385,337
Communications system	7,806	7,380	13	47	7,819	7,427
Local support	123,279	158,787	0	0	123,279	158,787
General government	511,550	564,346	0	0	511,550	564,346
Rail, air and public transportation	40,812	40,060	0	0	40,812	40,060
Interest	71,604	69,612	0	0	71,604	69,612
Transportation revolving fund	0	0	0	216	0	216
Total expenses	<u>1,295,013</u>	<u>1,225,522</u>	<u>13</u>	<u>263</u>	<u>1,295,026</u>	<u>1,225,785</u>
Increase in net position before transfers	<u>294,336</u>	<u>251,098</u>	<u>983</u>	<u>946</u>	<u>295,319</u>	<u>252,044</u>
Transfers	2,732	41,039	(2,732)	(41,039)	0	0
Change in net position	<u>297,068</u>	<u>292,137</u>	<u>(1,749)</u>	<u>(40,093)</u>	<u>295,319</u>	<u>252,044</u>
Net position - beginning	<u>11,112,717</u>	<u>10,825,561</u>	<u>23,208</u>	<u>63,301</u>	<u>11,135,925</u>	<u>10,888,862</u>
Change in accounting principle	0	(4,981)	0	0	0	(4,981)
Net position - beginning of year, as restated (2018 only)	<u>11,112,717</u>	<u>10,820,580</u>	<u>23,208</u>	<u>63,301</u>	<u>11,135,925</u>	<u>10,883,881</u>
Net position - ending	<u>\$ 11,409,785</u>	<u>\$ 11,112,717</u>	<u>\$ 21,459</u>	<u>\$ 23,208</u>	<u>\$ 11,431,244</u>	<u>\$ 11,135,925</u>

As a result of the activities of the Department during the past year net position increased \$295,319. Overall, revenues increased by 8% and expenses increased by 6%.

Governmental activities

Revenues for the year increased \$112,729 or about 8%. This increase was due primarily to the Department receiving more Operating grants and appropriations from other state funds during fiscal year 2019. The grants increased due to receiving more advance construction grants. The Department received \$50,000 from the State General Fund for FY 2019. The amount of State General Fund tax revenue for FY 2019 was at least \$50,000 above the estimate of revenue under KSA 75-6701. The 2019 appropriations bill, SB 25, requires the excess over the estimate up to \$50,000 to be transferred from the State General Fund to the State Highway Fund. This amount must be used for construction projects with a local share of 25%.

Expenses for the year increased by \$69,491 or about 6%. The most significant increase was for maintenance and preservation. Expenditures for maintenance increased due to an especially hard winter and flooding. Preservation increased due to the T-WORKS program being a preservation program.

Business-type activities

Business-type activities reflect the activities in the Transportation Revolving Fund and the Communications System Revolving Fund. Total revenues for these funds had a \$213 or 18% decrease. Total expenses decreased by \$250 or about 95% for these funds. The revenues for the programs decreased due to loans maturing. The Department paid off the Communication System Revolving Fund bond early in fiscal year 2019 and defeased the last Transportation Revolving Fund bonds early in fiscal year 2018. Because these bonds were paid off early, expenses decreased.

INDIVIDUAL FUND ANALYSIS

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

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the Department's short-term financing requirements. In particular, unreserved fund balance may serve as a measure of the net resources available for spending at the end of the year.

The table on the following page summarizes and compares the balance sheets of the governmental funds at June 30, 2019 and June 30, 2018.

Comparative Summary of Governmental Funds' Balance Sheets

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change</u>	<u>% Change</u>
Assets				
Cash and investments	\$ 926,670	\$ 614,954	\$ 311,716	51
Receivables	101,237	87,950	13,287	15
Inventories	23,095	24,266	(1,171)	(5)
Long-term receivable	11,583	11,180	403	4
Total assets	<u>\$ 1,062,585</u>	<u>\$ 738,350</u>	<u>\$ 324,235</u>	44
Liabilities				
Current liabilities	\$ 59,017	\$ 49,589	\$ 9,428	19
Deferred revenue	13,803	16,572	(2,769)	(17)
Total liabilities	<u>72,820</u>	<u>66,161</u>	<u>6,659</u>	10
Deferred inflows of resources				
Unavailable revenue	23,955	17,303	6,652	38
Total deferred inflows of resources	<u>23,955</u>	<u>17,303</u>	<u>6,652</u>	38
Fund balances				
Nonspendable:				
Materials & supplies	23,095	24,266	(1,171)	(5)
Long-term receivable	6,348	7,572	(1,224)	(16)
Restricted for:				
Debt service	129,970	110,241	19,729	18
Transportation	132,344	55,217	77,127	140
Unassigned	674,053	457,590	216,463	47
Total fund balances	<u>965,810</u>	<u>654,886</u>	<u>310,924</u>	47
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,062,585</u>	<u>\$ 738,350</u>	<u>\$ 324,235</u>	44

Total fund balances for all governmental funds increased by \$310,924 during the year.

The fund balance increase is the result of increasing assets. The increase in assets was primarily the result of receiving bond proceeds. The State Highway Fund's (the Department's general fund) increase in fund balance is the result of receiving these bond proceeds from the Capital Projects Fund for net qualified expenditures. The fund balance for the Debt Service Fund and other funds remained the same during fiscal year 2019.

In fiscal year 2019, the unassigned fund balance increased. Increases to the unassigned fund balance were caused mainly by the increase of cash due to bond proceeds in fiscal year 2019.

On the following page, the table summarizes the governmental funds' revenue, expenditures, and other financing sources (uses) and compares them to the prior year.

**Comparative Statement of Governmental Funds Revenues, Expenditures, and
Other Financing Sources (Uses)**

	FYE 6/30/2019	FYE 6/30/2018	Change	% Change
Revenues				
Motor fuel taxes	\$ 308,435	\$ 303,507	\$ 4,928	2
Vehicle registrations and permits	223,273	218,765	4,508	2
Operating grants	281,398	211,101	70,297	33
Capital grants	163,096	193,717	(30,621)	(16)
Sales and use taxes	532,756	530,765	1,991	0
Investment earnings	14,226	4,831	9,395	194
Other	8,639	12,308	(3,669)	(30)
Appropriations from other state funds	51,226	1,101	50,125	4,553
Total revenues	<u>1,583,049</u>	<u>1,476,095</u>	<u>106,954</u>	7
Expenditures				
Current operating:				
Maintenance	129,930	131,099	(1,169)	(1)
Preservation	333,429	210,364	123,065	59
Modernization	43,025	46,580	(3,555)	(8)
Expansion and enhancement	77,266	140,191	(62,925)	(45)
Communications system	5,406	4,629	777	17
Local support	81,230	130,510	(49,280)	(38)
Transportation planning and modal support	73,566	56,188	17,378	31
Administration	47,319	45,995	1,324	3
Distributions to other state funds	473,872	530,715	(56,843)	(11)
Debt service:				
Principal	116,635	108,285	8,350	8
Interest and fees	93,987	89,155	4,832	5
Total expenditures	<u>1,475,665</u>	<u>1,493,711</u>	<u>(18,046)</u>	(1)
Excess (deficiency) of revenues over expenditures	<u>107,384</u>	<u>(17,616)</u>	<u>125,000</u>	(710)
Other financing sources (uses)				
Sale of assets	1,982	0	1,982	
Issuance of debt	173,035	200,000	(26,965)	(13)
Premium on issuance of debt	26,962	42,212	(15,250)	(36)
Transfers-in	380,659	510,125	(129,466)	(25)
Transfers-out	<u>(377,927)</u>	<u>(469,086)</u>	<u>91,159</u>	(19)
Total other financing sources (uses)	<u>204,711</u>	<u>283,251</u>	<u>(78,540)</u>	(28)
Net change in fund balances	312,095	265,635	46,460	17
Fund balances - beginning of year	654,886	390,599	264,287	68
Other changes in fund balances:				
Change in reserve for materials and supplies inventory	<u>(1,171)</u>	<u>(1,348)</u>	<u>177</u>	(13)
Fund balances - end of year	<u>\$ 965,810</u>	<u>\$ 654,886</u>	<u>\$ 310,924</u>	47

Revenues for the year increased by \$106,954 or 7%. Expenditures for the year slightly decreased by \$18,046 or 1%. In revenue, the increase in Operating grants receiving more advance construction grants and an increase in Appropriations from other state funds. The Department received \$50,000 from the State General Fund for FY 2019. The expenditures were static.

Proprietary funds

The proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. See the discussion of business-type activities at the government-wide section above.

BUDGETARY HIGHLIGHTS

During the course of the year, the budget for the State Highway Fund was amended by the State Legislature to reflect updated revenue projections and to more accurately reflect the level of activity being accomplished by the Department. In addition, certain budget changes were made to reflect conditions of the state economy. The original budget (adopted by the 2017 Legislature) projected a budgetary deficit of \$112,090. The final budget (adopted by the 2019 Legislature) projected a budgetary surplus of \$296,842. These budgetary surpluses contribute to reserves held by the Fund.

Significant differences between the original and final budget include:

- The budget for Motor fuel taxes, vehicle registrations and permits, and sales and use taxes revenues was increased for the anticipated level of activity expected.
- The budgets for construction without legal limits were decreased for the anticipated level of activity expected to be accomplished by the Department.

Some expenditures are appropriated by the Legislature with legal limitations and other expenditures are appropriated without legal limits. These appropriations are made at the fund level and are displayed on the Budgetary Statements included in this document. The allocations of the appropriations displayed are for internal control and reporting purposes only. The legal level of budgetary control is at the cumulative total, not at the "line item" displayed on the accompanying budget statements. For additional detail of these appropriations, see Note 2 to the financial statements.

Actual expenditures for those items with legal limits did not exceed those limits.

Significant variances from the final approved budget and actual end-of-year results include:

- The budget variance for Intergovernmental revenues increased due to receiving more Federal funds during the fiscal year than was budgeted.
- The budget variance for Transfers from other state funds increased due to receiving more from the State General Fund than was budgeted.
- The budget variance without legal limits for construction increased due to shifting projects from one fiscal year to the current fiscal year.
- The budget variance for Transfers-in from Department funds decreased due to anticipated transfers not occurring during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2019, the total investment in capital assets was \$12,898,530. The table on the following page summarizes those assets and compares them to the prior year.

Summary of Capital Assets (net of depreciation)		
	Governmental Activities	
	6/30/2019	6/30/2018
Land (excluding right of way)	\$ 6,871	\$ 6,586
Right of way and permanent easements	237,005	235,039
Total land	243,876	241,625
Roadways	9,488,808	9,485,705
Bridges	2,505,121	2,433,990
Construction in progress	472,938	513,144
Total infrastructure and related construction in progress	12,466,867	12,432,839
Buildings	47,592	47,855
Road, office and shop equipment	140,195	139,753
Total buildings and equipment	187,787	187,608
Total capital assets	\$ 12,898,530	\$ 12,862,072

These amounts are stated at cost or estimated historical cost net of depreciation on those assets being depreciated. For additional information related to capital assets, see Note 5 to the financial statements. The Department has elected to report qualified infrastructure assets using the modified approach. See the discussion later in this document for an explanation of the modified approach and required disclosures.

Long-term debt. At the end of the fiscal year, the Department had total bonds outstanding of \$2,099,910. This includes \$115,765 par value of bonds due in the next fiscal year. The Department has \$203,530 of net unamortized premium (discount) not included in this amount. The Department has acted as the issuer on all State Highway Fund debt. For additional information related to long-term debt, see Note 8 to the financial statements.

All bonds issued by the Department have been rated by the three national bond-rating agencies. In FY 2019, the Standard & Poor's Rating Services downgraded highway revenue bonds from AAA to AA. The ratings assigned to the Department's bonds that have not been refunded are as follows:

	Fixed-rate Bonds	Variable-rate Bonds
Moody's Investors Service	Aa2	VMIG 1
Standard & Poor's Rating Services	AA	A-1+
Fitch Ratings	AA-	F1+

Additional information about the Department's long-term debt and derivative instruments can be found in Notes 8 and 9 to the financial statements.

THE MODIFIED APPROACH TO REPORTING INFRASTRUCTURE ASSETS

Typically, capital assets are capitalized and subsequently depreciated, thereby spreading their costs to governmental activities over the estimated useful lives of the assets. When reporting infrastructure assets, an alternative to the recording of depreciation has been developed and is recognized as GAAP. This "modified approach" assumes that infrastructure assets have an indefinite life if they are properly maintained and preserved. When this approach is employed,

the assets are not depreciated. However, expenses that preserve the asset and return it to its original state are recorded in the year when they are incurred. Only those expenditures that increase the efficiency or capacity of the asset are capitalized.

Before a government can use the modified approach, it must meet two requirements. First, the government must manage the eligible assets using an asset management system that has the characteristics set forth below. Second, the government must document that the eligible assets are being preserved approximately at (or above) a condition level established and disclosed by the government.

To meet the first requirement, the asset management system should:

- a. Have an up-to-date inventory of infrastructure assets,
- b. Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale, and
- c. Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the conditional level established and disclosed by the government.

The Department's infrastructure assets (the State Highway System) are made up of two networks: Roadway system and Bridge system.

The roadway system network consists of both Interstate and Non-interstate highway systems maintained by the Department. Roadways are also referred to as Roadway Pavement. Both systems have been affected by changes at the Federal level in measurement, condition reporting, and management prescribed in 23 CFR 490 and 23 CFR 515. While the Federal regulations do not specifically say that the state must use the measures as defined, the Department elected to follow the Federal pavement measures for consistency in reporting pavement conditions to the public.

The condition of the roadway systems is assessed using a Pavement Management System, which measures the condition of the pavement surface. Management has defined a target and minimum acceptable performance level for both the Interstate and Non-interstate systems. The Department uses the Federal measurement scale to summarize the roadway condition as Good, Fair, and Poor.

The Department has targets to maintain these systems at levels higher than the minimum acceptable condition. The latest (collected Spring 2018) reported (April 2019) measurements of performance indicate that 64.3% of Interstate roads are "Good" which exceeds the 60% minimum. The stated minimum acceptable performance level for Non-interstate roads is 50% "Good". The latest reported measurements indicate 59.8% of the Non-interstate roads are "Good". Data for 2019 has been collected, but it is still being processed following the new Federal criteria. The Department anticipates that the 2019 numbers will continue to meet or exceed the minimum acceptable condition levels. The estimated expenditures needed to maintain the system at the minimum acceptable condition level was \$92,000 for Interstate roads and \$265,000 for Non-interstate roads for fiscal year 2019. The actual expenses were \$29,463 for Interstate roads and \$238,410 for Non-interstate roads. The Department spent \$62,537 less than estimated on Interstate roads and \$26,590 less than estimated on Non-interstate roads. The estimated expenditures needed to maintain the system at the minimum acceptable condition level are based on the projects expected to be bid on during the fiscal year. The variances can be significant due to the how long the individual projects take to be completed and the scheduling of the bids.

The second network that makes up the Department's infrastructure assets is the bridge system. During the detailed bridge inspection, each major structural bridge component (deck, superstructure, and substructure or the overall culvert) is evaluated using a rating scale from 0 (failed) to 9 (excellent) for each component. All bridge condition data is compiled in the field by the inspectors, reviewed in the office, and then entered into a bridge management system. The Performance Measures are the percent of State-owned bridge deck area in "Good" and "Poor" condition, with the minimum condition rating of each bridge component being defined as follows: Good Condition Rating – 7, 8, or 9, Fair Condition Rating – 5 or 6, and Poor Condition Rating – 0, 1, 2, 3, or 4.

The Department has targets to maintain these systems at levels higher than the minimum acceptable condition for bridges. The Department's Performance Measure targets are to have more than 70% of State-owned Bridge Deck Area in "Good" condition and less than 3% of State-owned Bridge Deck Area in "Poor" condition. The latest evaluation, based on inspections made throughout the year, indicates a current Condition Level of "Good" Deck Area of 72% and a current Percentage of "Poor" Deck Area of 1%. The estimated expenditures needed to maintain the bridge system at the minimum acceptable condition level was \$85,000 for fiscal year 2019. The actual expenses were \$76,931. The Department spent \$8,069 less than estimated on bridges. The estimated expenditures needed to maintain the system at the minimum acceptable condition level are based on the projects expected to be bid on during those fiscal years. The variances can be significant due to the how long the individual projects take to be completed and the scheduling of the bids.

ECONOMIC AND OTHER FACTORS

Fiscal year 2019 was the ninth year for the Transportation Works for Kansas (T-WORKS) Program that was passed by the 2010 Legislature. The intent of the T-WORKS program is to provide for:

- Construction, improvement, reconstruction and maintenance of the state highway system,
- Assistance, including credit and credit enhancements, to cities and counties in meeting their responsibilities for the construction, improvement, reconstruction and maintenance of the roads and bridges not on the state highway system,
- Assistance for the preservation and revitalization of the rail service in the State,
- Assistance for the planning, constructing, reconstructing or rehabilitating the facilities for public use general aviation airports,
- Public transit programs to aid elderly persons, persons with disabilities and the general public,
- Assistance for transportation-sensitive economic opportunities on a local or regional basis,
- Analysis of the feasibility of constructing new toll or turnpike projects or designating existing highways or portions thereof as toll or turnpike projects, and
- Expending or committing at least \$8 million for projects in each county of the State.

In order to pay for this program, the 2010 legislation provided for an increase in heavy truck registration fees effective in fiscal year 2013 and the Department's share of the State sales tax effective in fiscal year 2014. In addition, the Department will be allowed to issue additional bonds.

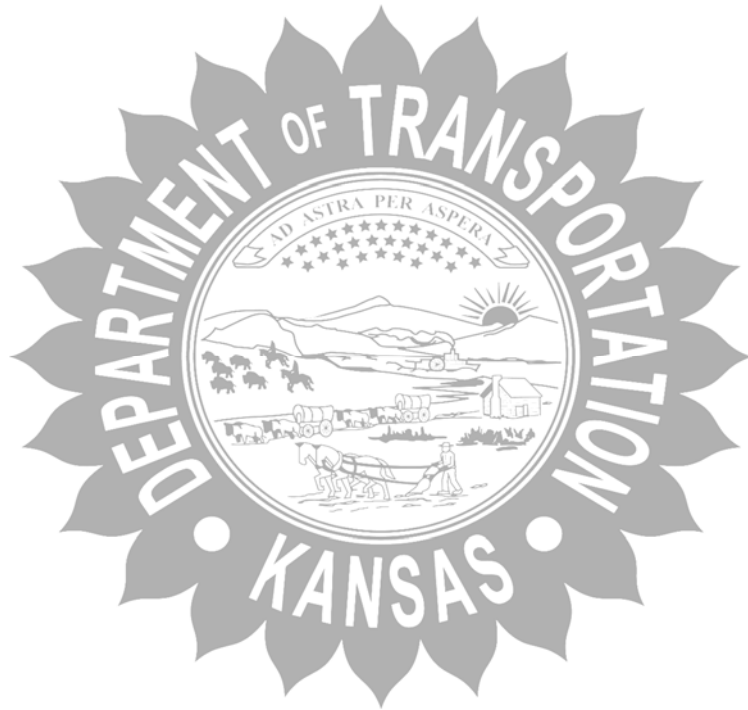
One of the key funding components of the T-WORKS bill allows KDOT to manage its debt service by providing a debt service cap of 18.0 percent. The cap ensures that the amount the SHF owes in debt service in any given year could not exceed 18.0 percent of the expected SHF

revenues. The 2016 Legislature changed the cap to 19.0 percent for FY 2017. The 2017 Legislature changed the debt service requirement to total debt issued for T-WORKS not to exceed \$1.7 billion. Furthermore, the 2017 Legislature limited the aggregate amount of debt to be issued for FY 2018 and FY 2019 to \$400.0 million in principal debt. The agency issued \$200.0 million in par value bonds in FY 2018 under this authorization. The 2018 Legislature limited the remaining \$200.0 million in authority to net bond proceeds, which the agency issued in FY 2019. The cap returns to 18.0 percent for FY 2020 and beyond. Currently, the agency is over the cap at approximately 18.3 percent and there are no plans to issue additional bonds in FY 2020.

REQUESTS FOR INFORMATION

This Comprehensive Annual Financial Report is intended to provide the reader a general overview of the finances of the Kansas Department of Transportation. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Office of Public Affairs, Eisenhower Building, 700 SW Harrison, 2nd Floor West, Topeka, KS, 66603-3754, or (785) 296-3585 (Voice)/Hearing Impaired - 711.

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Basic Financial Statements

Government-wide Financial Statements

Kansas Department of Transportation
Statement of Net Position
June 30, 2019
(amounts in thousands)

	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash:			
Unrestricted	\$ 576,136	\$ 4,078	\$ 580,214
Restricted	201,320	136	201,456
Investments, at fair value	149,214	0	149,214
Receivables	101,237	2,618	103,855
Materials and supplies	23,095	0	23,095
Other long-term receivables	11,583	15,030	26,613
Capital assets:			
Land, including right of way and permanent easements	243,876	0	243,876
Infrastructure (including construction in progress)	12,466,867	0	12,466,867
Buildings and improvements (net of accumulated depreciation)	47,592	0	47,592
Road, office and shop equipment (net of accumulated depreciation)	140,195	0	140,195
Total assets	<u>13,961,115</u>	<u>21,862</u>	<u>13,982,977</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	22,150	0	22,150
Other post employment benefits related	975	0	975
Unamortized loss on refunding	17,595	0	17,595
Accumulated decrease in fair value of hedging derivatives	6,675	0	6,675
Total deferred outflows of resources	<u>47,395</u>	<u>0</u>	<u>47,395</u>
LIABILITIES			
Accounts payable:			
Due within one year	65,162	0	65,162
Due in more than one year	2,084	0	2,084
Accrued interest	31,349	0	31,349
Compensated absences:			
Due within one year	6,243	0	6,243
Due in more than one year	1,450	0	1,450
Bonds payable:			
Due within one year	115,765	0	115,765
Due in more than one year	2,187,675	0	2,187,675
Derivative instrument - interest rate swap	13,511	0	13,511
Noncurrent liabilities due in more than one year:			
Unearned revenues and other credits	13,803	403	14,206
Other post employment benefits liability	4,489	0	4,489
Net pension liability	129,128	0	129,128
Total liabilities	<u>2,570,659</u>	<u>403</u>	<u>2,571,062</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	27,223	0	27,223
Other post employment benefits liability related	843	0	843
Total deferred inflow of resources	<u>28,066</u>	<u>0</u>	<u>28,066</u>
NET POSITION			
Net investment in capital assets	10,612,685	0	10,612,685
Restricted for:			
Debt service	98,621	136	98,757
Transportation	132,344	0	132,344
Unrestricted	566,135	21,323	587,458
Total net position	<u>\$ 11,409,785</u>	<u>\$ 21,459</u>	<u>\$ 11,431,244</u>

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

Kansas Department of Transportation
Statement of Activities
For the Year Ended June 30, 2019
(amounts in thousands)

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
		Vehicle Registrations and Drivers' Licenses	Other					
Governmental activities								
Maintenance and preservation	\$ 539,962	\$ 0	\$ 0	\$ 192,353	\$ 162,549	\$ (185,060)	\$ 0	\$ (185,060)
Communications system	7,806	0	0	0	0	(7,806)	0	(7,806)
Local support	123,279	0	0	89,093	0	(34,186)	0	(34,186)
General government	511,550	223,273	8,909	8,522	0	(270,846)	0	(270,846)
Rail, air and public transportation	40,812	0	0	0	0	(40,812)	0	(40,812)
Interest on long-term debt	71,604	0	0	0	0	(71,604)	0	(71,604)
Total governmental activities	1,295,013	223,273	8,909	289,968	162,549	(610,314)	0	(610,314)
Business-type activities								
Transportation revolving fund	0	0	711	0	0	0	711	711
Communications system	13	0	180	0	0	0	167	167
Total business-type activities	13	0	891	0	0	0	878	878
Total	\$ 1,295,026	\$ 223,273	\$ 9,800	\$ 289,968	\$ 162,549	(610,314)	878	(609,436)
General revenues								
Motor fuel taxes						306,865	0	306,865
Sales and use taxes						532,955	0	532,955
Investment earnings						13,604	105	13,709
Unrestricted appropriations from other state funds						51,226	0	51,226
Transfers						2,732	(2,732)	0
Total general revenues						907,382	(2,627)	904,755
Change in net position						297,068	(1,749)	295,319
Net position - beginning of year						11,112,717	23,208	11,135,925
Net position - ending						\$ 11,409,785	\$ 21,459	\$ 11,431,244

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

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Basic Financial Statements

Fund Financial Statements

Kansas Department of Transportation
Balance Sheet
Governmental Funds
June 30, 2019
(amounts in thousands)

	State Highway Fund (agency's general fund)	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash:				
Unrestricted	\$ 519,507	\$ 0	\$ 56,629	\$ 576,136
Restricted	0	129,539	71,781	201,320
Investments, at fair value	149,214	0	0	149,214
Receivables:				
Federal aid	11,698	0	0	11,698
Accrued taxes	73,509	0	0	73,509
Local governments	13,855	0	0	13,855
Accrued interest	644	431	138	1,213
Loans and other	5	0	957	962
Materials and supplies	23,095	0	0	23,095
Long-term receivable:				
Loans and other	6,348	0	5,235	11,583
Total assets	<u>\$ 797,875</u>	<u>\$ 129,970</u>	<u>\$ 134,740</u>	<u>\$ 1,062,585</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Vouchers payable	\$ 49,606	\$ 0	\$ 2,396	\$ 52,002
Retainage payable	1,246	0	0	1,246
Accrued salaries and wages	5,769	0	0	5,769
Unearned revenue	13,803	0	0	13,803
Total liabilities	<u>70,424</u>	<u>0</u>	<u>2,396</u>	<u>72,820</u>
Deferred inflows of resources				
Unavailable revenue	23,955	0	0	23,955
Total deferred inflows of resources	<u>23,955</u>	<u>0</u>	<u>0</u>	<u>23,955</u>
Fund balances:				
Nonspendable:				
Materials and supplies	23,095	0	0	23,095
Long-term receivable	6,348	0	0	6,348
Restricted for:				
Debt service	0	129,970	0	129,970
Transportation	0	0	132,344	132,344
Unassigned	674,053	0	0	674,053
Total fund balances	<u>703,496</u>	<u>129,970</u>	<u>132,344</u>	<u>965,810</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 797,875</u>	<u>\$ 129,970</u>	<u>\$ 134,740</u>	<u>\$ 1,062,585</u>

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

Kansas Department of Transportation
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2019
(amounts in thousands)

Total fund balances - Governmental Funds	\$	965,810
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land, including right of way	\$ 243,876	
Infrastructure (including construction in progress)	12,466,867	
Other capital assets net of depreciation	187,787	12,898,530

Other deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Deferred pension outflows	22,150	
Other post employment benefits contributions	975	
Loss on refunding	17,595	
Accumulated decrease in fair value of hedging derivatives	6,675	47,395

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable (including unamortized premiums)	(2,303,440)	
Accrued interest	(31,349)	
Claims	(8,229)	
Compensated absences	(7,693)	
Derivative instruments (including net interest rate swap positions and change in fair value of hedging derivatives)	(13,511)	
Other post employment benefits liability	(4,489)	
Net pension liability	(129,128)	(2,497,839)

Other deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds.

Deferred pension inflows	(27,223)	
Changes of Assumptions (Other post employment benefits liability)	(843)	(28,066)

Some revenues will be collected after year-end, but are not available soon enough to pay the current year's expenditures and therefore are deferred in the funds.

		23,955
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Net Position of Governmental Activities	\$	11,409,785
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The notes to the financial statements are an integral part of this statement.

Kansas Department of Transportation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019
(amounts in thousands)

	State Highway Fund (agency's general fund)	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Motor fuel taxes	\$ 308,435	\$ 0	\$ 0	\$ 308,435
Vehicle registrations and permits	223,273	0	0	223,273
Operating grants	276,591	0	4,807	281,398
Capital grants	163,096	0	0	163,096
Sales and use taxes	532,756	0	0	532,756
Investment earnings	10,445	1,433	2,348	14,226
Other	5,923	0	2,716	8,639
Appropriations from other state funds	51,226	0	0	51,226
Total revenues	<u>1,571,745</u>	<u>1,433</u>	<u>9,871</u>	<u>1,583,049</u>
Expenditures				
Current operating:				
Maintenance	126,791	0	3,139	129,930
Preservation	333,429	0	0	333,429
Modernization	43,025	0	0	43,025
Expansion and enhancement	77,266	0	0	77,266
Communication system	5,406	0	0	5,406
Local Support	81,230	0	0	81,230
Transportation planning and modal support	51,331	0	22,235	73,566
Administration	47,003	0	316	47,319
Distributions to other state funds	473,872	0	0	473,872
Debt service:				
Principal	0	116,635	0	116,635
Interest and fees	0	93,987	0	93,987
Total expenditures	<u>1,239,353</u>	<u>210,622</u>	<u>25,690</u>	<u>1,475,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>332,392</u>	<u>(209,189)</u>	<u>(15,819)</u>	<u>107,384</u>
Other financing sources (uses)				
Sale of assets	0	0	1,982	1,982
Issuance of debt	0	0	173,035	173,035
Premium on issuance of bonds	0	0	26,962	26,962
Transfers-in	130,741	228,918	21,000	380,659
Transfers-out	<u>(247,894)</u>	<u>0</u>	<u>(130,033)</u>	<u>(377,927)</u>
Total other financing sources (uses)	<u>(117,153)</u>	<u>228,918</u>	<u>92,946</u>	<u>204,711</u>
Net change in fund balances	215,239	19,729	77,127	312,095
Fund balances - beginning of year	489,428	110,241	55,217	654,886
Change in reserve for materials and supplies	<u>(1,171)</u>	<u>0</u>	<u>0</u>	<u>(1,171)</u>
Fund balances - end of year	<u>\$ 703,496</u>	<u>\$ 129,970</u>	<u>\$ 132,344</u>	<u>\$ 965,810</u>

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

Kansas Department of Transportation
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019
(amounts in thousands)

Net change in fund balances - governmental funds \$ 312,095

Amounts reported for governmental activities in the statement
of activities are different because:

The costs of acquiring or constructing capital assets (including infrastructure) are reported as expenditures in the governmental funds. In the Statement of Activities, the cost of non-infrastructure assets is spread over the useful lives of the assets through the recording of depreciation expense. In the current period, capital outlays exceeded depreciation.

Cost of acquisition or construction of infrastructure assets	\$ 166,833	
Cost of replacing or disposing of infrastructure assets	(130,554)	
Cost of acquisition or construction of other capital assets	27,216	
Depreciation expense	(24,891)	38,604

In governmental funds, the proceeds of the sale of capital assets are reported as an increase in financial resources (revenue), but in the statement of activities, only the gain on the sale of those assets is reported. The difference is the book value of the assets sold or otherwise replaced. (2,146)

The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, neither of these transactions has any effect on the net position of the government taken as a whole. Also, governmental funds report the effect of premiums, discounts and similar items when the debt is issued. These amounts are deferred and amortized in the statement of activities. The net effect of these differences is as follows:

Issuance of long-term debt	(173,035)	
Bond principal payments	116,635	
Amortization of deferred charges and other bond related costs	(3,397)	(59,797)

Due to the difference between accrual and modified accrual basis of accounting some expenses recorded in the Statement of Activities are recorded in different periods in the governmental funds. These expenses include interest, the inventory for materials and supplies and the liability for compensated absences, claims, and other post employment benefits. 1,661

Revenues recorded on the Statement of Activities that do not provide current financial resources are not recorded in governmental funds. 6,651

Change in net position of governmental activities \$ 297,068

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

Kansas Department of Transportation
Statement of Revenues, Expenditures, and Other Financing Sources (Uses)
State Highway Fund (Agency's General Fund)
Budget and Actual -- Budgetary Basis
For the Year Ended June 30, 2019
(amounts in thousands)

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

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

Kansas Department of Transportation
Reconciliation of
Statement of Revenues, Expenditures, and Other Financing Sources (Uses)
State Highway Fund (Agency's General Fund)
Budget and Actual -- Budgetary (Non-GAAP) Basis
to
Statement of Revenues, Expenditures, and Changes in Fund Balance
State Highway Fund (Agency's General Fund)
For the Year Ended June 30, 2019
(amounts in thousands)

Excess (deficiency) of revenues and other sources over expenditures and other uses - budgetary basis	\$ 216,058
Budgetary basis revenues and transfers from other state funds are adjusted to GAAP basis (budgetary basis is on a cash basis for certain revenue streams such as taxes, investment earnings, and intergovernmental revenue)	9,294
Net encumbrances are reported as expenditures for budgetary reporting purposes	115,787
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis (budgetary basis is on a cash basis for certain expenditure streams such as maintenance, construction, and management)	<u>(125,900)</u>
Net change in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 215,239</u>

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

Kansas Department of Transportation
Statement of Net Position
Proprietary Funds
June 30, 2019
(amounts in thousands)

	Transportation Revolving Fund	Nonmajor Communication System Revolving Fund	Total
ASSETS			
Current assets:			
Cash:			
Unrestricted	\$ 447	\$ 3,631	\$ 4,078
Restricted	0	136	136
Interest and other receivables	274	5	279
Current portion of loans and leases receivable	2,064	275	2,339
Total current assets	<u>2,785</u>	<u>4,047</u>	<u>6,832</u>
Noncurrent assets:			
Loans and leases receivable	14,735	295	15,030
Total noncurrent assets	<u>14,735</u>	<u>295</u>	<u>15,030</u>
Total assets	<u>17,520</u>	<u>4,342</u>	<u>21,862</u>
LIABILITIES			
Current liabilities:			
Interest payable	0	0	0
Current portion of bonds payable	0	0	0
Total current liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Noncurrent liabilities:			
Bonds payable	0	0	0
Arbitrage rebate liability	0	0	0
Unearned lease revenue	0	403	403
Total noncurrent liabilities	<u>0</u>	<u>403</u>	<u>403</u>
Total liabilities	<u>0</u>	<u>403</u>	<u>403</u>
NET POSITION			
Restricted for debt service and bond reserves	0	136	136
Unrestricted	17,520	3,803	21,323
Total net position	<u>\$ 17,520</u>	<u>\$ 3,939</u>	<u>\$ 21,459</u>

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

Kansas Department of Transportation
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019
(amounts in thousands)

	Transportation Revolving Fund	Nonmajor Communication System Revolving Fund	Total
Operating revenues:			
Interest on loans	\$ 613	\$ 0	\$ 613
Service fees	42	15	57
Lease income	0	165	165
Total operating revenues	<u>655</u>	<u>180</u>	<u>835</u>
Operating expenses:			
Commodities	0	9	9
Total operating expenses	<u>0</u>	<u>9</u>	<u>9</u>
Operating income	<u>655</u>	<u>171</u>	<u>826</u>
Nonoperating revenues (expenses):			
Investment earnings	49	56	105
Other revenue	56	0	56
Interest expense on bonds	0	(4)	(4)
Total nonoperating revenues (expenses)	<u>105</u>	<u>52</u>	<u>157</u>
Income (loss) before transfers	<u>760</u>	<u>223</u>	<u>983</u>
Transfers			
Transfers in	0	339	339
Transfers out	(3,071)	0	(3,071)
Total transfers	<u>(3,071)</u>	<u>339</u>	<u>(2,732)</u>
Change in Net Position	(2,311)	562	(1,749)
Total net position - beginning	19,831	3,377	23,208
Total net position - ending	<u>\$ 17,520</u>	<u>\$ 3,939</u>	<u>\$ 21,459</u>

Kansas Department of Transportation
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019
(amounts in thousands)

	Transportation Revolving Fund	Nonmajor Communication System Revolving Fund	Total
Cash flows from operating activities:			
Principal collections on loans	\$ 2,354	\$ 0	\$ 2,354
Interest on loans collected	649	0	649
Service fees collected	45	19	64
Collection on leases	0	353	353
Net cash provided by operating activities	<u>3,048</u>	<u>372</u>	<u>3,420</u>
Cash flows from noncapital financing activities:			
Transfers	(3,071)	339	(2,732)
Debt service on bonds	0	(347)	(347)
Net cash used in noncapital financing activities	<u>(3,071)</u>	<u>(8)</u>	<u>(3,079)</u>
Cash flows from investing activities:			
Interest received on investments	45	55	100
Net cash provided by investing activities	<u>45</u>	<u>55</u>	<u>100</u>
Net increase (decrease) in cash	22	419	441
Cash - beginning	425	3,348	3,773
Cash - ending	<u>\$ 447</u>	<u>\$ 3,767</u>	<u>\$ 4,214</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 655	\$ 171	\$ 826
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in loans receivable	2,354	0	2,354
Change in interest and service fees receivable	39	2	41
Change in leases receivable	0	305	305
Change in unearned lease revenue	0	(106)	(106)
Total adjustments	<u>2,393</u>	<u>201</u>	<u>2,594</u>
Net cash provided by operating activities	<u>\$ 3,048</u>	<u>\$ 372</u>	<u>\$ 3,420</u>

Kansas Department of Transportation
Statement of Fiduciary Net Position
Agency Funds
June 30, 2019
(amounts in thousands)

ASSETS

Cash	\$ 37,716
Receivables	<u>12,922</u>
Total assets	<u><u>\$ 50,638</u></u>

LIABILITIES

Due to cities and counties	<u>\$ 50,638</u>
Total liabilities	<u><u>\$ 50,638</u></u>

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

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Basic Financial Statements

Notes to the Financial Statements

Kansas Department of Transportation

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Kansas Department of Transportation
Notes to the Financial Statements
June 30, 2019
(amounts expressed in thousands)

Note 1. Summary of Significant Accounting Policies

The financial statements of the Kansas Department of Transportation (the Department or Agency), a Department of the State of Kansas (the State), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Department are described below.

A. Reporting entity – The Department is an operating department of the State and represents separate funds of the State that are not a part of the State General Fund. There are no component units. The Secretary of Transportation is appointed by the Governor. The Department was created in 1975 by the Kansas Legislature to succeed the State Highway Commission, which was established in 1917. The Department has statutory responsibility to coordinate planning, development, and operation of the various modes and systems of transportation in the State. However, the actual authority varies by mode and system. Although the Kansas Turnpike Authority (KTA) cooperates with the Department to achieve its objectives, the KTA is not a part of this reporting entity.

B. Government-wide and fund financial statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the Department. The fiduciary responsibilities of the Department are reported in the agency funds. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation.

The Statement of Net Position presents the Department's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows of resources less liabilities and deferred inflows of resources are reported as net position. Net position is displayed in three categories: *net investment in capital assets* which consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds attributable to the acquisition, deferred flows related to debt (gain/loss on refunding), construction or improvement of those assets; *restricted net position* which results when constraints are placed on asset use either externally (creditors, contributors, etc.) or by law either through constitutional provisions or enabling legislation; and *unrestricted net position* which consists of the net position portion that does not meet the definitions of the two preceding categories.

Unrestricted net position may have constraints imposed by management, but these can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate statements are provided for governmental funds, proprietary funds and agency funds. However, agency funds are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. In addition to the State Highway Fund, the Debt Service Fund is reported as a major fund. The State Highway Fund is the Agency's general fund, which is the primary operating fund and accounts for all financial resources except those required to be accounted for in another fund. The Debt Service Fund accounts for the resources accumulated for and payments made for principal and interest on the Department's highway related bonded debt. All other governmental funds are aggregated and reported as nonmajor funds.

The Transportation Revolving Fund (TRF) provides assistance for transportation projects to local governmental units in Kansas and is reported as a major proprietary fund. The nonmajor proprietary fund was established to purchase communication system equipment for sale or lease to public safety agencies with a target of creating a statewide interoperable communication system and related activities.

The agency funds account for assets temporarily held by the Department for the various local city and county governments.

C. Measurement focus, basis of accounting, and financial statement presentation – The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds financial statements. The economic resources measurement focus accounts for and reports all economic resources and liabilities no matter when they affect current financial resources. The accrual basis of accounting reports revenues when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenues as soon as all eligibility requirements have been met.

Governmental funds financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The current financial resources measurement focus primarily measures and reports the sources, uses and balances of current financial resources. The modified accrual basis of accounting reports revenues when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the fiscal year for tax revenues and 30 days of the end of the fiscal year for all other revenues. Expenditures generally are recorded when a liability is incurred, as in accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when the payment is due.

Those revenues susceptible to accrual are sales and use taxes, motor fuel taxes, federal grant revenues, certain reimbursable city and county construction costs incurred by the Department and other monies received shortly after the end of the fiscal year. Federal grant monies are received

after the incurrence of qualifying expenditures. As a result, the federal share of all qualifying services, commodities, or capital outlay received or performed prior to year-end has been accrued.

Agency fund financial statements do not have a measurement focus, but are prepared using the accrual basis of accounting discussed above.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services and administrative expenses. Other revenues and expenses are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and investments – Cash includes amounts in the “common cash pool” in the State Treasury, which is invested by the Pooled Money Investment Board (PMIB). Interest is allocated to the Department based on the average daily cash balance in the State Highway Fund, the Rail Service Improvement Fund, the Capital Projects Fund, the Highway Bond Debt Service Fund, the Transportation Revolving Fund and the Communication System Revolving Fund. The State General Fund retains earnings on cash in other Departmental funds. In compliance with GASB Statement No. 72, the Department categorizes its investments using the fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

E. Inventories – Materials and supplies inventories are valued at cost using the weighted average cost method. In the government-wide financial statements, inventories are reported using the consumption method whereby an expense is recognized when the inventory is consumed. In the governmental funds financial statements, the cost of inventories is reported using the purchases method where expenditures are recorded when an inventory item is purchased and a portion of the fund balance is non-spendable to denote it is not available for subsequent expenditure.

F. Restricted assets – For the highway revenue bonds, the Department is required to make monthly transfers to the Debt Service Fund equal to one-sixth of the amount due on the next semi-annual interest payment date. In addition, monthly transfers equal to one-twelfth of the principal due on the next principal payment date must be transferred to the Debt Service Fund. Funds to service the Transportation Revolving Fund bonds are provided primarily by the periodic collection of principal and interest on the loans outstanding in the fund. Funds to service the communications system lease program bonds are primarily provided by collections of the various leases outstanding in the fund.

G. Capital assets – Capital assets which include land, buildings, equipment, infrastructure and construction in progress are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$250,000 for software assets and \$5,000 for all other assets (amounts not rounded and not expressed in thousands) and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if constructed prior to June 30, 2001. Donated capital assets are recorded at estimated acquisition value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (those long lived assets reported by governmental activities that are normally stationary in nature and can normally be preserved for a significantly longer life than most capital assets), the Department chose to include all such items regardless of their acquisition date or amount. The Department was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the assets being recorded and using an appropriate price-level index to deflate the cost to the estimated construction year.) As the Department constructs or acquires additional infrastructure assets, they are capitalized and reported at historical cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Road equipment	5 to 25
Office equipment	8
Shop equipment	8
Other equipment	8

Infrastructure assets are reported using the modified approach as defined in GASB Statement No. 34. When using the modified approach, only those projects that add efficiency or capacity to the highway system are capitalized. Infrastructure assets are not depreciated. Expenditures that preserve those assets are expensed.

H. Compensated absences – A liability (including associated payroll taxes) is recorded in the government-wide statements for accumulated vacation leave that is expected to be liquidated at a future date. Under certain circumstances retiring employees can be paid for a portion of their unused sick leave. The Department contributes to a State fund to cover these payments and no additional accrual is required.

I. Long-term obligations – Long-term debt is reported as a liability on the government-wide and proprietary funds financial statements. In addition, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are expensed when incurred. In the governmental fund financial statements, bond premiums and discounts are recognized in the period bonds are sold. The face amount of the debt issued plus premiums received on issuance is reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures on the government-wide and proprietary funds financial statements.

J. Pensions, Deferred Outflows of Resources, Deferred Inflows of Resources, Net Position, and Postemployment Benefits Other Than Pensions (OPEB)

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 plan's fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other

changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liability.

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

Deferred Inflows of Resources/Deferred Outflows of Resources – In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department has four items that qualify for reporting in this category. First is the unamortized loss on refunding reported in the balance sheet. An unamortized loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Second is the accumulated decrease in fair value of hedging derivatives, which is discussed in Note 9. Third is deferred outflows for pensions, which is discussed in Note 12. Last is deferred outflows for other post-employment benefits (OPEB), which is discussed in Note 13.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department has three items that qualify for reporting in this category: unavailable revenue, deferred inflows for pensions, and deferred inflows for other post-employment benefits (OPEB). Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sales and excise taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See Note 12 for more information on the deferred inflows for pensions. See Note 13 for more information on the deferred inflows for other post-employment benefits (OPEB).

Net Position – Net investment in capital assets, restricted for capital projects and restricted for debt service are each shown separately on the Statement of Net Position. Restricted for capital projects and restricted for debt service are restricted for externally imposed constraints.

K. Fund balance reporting and classifications – GASB Statement No. 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are: nonspendable, restricted, committed, assigned, and unassigned.

Fund balance classification policies and procedures

Nonspendable – assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It

also includes funds that are legally or contractually required to be maintained intact, such as the corpus of a permanent fund or foundation.

Restricted – amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed – amounts constrained on use, imposed by formal action of the government's highest level of decision-making authority. For the committed fund balance, the Department's highest level of decision-making authority is the State Legislature. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through the passage of a legislative bill. Committed fund balances do not lapse at year-end.

Assigned – amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated Department official. For assigned fund balance, the Department is authorized to assign amounts to a specific purpose. By statute, the authorization to assign fund balances is delegated by the State Legislature to the Secretary.

Unassigned – all other resources such as: the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the State Highway Fund (the Department's general fund) except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

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

L. Use of estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Future Governmental Accounting Standards Board Statements – At June 30, 2019, GASB has issued statements not yet required to be implemented by the Department. The following statements might impact the Department:

GASB Statement No. 84, "Fiduciary Activities", was issued in January 2017. This statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of this statement are effective for the Department for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, "Leases", was issued in June 2017. This statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an

underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this statement are effective for the Department for fiscal years beginning after December 15, 2019.

Note 2. Budgeting, Budgetary Control and Legal Compliance

Annual budgets are submitted to the Governor in accordance with State law. The budgets are legally enacted as appropriations after approval by the Governor and the State Legislature. All budgets are adopted on a budgetary basis consistent with State policies whereby cash basis transactions and encumbrances are recognized. Encumbrances are obligations to a specific fiscal year made up of purchase orders, contracts, or salary commitments. All appropriations lapse at year-end unless carried over by the State Legislature.

Some expenditures are appropriated by the State Legislature with legal limitations and other expenditures are appropriated without legal limitations. The Department's executive management can modify those expenditures without limitations, subject to the availability of funds. Increases to spending limitations can only be affected through actions by the Governor and State Legislature. Allocations to the Departmental functions are made for internal control purposes only.

FY 2019 appropriated budgets subject to legal limitations were adopted by the State Legislature for the agency operations portion of the State Highway Fund. This includes: regular maintenance, construction (internal payroll and other operating expenditures for design, right of way and inspection), local planning support (excluding local aid programs), transportation planning and modal support (excluding local aid and contracts with other state agencies), administration (excluding claims, fees, and contracts with other state agencies), payment for city connecting links and capital improvements for buildings, and certain transfers to other state funds. The legal level of budgetary control is the cumulative total of appropriations of the State Highway Fund (the agency's general fund) subject to legal limitations.

Appropriated budgets with no legal limitations were adopted by the State Legislature for the following funds: Rail Service Improvement, Interagency Motor Vehicle Fuel Sales, Traffic Records Enhancement, Coordinated Public Transportation Assistance, Other Federal Grants, Public Use General Aviation Airport Development, Conversion of Materials & Equipment, and Seat Belt Safety special revenue funds; the Highway Bond Debt Service Fund and the following portions of the State Highway Fund: preservation, expansion and modernization, support for local aid programs, administration and transportation planning (claims and contracts with other state agencies), capital improvements for other than buildings, and certain transfers to other state funds.

Throughout the fiscal year, the Department updates budgetary data. Those budgets are subject to legal limitations by the State Legislature and can only be amended with the Legislature's approval. The Department can amend the budgets without legal limitations without legislative approval. For the year ended June 30, 2019, several individual expenditure groups without legal limitations exceeded the budget established by the Department's internal budgeting process in these funds: State Highway and Other Federal Grants Funds.

Note 3. Cash and Investments

Cash and investments held on the Department's behalf are governed by State statute. The Secretary of Transportation, by statute, is responsible for management of the Department's invested monies. The PMIB has been designated as the investment agent for the direct investments of the Department. The Department has adopted an investment policy which relates to the State Highway Fund, the Debt Service Fund, the Capital Projects Fund and the Rail Service Improvement Fund and seeks to mitigate various risks associated with the investment of money in debt securities yet meets the Department's investment objectives. These objectives are: preservation of capital, maintenance of liquidity and return on investment. It is the Department's policy to diversify its investment portfolio so as to mitigate custodial credit risk, credit risk, concentration risk, and interest rate risk.

Custodial Credit Risk – Deposits and Investments

The custodial credit risk is the risk that, in the event of the failure of a bank or other counterparty, the Department's deposits or the value of its investments may not be recovered.

Cash, other than imprest and petty cash funds, is part of the common cash pool of the State Treasury. The PMIB invests funds in the common cash pool. Collateral is required for deposits made by the common cash pool that are not covered by federal deposit insurance. The market value of the collateral must equal 100% of the uninsured deposit and is held by the State Treasurer or an independent third party in the State Treasurer's name. In addition, securities are segregated for the benefit of the Department. The Department's deposits and investments are not exposed to custodial credit risk. At June 30, 2019, the Department's share in the State's common cash pool is summarized in the table below.

Total cash			
Statement of Net Position:			
Unrestricted Cash	\$	580,214	
Restricted Cash		201,456	
Agency Funds Statement		37,716	
Less:			
Imprest and Petty Cash Funds		(31)	
Department's Share in State's Common Cash Pool	\$	819,355	

The Department categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. In order to mitigate credit risk, the Department's policy limits investments to securities in one of the top two long-term or short-term rating categories by Moody's Investor's Service and Standard & Poor's Corporation.

The Standard & Poor's Corporation's ratings of the debt securities in the Department's investment portfolio as of June 30, 2019 are summarized in the following table.

Quality Rating	Guaranteed Investment Contracts	Total
A1+ (Short-term)	\$ 59,614	\$ 59,614
A1 (Short-term)	89,600	89,600
	<u>\$ 149,214</u>	<u>\$ 149,214</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Department's investment policy places the following concentration limits on a single issuer:

U.S. Treasury	100%
Each Federal Agency	50%
Each Repurchase Agreement Counterparty	10%
All other issuers	5%

While none of these exceed the limits of the investment policy, the Department had investments in debt securities that exceeded 5% of the total investment portfolio in the following securities at June 30, 2019:

BNP Paribas	\$29,912
Natixis	29,970
Toyota	29,890
Nestle	29,724
JP Morgan	29,718

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The longer the period until a security matures the greater the risk of interest fluctuation. The Department's investment policy establishes the following maximum maturities by investment type:

Bankers' Acceptances and Commercial Paper	270 days
Repurchase Agreements	1 year
Guaranteed Investment Contract	1 year*
* - or Term Related to Fund	
Certificate of Deposit	2 years
Corporate Bonds	3 years
Municipal Bonds	5 years
U.S. Treasury and Federal Agency Obligations	10 years

In addition, the Department manages its investments with the goal of holding securities until maturity.

Investments administered by PMIB for the governmental funds as of June 30, 2019 and their weighted average maturity are summarized in the following schedule.

<u>Investment Type</u>	<u>Fair Value</u>	<u>WAM*</u>
Commercial Paper	149,214	0.3
	<u>\$ 149,214</u>	
Portfolio Weighted Average Maturity		
* - Weighted Average Maturity (years)		

Note 4. Interfund Transactions

A. From/To other state funds - As required by State law, the Department receives from and makes transfers to certain funds involving other State agencies. The following table summarizes the FY 2019 appropriations from other state funds and distributions to other state funds.

Appropriations from:		
Department of Administration (a)	\$	1,073
State General Fund (b)		50,000
Highway Patrol (d)		47
Other transfers		<u>106</u>
Appropriations to governmental funds from other state funds	\$	<u>51,226</u>
Distributions to:		
State General Fund (b)	\$	293,336
Department of Education (c)		45,225
Highway Patrol (d)		53,303
Department of Revenue (e)		49,190
Department of Administration (f)		18,254
Department of Aging and Disability Services (g)		9,950
Department of Wildlife, Parks and Tourism (h)		3,555
Other state funds		<u>1,059</u>
Total distributions to other state funds	\$	<u>473,872</u>

(a) The Department receives an amount equal to what it would have received had State-owned vehicles been privately owned and paid appropriate registration fees from the State Department of Administration.

(b) Transfers were made from the State General Fund (SGF) to be used for construction projects. The Legislature designated excess SGF revenue up to \$50 million be transferred to the Department to be used for projects with a 25.0% local match. Transfers were made to the SGF to pay overhead for the Division of Purchasing and to assist in ensuring sufficient balances for future years.

(c) Transfers were made to the Department of Education to partially fund the transportation weighting piece of the school finance formula for General State Aid.

(d) The Department received a transfer from Kansas Highway Patrol due to a reduction in the funding of operations. Transfers to the Kansas Highway Patrol are for the purpose of funding the operations of the Kansas Highway Patrol, financing the Motor Carrier Inspection Program, and other highway safety programs.

(e) Throughout the year, the Department transfers funds to the Department of Revenue for the purpose of financing the cost of operation for the Division of Vehicles within the Department of Revenue.

(f) Transfers were made to the Department of Administration for debt service related to Statehouse renovations.

(g) A transfer was made to the Department of Aging and Disability Services for mental health grants.

(h) Transfers were made to the Department of Wildlife, Parks and Tourism for the purpose of financing the Access Road Fund and the Bridge Maintenance Fund.

B. Intra-agency fund transfers – Monthly transfers are made from the State Highway Fund to the Debt Service Fund to fund the debt service requirements for the Department.

As mandated by the Legislature, annual transfers are made from the State Highway Fund to fund the activities of the nonmajor Rail Service Improvement Fund, Public Use General Aviation Airport Development Fund, and Coordinated Public Transportation Assistance Fund.

A transfer was made from the State Highway Fund to the Proprietary Fund to pay off bond Series 2008-CRF early.

Transfers are made from the Capital Projects Fund to reimburse the State Highway Fund for net qualified expenditures and to transfer interest earnings to the Debt Service Fund.

Transfers are made from the Proprietary Fund to the State Highway Fund to reimburse some of the original money used to create the fund.

	State Highway	Debt Service	Nonmajor Governmental Funds	Proprietary Fund	Total
Transfer out:					
State Highway Fund	\$ 0	\$ 226,555	\$ 21,000	\$ 339	\$ 247,894
Capital Projects Fund	127,670	2,363	0	0	130,033
Proprietary Fund	3,071	0	0	0	3,071
	<u>\$ 130,741</u>	<u>\$ 228,918</u>	<u>\$ 21,000</u>	<u>\$ 339</u>	<u>\$ 380,998</u>

Note 5. Capital Assets

Capital asset activity related to governmental activities for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land and permanent easements	\$ 241,625	\$ 2,771	\$ (520)	\$ 243,876
Infrastructure	11,919,695	102,134	(27,900)	11,993,929
Construction in progress	513,144	61,928	(102,134)	472,938
Total capital assets not being depreciated	12,674,464	166,833	(130,554)	12,710,743
Capital assets being depreciated:				
Buildings	114,672	3,554	(59)	118,167
Road, office and shop equipment	381,811	23,662	(18,851)	386,622
Total capital assets being depreciated	496,483	27,216	(18,910)	504,789
Less accumulated depreciation:				
Buildings	(66,817)	(3,793)	35	(70,575)
Road, office and shop equipment	(242,058)	(21,098)	16,729	(246,427)
Total accumulated depreciation	(308,875)	(24,891)	16,764	(317,002)
Total capital assets being depreciated, net	187,608	2,325	(2,146)	187,787
Total capital assets, net	\$ 12,862,072	\$ 169,158	\$ (132,700)	\$ 12,898,530

Depreciation expense was charged to the functions as follows:

Maintenance and preservation	\$ 19,739
Communications system	2,400
General government	2,752
	<u>\$ 24,891</u>

Note 6. Leasing Activity

The Department's leasing operations consist of leasing communications equipment and tower space to local units of government and other public safety agencies. The leases are classified as sales-type leases with terms from five to thirty years. Total minimum lease payments to be received in the future are \$570 and unearned lease revenue at June 30, 2019 was \$403.

Future minimum lease payments to be received are indicated in the table below.

Fiscal year ending June 30	
2020	\$ 275
2021	112
2022	91
2023	36
2024	27
2025-2029	13
2030-2034	10
2035-2037	6
	<u>\$ 570</u>

Note 7. Compensated Absences

Changes in the liability for compensated absences are reflected in the following table.

	Governmental Activities
Beginning balance	\$ 7,565
Retired	(6,348)
Increase in leave balance	6,476
Ending balance	<u>\$ 7,693</u>
Amount due within one year	<u>\$ 6,243</u>

Compensated absences in the governmental funds are liquidated from the State Highway Fund.

Note 8. Bonds Payable

Bonds Payable for the year ended June 30, 2019 is comprised of the following amounts:

Series	Final Scheduled Maturity	Original Principal Amount	6/30/2018 Balance	Additions	Reductions	6/30/2019 Principal Amount Outstanding	Amount due Within One Year
Governmental Funds							
State of Kansas Highway Revenue Bonds:							
Series 2004A	03/01/19	\$ 250,000	\$ 39,460	\$ 0	\$ 39,460	\$ 0	\$ 0
Series 2004C	09/01/24	147,000	147,000	0	0	147,000	0
Series 2009A, Refunding	09/01/20	176,680	69,680	0	19,630	50,050	27,050
Series 2010A	09/01/35	325,000	325,000	0	0	325,000	0
Series 2012B, Refunding	09/01/22	144,885	144,885	0	0	144,885	31,000
Series 2012C	09/01/32	200,000	178,400	0	7,600	170,800	7,800
Series 2014A	09/01/30	250,000	250,000	0	0	250,000	0
Series 2014B, Refunding	09/01/19	212,875	98,210	0	49,945	48,265	48,265
Series 2015A, Refunding	09/01/24	190,875	190,875	0	0	190,875	0
Series 2015B	09/01/35	400,000	400,000	0	0	400,000	0
Series 2017A	09/01/37	200,000	200,000	0	0	200,000	1,000
Series 2018A	09/01/37	173,035	0	173,035	0	173,035	650
Total before adjustments			2,043,510	173,035	116,635	2,099,910	115,765
Adjustments							
Net unamortized premium (discount)			205,197	26,962	28,629	203,530	0
Total after adjustments			<u>\$ 2,248,707</u>	<u>\$ 199,997</u>	<u>\$ 145,264</u>	<u>\$ 2,303,440</u>	<u>\$ 115,765</u>
Proprietary Funds							
Communications System Revolving Fund							
Series 2008-CRF	04/01/23	14,200	339	0	339	0	0
Total after adjustments			<u>\$ 339</u>	<u>\$ 0</u>	<u>\$ 339</u>	<u>\$ 0</u>	<u>\$ 0</u>

The Highway Revenue bonds are special obligations of the State, secured by and payable from a gross pledge of all revenues in the State Highway Fund (the Agency's general fund). Annual principal and interest payments on the Highway Revenue bonds are expected to require approximately 13.5% of the pledged revenue. The total principal and interest remaining to be paid on the Highway Revenue bonds is \$2,909,564.

In July 2018, the Department remarketed Highway Revenue Remarketed Bonds Series 2004C, in the amount of \$147,000. The purpose of these bonds was to remarket the Series 2004C Bonds. The bonds were modified with variable interest rates and maturities ranging from 2022 to 2025.

In October 2018, the Department issued Highway Revenue Bonds Series 2018A, in the amount of \$173,035. The purpose of these bonds was to pay a portion of the costs of construction, reconstruction, maintenance or improvement of highways in the State. The bonds were issued with a premium of \$26,962 and interest rates of 5.0% and annual maturities from September 2019 to September 2037.

The coupon interest rate on outstanding fixed rate bonds varies from 3.00% to 5.50%. In addition, various bonds were issued as variable rate instruments whose rates change on a weekly basis. During the year, interest rates ranged from 1.72% to 2.26% on the weekly adjustable bonds. The Highway Revenue Bonds Series 2010A (Build America Bonds – Direct Payment to Issuer) have a stated interest rate of 4.596%. After deducting the 32.81% Federal subsidy of interest, the net interest cost to the Department is 3.09%.

All Highway Revenue bonds were issued pursuant to the provisions of Section 68-2314 et seq. of the Kansas Statutes Annotated and the 1992 Resolution and supplements thereto. The statutes provide that, as of July 1, 1991, the Secretary of Transportation was authorized to issue bonds in an aggregate principal amount of \$890 million. This maximum amount was reached in 1994. As of July 1, 1999, the Secretary was authorized to issue additional bonds in the aggregate principal amount of \$995 million. Effective July 1, 2001, this authority again was increased by \$277 million. With the issuance of the 2004C Series Bonds, the Department again reached the maximum amount authorized. The Statutes also provide that any bonds issued for the purpose of refunding these outstanding bonds do not count toward the limit on the aggregate principal amount of bonds authorized.

The Department has the authority to issue additional bonds provided that at the time of issuance the projected debt service on State Highway Fund (SHF) debt in the current or any future year is estimated to not exceed 19% of SHF revenues projected for the then-current or any future fiscal year for FY 2017. The 2017 Legislature changed the debt requirement for FY 2018 and FY 2019 to total principal debt for T-WORKS shall not exceed \$1.7 billion. In addition, the 2017 Legislature limited the aggregate amount of bond issuances over the course of FY 2018 and FY 2019 to \$400 million.

The Department has a covenant to provide annual revenues to the State Highway Fund (the agency's general fund) at least equal to 300% of the annual debt service requirement of the Highway Revenue bonds. The chart below indicates that the GAAP basis revenues, adjusted in conformity with bond covenants, as a percentage of current year's required debt service exceeds the coverage requirement.

Calculation of Revenue Bond Coverage				
Adjusted GAAP Revenues	Principal	Bond Service Charges	Total	Bond Coverage
\$ 1,554,952	\$ 116,974	\$ 94,067	\$ 211,041	737 %

A resolution adopted by the Secretary of Transportation in anticipation of issuing the Series 1999 Bonds changed the definition of revenues to be used for the above bond coverage test. With the retirement of all pre-1999 Series bonds, the definition of adjusted revenues has been expanded to include reimbursements received from the federal government.

Debt service requirements to the maturity of the bonds (including the demand obligation bonds), based upon the current debt service schedule, are indicated in the following schedule.

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
Governmental Funds			
2020	\$ 115,765	\$ 91,648	\$ 207,413
2021	121,350	86,251	207,601
2022	127,385	80,295	207,680
2023	133,610	74,237	207,847
2024	111,215	68,802	180,017
2025 - 2029	583,850	265,148	848,998
2030 - 2034	603,940	125,071	729,011
2035 - 2038	302,795	18,202	320,997
	<u>\$ 2,099,910</u>	<u>\$ 809,654</u>	<u>\$ 2,909,564</u>

For the Highway Revenue bonds, the Department is required to make monthly transfers to the Debt Service Fund equal to one-sixth of the amount due on the next semi-annual interest payment date. In addition, monthly transfers equal to one-twelfth of the principal due on the next principal payment date must be transferred to the Debt Service Fund. Accrued interest is paid on the variable rate bonds on a monthly basis. Monthly transfers are made from the State Highway Fund in amounts sufficient to meet these obligations.

As of June 30, 2019, aggregate debt service requirements of the Department's variable rate debt and net receipts/payments on associated hedging derivative instruments are in the table below. This table assumes that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their entire term. However, these rates will vary. This will require interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments to also vary. Refer to Note 9 for information on derivative instruments.

Fiscal Year Ended June 30	Principal	Interest	Hedging Derivative Instruments (Net)	Total
2020	\$ 48,265	\$ 3,275	\$ 2,136	\$ 53,676
2021	0	3,097	1,684	4,781
2022	32,010	2,565	1,550	36,125
2023	33,315	1,887	1,154	36,356
2024	34,675	1,167	761	36,603
2025-2028	47,000	179	353	47,532
Total	<u>\$ 195,265</u>	<u>\$ 12,170</u>	<u>\$ 7,638</u>	<u>\$ 215,073</u>

Note 9. Derivative Instruments

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

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

In June 2008, the GASB issued Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments” (GASB 53). GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The Department adopted GASB 53 in Fiscal Year 2010. All derivatives are reported on the Statement of Net Position at fair value and all hedges must be tested for effectiveness to qualify for hedge accounting. The tests are outlined in GASB 53. Depending on the test results, the changes in fair value are either reported on the Statement of Net Position as a deferral or in the Statement of Activities as investment revenue or loss. Most derivatives are stand-alone instruments. At certain instances as outlined in GASB 53, for those that have an additional embedded instrument, or hybrid instruments, the statement calls for bifurcating and accounting for the transaction as two separate components.

In June 2011, the GASB issued Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53” (GASB 64), addressing the application of hedge accounting termination provisions. GASB 64 requires for hedge accounting to cease upon the replacement of a swap counterparty unless the counterparty has committed or experienced an act of default or a termination event as both are described in the swap agreement. It was applicable for periods beginning after June 15, 2011. The Department adopted GASB 64 beginning Fiscal Year ended 2012.

In February 2015, the GASB issued Statement No. 72, “Fair Value Measurement and Application” (GASB 72), addressing the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015. The Department adopted GASB 72 beginning Fiscal Year ended 2016.

The income approach is used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. This valuation technique is applied consistently across all the swaps. Given the observability of inputs that are significant to the entire measurement, the fair values of the Department swaps are categorized as Level 2.

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

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

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

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

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

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

The table below provides a summary of the basic terms of the swap agreements as of June 30, 2019.

Associated Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Ratings
* Series 2014 B	\$200,000	\$61,380	10/23/02	9/1/2019	3.164% Contractual; 0.8192% GASB 53 At-the-Market	67% of USD-LIBOR	(\$51)	Goldman Sachs Bank USA	A1/A+/A
* Series 2014 B	\$112,139	\$36,830	3/1/12	9/1/2019	3.1640% Contractual; 0.8183% GASB 53 At-the-Market	67% of USD-LIBOR	(\$30)	The Bank of New York Mellon	Aa2/AA-/AA
* Series 2004 C	\$147,000	\$72,000	11/23/04	9/1/2024	3.571%	63.5% of USD-LIBOR + 0.29%	(\$6,594)	Goldman Sachs Bank USA	A1/A+/A
** Series 2004 C	\$75,000	\$75,000	7/1/07	9/1/2024	3.571%	62.329% of 10 Year CMS	(\$6,836)	Goldman Sachs Bank USA	A1/A+/A
* - Considered fair value hedge							Total Fair Value	(\$13,511)	
** - Considered investment derivative									

Detailed Discussion

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

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

2014 B Swaps (Formerly 2002B and C Swaps) - In connection with the issuance of \$320,005 of variable-rate Series 2002B & C Highway Revenue Refunding Bonds, on October 3, 2002, the Department competitively bid a floating-to-fixed 67% of LIBOR interest rate swap. Goldman Sachs was awarded \$200,000 of notional principal and Salomon Smith Barney was awarded \$120,005 of notional principal. The executed transaction consisted of a \$320,005 17-year amortizing interest rate swap under which the Department pays Goldman/Citibank a fixed rate of 3.164% and receives 67% of LIBOR. The Department was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

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

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

2004C Swaps – In connection with the issuance of \$147,000 of variable-rate Series 2004B and 2004C Highway Revenue Bonds on November 12, 2004, the Department competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a \$147,000 20-year amortizing floating-to-fixed interest rate swap whereby the Department pays the counterparty a fixed rate of 3.571% and receives 63.5% of LIBOR plus 29 basis points. The Department was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

Since many tax-exempt and municipal issuers fund capital projects with long-term traditional or synthetic fixed-rate debt, but are constrained to investing short-term for liquidity reasons, in a normal or upwardly sloped yield curve they incur “negative carry” (cost of borrowing exceeds investment rate). The Department determined that it could mitigate this imbalance by executing the Constant Maturity Swap (CMS). On June 15, 2007, based on the results of a previously distributed competitively bid request for quotes for a swap provider, effective July 1, 2007, the Department amended the floating index from 63.5% plus 29 basis points to 62.329% of the 10-year LIBOR CMS rate on \$75,000 of the existing \$147,000 swap.

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

Credit risk. As of June 30, 2019, the Department has no credit risk exposure on the swap transactions. This is due to the swaps having negative mark-to-market values, meaning the counterparties are exposed to the Department in the amount of the derivatives’ mark-to-market values. However, should interest rates change and the mark-to-market values of the swaps become positive, the Department would be exposed to credit risk.

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

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

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

Note 10. Commitments

Contractual commitments encumbered at June 30, 2019 were \$651,538. These contractual commitments will be funded by revenues from various Federal, State, and local sources. These revenues will be primarily in the form of matching Federal highway construction funds, motor fuel tax monies and vehicle registrations and permits. This revenue is expected to be received in time to meet cash requirements as the obligations become due. The table below provides a summary of the contractual commitments encumbered as of June 30, 2019.

<u>Fund</u>	<u>Commitments</u>
State Highway (agency's general fund)	\$ 635,272
Debt Service	84
Rail Service Improvement	513
Interagency Motor Vehicle Fuel Sales	18
Traffic Records Enhancement	76
Public Use General Aviation Airport Development	5,416
Other Special Revenue Funds	10,159
<u>Total Commitments</u>	<u>\$ 651,538</u>

Note 11. Contingent Liabilities

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is also a defendant in various lawsuits. In the opinion of the Department's Chief Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Department. In compliance with State statute, the Department retains the risk of loss and the liability for claims, other than those covered by commercial vehicle liability. Settlements did not exceed coverage in any of the last three years.

In addition, the Department participates in the State's Workers Compensation Self-Insurance Fund (the Fund). The Department pays a premium to the State for coverage under the Fund. For fiscal year 2019, the Department's contribution rate is 2.529% of covered payroll. The State retains all the risk of loss related to the Fund.

Any uninsured losses are accounted for in the State Highway Fund (the agency's general fund). Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated based on historic experience and counsel's legal opinion.

At June 30, 2019, the amount of these liabilities included in accounts payable of the government-wide Statement of Net Position was \$8,229 and is the Department's best estimate based on available information. Changes in the reported liability since June 30, 2018, resulted from the following:

Fiscal Year	Beginning Liability	Current Claims and Changes in Estimates	Claims Paid	Ending Liability
2018	\$ 1,651	\$ 842	\$ 192	\$ 2,301
2019	2,301	5,941	13	8,229

Note 12. Pension Plan

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

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

State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

C. 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 July 1, 2009 through December 31, 2014. KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member employee's 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 be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.28% and 13.21%, respectively, for the fiscal year ended June 30, 2019. The actuarially determined employer contribution rate was 9.62% for the fiscal year ended June 30, 2018. The statutory contribution rate was 12.01% for the fiscal year ended June 30, 2018. For the first quarter Fiscal Year 2018, the employer's contribution to Death and Disability Insurance was suspended. Contributions to the pension plan from the Department were \$12,647 for the year ended June 30, 2019.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the Department reported a liability of \$129,128 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The Department's proportion of the net pension liability was based on the ratio of the Department's actual contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the Department's proportion was 1.98%, which was a decrease of 0.16% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Department recognized pension expense of \$3,310. At June 30, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,215	\$ 5,605
Changes of Assumptions	4,859	112
Changes in proportion (and difference between contributions and proportionate share of contributions)	2,429	21,506
Contributions subsequent to measurement	12,647	0
Total	<u>\$ 22,150</u>	<u>\$ 27,223</u>

A total of \$12,647 was reported as deferred outflows of resources related to pensions resulting from the Department's contributions subsequent to the measurement date. It will be recognized as a reduction of the net pension liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2020	\$	3,648
2021		3,890
2022		6,789
2023		2,869
2024		524
Total	\$	<u>17,720</u>

E. Actuarial assumptions – The total pension liability in the December 31, 2017 actuarial valuation was determined using the actuarial assumptions below, applied to all periods included in the measurement:

Percent Inflation	2.75%
Salary increases, including wage increases	3.50% to 12.00%, including inflation
Long-term rate of return net of investment expense, and including price of inflation	7.75%

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

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

Below are the actuarial assumptions changes adopted by the pension plan based on the experience study:

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

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

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

F. Discount rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the Department will be made at contractually required rates, actuarially determined. 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.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Department's proportionate share of the net pension liability	\$ 173,901	\$ 129,128	\$ 91,257

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

Note 13. Other Post-Employment Benefits - KPERS Death and Disability Plan

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

B. Benefits provided. Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term

disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	52
Active Employees	2,138
Total	<u>2,190</u>

C. Total OPEB Liability. The Department's total OPEB liability of \$4,489 was measured as of June 30, 2018, and was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018.

D. Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the actuarial assumptions and other inputs on the next page, applied to all periods included in the measurement, unless otherwise noted:

Notes to Financial Statements

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50% to 10.00%, including inflation
Discount rate	3.87%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at fiscal year-end June 30, 2017	\$ 5,054
Changes for the year:	
Service cost	430
Interest	190
Effect of plan changes	0
Effect of economic/demographic gains or losses	(789)
Effect of assumptions changes or inputs	(43)
Benefit payments	(353)
Balance at fiscal year-end June 30, 2018	<u>\$ 4,489</u>

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

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

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability \$	4,631	\$ 4,489	\$ 4,338

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

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

For the year ended June 30, 2019, the Department recognized OPEB expense of \$522. At June 30, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement	\$ 975	\$ 0
Benefit payments subsequent to measurement	0	843
Total	<u>\$ 975</u>	<u>\$ 843</u>

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$975 consist of payments made to KPERS for benefits and administrative costs, and will be recognized as a reduction in the total OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30		
2019	\$	98
2020		98
2021		98
2022		99
2021		99
Thereafter		351
Total	<u>\$</u>	<u>843</u>

Note 14. Relationship with Other State Agencies

The Department of Administration, the Office of the State Treasurer, the Pooled Money Investment Board, the Department of Revenue, the Kansas Development Finance Authority and the Department of Corrections provide services to the Department. Charges for their services are reflected as expenditures in the financial statements. The Department also participates in projects with the Kansas Turnpike Authority and works with the Department of Health and Environment, the Department of Agriculture and the State Historical Society to assure that projects comply with statutory and regulatory requirements.

The Kansas Highway Patrol (KHP) and the Department share certain facilities throughout the State. The Department also provides some support services to the KHP. Transactions relevant to these joint facilities and support services, other than the Motor Carrier Inspection Program discussed in Note 4, are reflected in the revenues and expenditures in the financial statements.

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Required Supplementary Information

**Kansas Department of Transportation
Required Supplementary Information
For the Year Ended June 30, 2019**

Infrastructure (amounts in thousands):

Information needed to support the use of the Modified Approach for Infrastructure Reporting:

Roadway Pavement

The Department's highway pavement is made up of two systems: Interstate Highways and Non-interstate Highways. The Department's highway pavement is also referred to as Roadways. The Department uses Federal regulations 23 CFR 490 and 23 CFR 515 to report pavement condition.

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

The Department has targets to maintain these systems at levels higher than the minimum acceptable condition. The cost to repair or replace deteriorated pavement far exceeds the cost to maintain pavement that is already in good condition; so maintaining our pavement at levels above our minimum acceptable condition requires a pavement management strategy that accounts for life-cycle costs. The Department has defined the minimum acceptable condition level as having at least 60 percent of the Interstate miles in "Good" and at least 50 percent of the Non-interstate miles in "Good". The table on the following page compares the minimum acceptable condition level with the actual condition for the current and prior years. Prior to fiscal year 2018, Required Supplementary Information pages were calculated using a different method. The actual condition levels for FY 2016 and 2017 were converted to the current Federal methodology, as noted on the following page.

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

Required Supplementary Information

	Interstate Miles		Non-interstate Miles	
Fiscal Year	Minimum Acceptable Condition Level*	Actual Condition Level*	Minimum Acceptable Condition Level*	Actual Condition Level*
2016**	≥ 60	72.0	≥ 50	67.2
2017**	≥ 60	70.9	≥ 50	66.4
2018	≥ 60	64.3	≥ 50	59.8
2019	≥ 60	N/A	≥ 50	N/A
* - Percent of miles in “Good” N/A – Not available				
** - Prior years were converted to the current Federal methodology as noted in prior paragraph.				

The Department’s target is to continually maintain and improve the condition of the State Highway System. To achieve this target it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. The Department concentrates resources on items that are measured. To maintain the Interstate Highways at or above the stated minimum condition level, it was estimated that annual preservation and replacement expenditures must exceed \$92,000 in fiscal year 2019. To maintain the Non-interstate Highways at or above the stated minimum condition level, it was estimated that annual preservation and replacement expenditures must exceed \$265,000 in fiscal year 2019. The estimated expenditure amounts are based on the projected T-WORKS program funding levels for preservation that are anticipated to be needed to maintain the system. The actual expenses are based on project expenditures for preservation and some capacity and modernization costs that improve the roadway surface. The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years.

	Interstate Highways		Non-interstate Highways	
Fiscal Year	Estimated Expenditures Needed to Maintain the System at the Minimum Acceptable Condition Level*	Actual Expenses*	Estimated Expenditures Needed to Maintain the System at the Minimum Acceptable Condition Level*	Actual Expenses*
2015	\$93,000	\$144,777	\$231,000	\$423,375
2016	97,000	173,099	241,000	391,530
2017	83,000	137,753	242,000	332,824
2018	87,000	35,529	253,000	230,637
2019	92,000	29,463	265,000	238,410
* - amounts in \$1,000				

Bridges

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

Required Supplementary Information

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

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

The table below compares the actual percentage of State-owned Bridge Deck Area in “Good” and “Poor” condition to the Department’s Performance Measures for the current and prior years. The Department’s Performance Measure targets are to have more than 70% of State-owned Bridge Deck Area in “Good” condition and less than 3% of State-owned Bridge Deck Area in “Poor” condition.

Bridge Performance Measures

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

The Department’s target is to continually improve the condition of the State’s bridge system. To achieve this target, it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. To maintain the State’s bridges at or better than the stated acceptable percentages of bridge deck area in “Good” and “Poor” condition, it is estimated that annual preservation and replacement expenditures must be approximately \$85,000 for fiscal year 2019. The table below compares the estimated annual expenditures with the actual expenditures for the current and prior years.

Fiscal Year	Estimated Expenditures Needed to Maintain the System at the Minimum Acceptable Percentages*	Actual Expenses*
2015	\$81,000	\$129,420
2016	85,000	124,954
2017	77,000	100,122
2018	81,000	56,463
2019	85,000	76,931
*- amounts in \$1,000		

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

Other Post-Employment Benefits (amounts in thousands):

GASB 75 requires a presentation of 10 years for the following tables. As of June 30, 2019, only two years of information is available.

Schedule of Changes in the Department's Total Other Post Employment Benefits (OPEB) Liability And Related Ratios		
Fiscal year Measurement date	2018 June 30, 2017	2019 June 30, 2018
Total OPEB Liability		
Beginning Balance	\$ 4,981	\$ 5,054
Service cost	484	430
Interest	149	190
Effect of plan changes	0	0
Effect of economic/demographic gains or losses	0	(789)
Effect of assumptions changes or inputs	(122)	(43)
Benefit payments	(438)	(353)
Ending Balance	<u>\$ 5,054</u>	<u>\$ 4,489</u>
 Total OPEB	 \$ 5,054	 \$ 4,489
Covered payroll	\$ 90,714	\$ 88,614
Total OPEB as a percentage of covered payroll	5.57%	5.07%

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

Required Supplementary Information

Pension Plan (amounts in thousands):

GASB 68 requires a presentation of 10 years for the following tables. As of June 30, 2019, only six years of information is available.

Schedule of the Department's Proportionate Share of the Net Pension Liability						
Fiscal year	2014	2015	2016	2017	2018	2019
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Proportion of the net pension liability (asset)	2.48%	2.34%	2.45%	2.29%	2.14%	1.98%
Proportionate share of the net pension liability (asset)	\$ 180,215	\$ 149,527	\$ 169,665	\$ 154,084	\$ 143,686	\$ 129,128
Covered payroll	\$ 109,460	\$ 104,484	\$ 106,434	\$ 105,860	\$ 95,703	\$ 94,013
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	164.64%	143.11%	159.41%	145.55%	150.14%	137.35%
Plan fiduciary net position as a percentage of the total pension liability	59.94%	66.60%	64.95%	65.10%	67.12%	68.88%

Schedule of Department Contribution - Net Pension Liability						
Fiscal year	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 10,067	\$ 10,551	\$ 10,644	\$ 10,432	\$ 11,199	\$ 12,647
Contributions in relation to the contractually required contribution	10,067	10,551	10,644	10,432	11,199	12,647
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 104,484	\$ 106,434	\$ 105,860	\$ 95,703	\$ 94,013	\$ 97,526
Contributions as a percentage of covered payroll	9.63%	9.91%	10.05%	10.90%	11.91%	12.97%



Combining and Individual Fund Statements and Schedules

Governmental Funds

KANSAS DEPARTMENT OF TRANSPORTATION

Nonmajor Governmental Funds

Capital Projects Fund is the fund that accounts for bonds proceeds.

Special Revenue Funds are used to account for particular Department activities created by receipt of grants or designated revenues:

Rail Service Improvement Fund – The purpose of this fund is to facilitate the financing, acquisition, or rehabilitation of railroads in the State.

Interagency Motor Vehicle Fuel Sales Fund – The purpose of this fund is to account for the monies generated from the sale of motor vehicle fuels to other state agencies.

Traffic Records Enhancement Fund – The purpose of this fund is to enhance and upgrade the traffic records system.

Public Use General Aviation Airport Development Fund – The purpose of this fund is to administer a grant program for planning, constructing, reconstructing or rehabilitating the facilities of public use general aviation airports in the State.

Other Special Revenue Funds – This is the combination of 4 funds:

Coordinated Public Transportation Assistance Fund – The purpose of this fund is to provide financial assistance to transportation systems that provide coordinated transportation services to elderly persons, persons with disabilities and the general public.

Other Federal Grants Fund – The purpose of this fund is to record federal grant activity other than those received on an on-going basis for highway construction.

Conversion of Materials and Equipment Fund – The purpose of this fund is to account for the monies generated from auction proceeds and sales of material and capital equipment and to utilize said proceeds for the purchase of new capital equipment and materials.

Seat Belt Safety Fund – The purpose of this fund is to promote and provide education on occupant protection among children, including, but not limited to, programs in Kansas schools.

Kansas Department of Transportation
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019
(amounts in thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Capital Projects Fund	Rail Service Improvement	Interagency Motor Vehicle Fuel Sales	Traffic Records Enhancement	Public Use General Aviation Airport Development	Other Special Revenue Funds	
ASSETS							
Cash: Unrestricted	\$ 0	\$ 19,105	\$ 1,061	\$ 1,767	\$ 6,629	\$ 28,067	\$ 56,629
Restricted	71,781	0	0	0	0	0	71,781
Investments, at fair value:							
Unrestricted	0	0	0	0	0	0	0
Restricted	0	0	0	0	0	0	0
Receivables:							
Federal aid	0	0	0	0	0	0	0
Accrued interest	111	27	0	0	0	0	138
Loans and other	0	957	0	0	0	0	957
Materials and supplies	0	0	0	0	0	0	0
Long-term receivables:							
Loans and other	0	5,235	0	0	0	0	5,235
Total assets	<u>\$ 71,892</u>	<u>\$ 25,324</u>	<u>\$ 1,061</u>	<u>\$ 1,767</u>	<u>\$ 6,629</u>	<u>\$ 28,067</u>	<u>\$ 134,740</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Vouchers payable	\$ 0	\$ 214	\$ 0	\$ 0	\$ 98	\$ 2,084	\$ 2,396
Deferred revenue	0	0	0	0	0	0	0
Retainage payable	0	0	0	0	0	0	0
Bonds payable on demand	0	0	0	0	0	0	0
Accrued salaries and wages	0	0	0	0	0	0	0
Total liabilities	<u>0</u>	<u>214</u>	<u>0</u>	<u>0</u>	<u>98</u>	<u>2,084</u>	<u>2,396</u>
Fund balances:							
Restricted for:							
Transportation	71,892	25,110	1,061	1,767	6,531	25,983	132,344
Total fund balances	<u>71,892</u>	<u>25,110</u>	<u>1,061</u>	<u>1,767</u>	<u>6,531</u>	<u>25,983</u>	<u>132,344</u>
Total liabilities and fund balances	<u>\$ 71,892</u>	<u>\$ 25,324</u>	<u>\$ 1,061</u>	<u>\$ 1,767</u>	<u>\$ 6,629</u>	<u>\$ 28,067</u>	<u>\$ 134,740</u>

Kansas Department of Transportation
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019
(amounts in thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Capital Projects Fund	Rail Service Improvement	Interagency Motor Vehicle Fuel Sales	Traffic Records Enhancement	Public Use General Aviation Airport Development	Other Special Revenue Funds	
Revenues							
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0	0	0	0
Operating grants	0	0	0	0	0	4,807	4,807
Capital grants	0	0	0	0	0	0	0
Sales and use taxes	0	0	0	0	0	0	0
Investment earnings	1,928	420	0	0	0	0	2,348
Other	0	0	1,598	392	0	726	2,716
Appropriations from other state funds	0	0	0	0	0	0	0
Total revenues	1,928	420	1,598	392	0	5,533	9,871
Expenditures							
Current operating:							
Maintenance	0	0	981	0	0	2,158	3,139
Communications system	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0
Local support	0	0	0	0	0	0	0
Transportation planning and modal support	0	1,777	0	329	4,943	15,186	22,235
Administration	0	0	0	0	0	316	316
Debt service:							
Principal	0	0	0	0	0	0	0
Interest and fees	0	0	0	0	0	0	0
Transfers to other state funds	0	0	0	0	0	0	0
Total expenditures	0	1,777	981	329	4,943	17,660	25,690
Excess (deficiency) of revenues over expenditures	1,928	(1,357)	617	63	(4,943)	(12,127)	(15,819)
Other financing sources (uses)							
Sale of assets	0	0	0	0	0	1,982	1,982
Issuance of debt	173,035	0	0	0	0	0	173,035
Premium on issuance of bonds	26,962	0	0	0	0	0	26,962
Transfers-in	0	5,000	0	0	5,000	11,000	21,000
Transfers-out	(130,033)	0	0	0	0	0	(130,033)
Total other financing sources (uses)	69,964	5,000	0	0	5,000	12,982	92,946
Net changes in fund balances	71,892	3,643	617	63	57	855	77,127
Fund balances - beginning of year	0	21,467	444	1,704	6,474	25,128	55,217
Fund balances - end of year	\$ 71,892	\$ 25,110	\$ 1,061	\$ 1,767	\$ 6,531	\$ 25,983	\$ 132,344

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Rail Service Improvement Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2019
(amounts in thousands)

	Budgeted Amounts		Actual	Variance with <u>Final Budget</u> Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0
Intergovernmental	0	0	0	0
Sales and use taxes	0	0	0	0
Investment earnings	125	165	412	247
Other	1,000	960	1,356	396
Transfers from other state funds	0	0	0	0
Total revenues	1,125	1,125	1,768	643
Expenditures, with legal limits:				
Current operating:				
Maintenance	0	0	0	0
Construction	0	0	0	0
Local support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, with legal limits	0	0	0	0
Expenditures, without legal limits:				
Current operating:				
Maintenance	0	0	0	0
Local support	0	0	0	0
Transportation Planning and Modal Support	0	5,240	1,832	3,408
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, without legal limits	0	5,240	1,832	3,408
Total expenditures	0	5,240	1,832	3,408
Excess (deficiency) of revenues over expenditures	1,125	(4,115)	(64)	4,051
Other financing sources (uses):				
Transfers-in	5,000	5,000	5,000	0
Transfers-out	0	0	0	0
Total other financing sources (uses)	5,000	5,000	5,000	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 6,125	\$ 885	4,936	\$ 4,051
Explanation of the differences between Budgetary Basis and GAAP Basis reporting				
Budgetary basis revenues are adjusted to GAAP basis			(1,348)	
Budgetary basis expenditures adjusted to GAAP basis			(1,627)	
Expenditures on prior year encumbrances are not reported for budgetary reporting			1,586	
Current year encumbrances are reported as expenditures for budgetary reporting purposes			96	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis			\$ 3,643	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Interagency Motor Vehicle Fuel Sales Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2019
(amounts in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0
Intergovernmental	0	0	0	0
Sales and use taxes	0	0	0	0
Investment earnings	0	0	0	0
Other	1,200	1,400	1,598	198
Transfers from other state funds	0	0	0	0
Total revenues	1,200	1,400	1,598	198
Expenditures, with legal limits:				
Current operating:				
Maintenance	0	0	0	0
Construction	0	0	0	0
Local Support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, with legal limits	0	0	0	0
Expenditures, without legal limits:				
Current operating:				
Maintenance	1,200	1,200	978	222
Local support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, without legal limits	1,200	1,200	978	222
Total expenditures	1,200	1,200	978	222
Excess (deficiency) of revenues over expenditures	0	200	620	420
Other financing sources (uses):				
Transfers-in	0	0	0	0
Transfers-out	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 0	\$ 200	620	\$ 420

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Current year encumbrances are reported as expenditures for budgetary reporting purposes	974
Expenditures on prior year encumbrances are not reported for budgetary reporting	(977)
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ 617

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Traffic Records Enhancement Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2019
(amounts in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0
Intergovernmental	0	0	0	0
Sales and use taxes	0	0	0	0
Investment earnings	0	0	0	0
Other	390	390	392	2
Transfers from other state funds	0	0	0	0
Total revenues	390	390	392	2
Expenditures, with legal limits:				
Current operating:				
Maintenance	0	0	0	0
Construction	0	0	0	0
Local support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, with legal limits	0	0	0	0
Expenditures, without legal limits:				
Current operating:				
Maintenance	0	0	0	0
Local support	0	0	0	0
Transportation Planning and Modal Support	606	1,639	393	1,246
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, without legal limits	606	1,639	393	1,246
Total expenditures	606	1,639	393	1,246
Excess (deficiency) of revenues over expenditures	(216)	(1,249)	(1)	1,248
Other financing sources (uses):				
Transfers-in	0	0	0	0
Transfers-out	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (216)	\$ (1,249)	(1)	\$ 1,248
Explanation of the differences between Budgetary Basis and GAAP Basis reporting				
Current year encumbrances are reported as expenditures for budgetary reporting purposes			318	
Expenditures on prior year encumbrances are not reported for budgetary reporting			(260)	
Budgetary expenditures have been adjusted for GAAP basis adjustments			6	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis			\$ 63	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Public Use General Aviation Airport Development Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2019
(amounts in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0
Intergovernmental	0	0	0	0
Sales and use taxes	0	0	0	0
Investment earnings	0	0	0	0
Other	0	0	0	0
Transfers from other state funds	0	0	0	0
Total revenues	0	0	0	0
Expenditures, with legal limits:				
Current operating:				
Maintenance	0	0	0	0
Construction	0	0	0	0
Local support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, with legal limits	0	0	0	0
Expenditures, without legal limits:				
Current operating:				
Maintenance	0	0	0	0
Local support	0	0	0	0
Transportation Planning and Modal Support	0	5,000	4,827	173
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, without legal limits	0	5,000	4,827	173
Total expenditures	0	5,000	4,827	173
Excess (deficiency) of revenues over expenditures	0	(5,000)	(4,827)	173
Other financing sources (uses):				
Transfers-in	5,000	5,000	5,000	0
Transfers-out	0	0	0	0
Total other financing sources (uses)	5,000	5,000	5,000	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 5,000	\$ 0	173	\$ 173

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Current year encumbrances are reported as expenditures for budgetary reporting purposes	3,505
Expenditures on prior year encumbrances are not reported for budgetary reporting	(3,810)
Budgetary expenditures have been adjusted for GAAP basis adjustments	189
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ 57

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Coordinated Public Transportation Assistance Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2019
(amounts in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0
Intergovernmental	0	0	0	0
Sales and use taxes	0	0	0	0
Investment earnings	0	0	0	0
Other	0	0	0	0
Transfers from other state funds	0	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, with legal limits:				
Current operating:				
Maintenance	0	0	0	0
Construction	0	0	0	0
Local support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:				
Current operating:				
Maintenance	0	0	0	0
Local support	0	0	0	0
Transportation Planning and Modal Support	0	11,000	10,504	496
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, without legal limits	<u>0</u>	<u>11,000</u>	<u>10,504</u>	<u>496</u>
Total expenditures	<u>0</u>	<u>11,000</u>	<u>10,504</u>	<u>496</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>(11,000)</u>	<u>(10,504)</u>	<u>496</u>
Other financing sources (uses):				
Transfers-in	11,000	11,000	11,000	0
Transfers-out	0	0	0	0
Total other financing sources (uses)	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 11,000</u>	<u>\$ 0</u>	496	<u>\$ 496</u>

Explanation of the differences between Budgetary Basis and GAAP Basis reporting

Current year encumbrances are reported as expenditures for budgetary reporting purposes	4,212
Expenditures on prior year encumbrances are not reported for budgetary reporting	(2,610)
Budgetary expenditures have been adjusted for GAAP basis adjustments	(789)
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	<u>\$ 1,309</u>

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Other Federal Grants Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2019
(amounts in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0
Intergovernmental	3,234	5,503	4,807	(696)
Sales and use taxes	0	0	0	0
Investment earnings	0	0	0	0
Other	0	0	0	0
Transfers from other state funds	0	0	0	0
Total revenues	<u>3,234</u>	<u>5,503</u>	<u>4,807</u>	<u>(696)</u>
Expenditures, with legal limits:				
Current operating:				
Maintenance	0	0	0	0
Construction	0	0	0	0
Local Support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, with legal limits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures, without legal limits:				
Current operating:				
Maintenance	0	0	75	(75)
Construction	0	0	0	0
Local support	2,984	0	0	0
Transportation Planning and Modal Support	0	6,700	5,985	715
Administration	250	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, without legal limits	<u>3,234</u>	<u>6,700</u>	<u>6,060</u>	<u>640</u>
Total expenditures	<u>3,234</u>	<u>6,700</u>	<u>6,060</u>	<u>640</u>
Excess (deficiency) of revenues over expenditures	<u>(0)</u>	<u>(1,197)</u>	<u>(1,253)</u>	<u>(56)</u>
Other financing sources (uses):				
Transfers-in	0	0	0	0
Transfers-out	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (0)</u>	<u>\$ (1,197)</u>	<u>(1,253)</u>	<u>\$ (56)</u>
Explanation of the differences between Budgetary Basis and GAAP Basis reporting				
Budgetary basis expenditures adjusted to GAAP basis			145	
Current year encumbrances are reported as expenditures for budgetary reporting purposes			3,144	
Expenditures on prior year encumbrances are not reported for budgetary reporting			<u>(2,668)</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis			<u>\$ (632)</u>	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Conversion of Materials & Equipment Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2019
(amounts in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0
Intergovernmental	0	0	0	0
Sales and use taxes	0	0	0	0
Investment earnings	0	0	0	0
Other	1,500	1,500	1,983	483
Transfers from other state funds	0	0	0	0
Total revenues	1,500	1,500	1,983	483
Expenditures, with legal limits:				
Current operating:				
Maintenance	0	0	0	0
Construction	0	0	0	0
Local Support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, with legal limits	0	0	0	0
Expenditures, without legal limits:				
Current operating:				
Maintenance	1,500	1,500	1,402	98
Local support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, without legal limits	1,500	1,500	1,402	98
Total expenditures	1,500	1,500	1,402	98
Excess (deficiency) of revenues over expenditures	0	0	581	581
Other financing sources (uses):				
Transfers-in	0	0	0	0
Transfers-out	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 0	\$ 0	581	\$ 581
Explanation of the differences between Budgetary Basis and GAAP Basis reporting				
Current year encumbrances are reported as expenditures for budgetary reporting purposes			836	
Expenditures on prior year encumbrances are not reported for budgetary reporting			(1,535)	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis			\$ (118)	

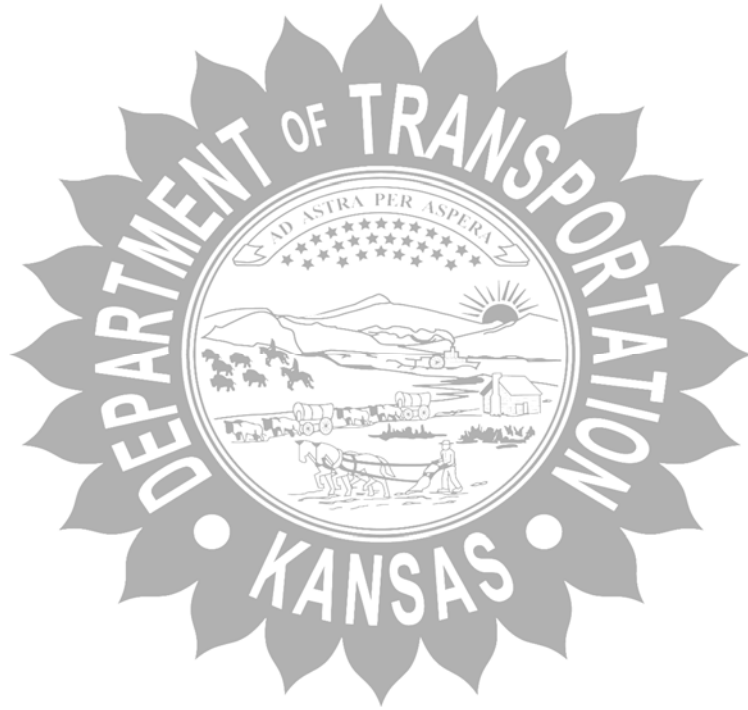
Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Seat Belt Safety Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2019
(amounts in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations and permits	0	0	0	0
Intergovernmental	0	0	0	0
Sales and use taxes	0	0	0	0
Investment earnings	0	0	0	0
Other	0	600	726	126
Transfers from other state funds	0	0	0	0
Total revenues	0	600	726	126
Expenditures, with legal limits:				
Current operating:				
Maintenance	0	0	0	0
Construction	0	0	0	0
Local Support	0	0	0	0
Transportation Planning and Modal Support	0	0	0	0
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, with legal limits	0	0	0	0
Expenditures, without legal limits:				
Current operating:				
Maintenance	0	0	0	0
Local support	0	0	0	0
Transportation Planning and Modal Support	0	828	582	246
Administration	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Total expenditures, without legal limits	0	828	582	246
Total expenditures	0	828	582	246
Excess (deficiency) of revenues over expenditures	0	(228)	144	372
Other financing sources (uses):				
Transfers-in	0	0	0	0
Transfers-out	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 0	\$ (228)	144	\$ 372
Explanation of the differences between Budgetary Basis and GAAP Basis reporting				
Current year encumbrances are reported as expenditures for budgetary reporting purposes			204	
Budgetary expenditures have been adjusted for GAAP basis adjustments			(52)	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis			\$ 296	

Kansas Department of Transportation
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Highway Bond Debt Service Fund
Budget and Actual -- Budgetary Basis
For the Fiscal Year Ended June 30, 2019
(amounts in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 0	\$ 0	\$ 0	\$ 0
Vehicle registrations, fees, and permits	0	0	0	0
Intergovernmental	0	0	0	0
Sales and use taxes	0	0	0	0
Investment earnings	990	1,538	1,385	(153)
Other	0	0	0	0
Transfers from other state funds	0	0	0	0
Total revenues	990	1,538	1,385	(153)
Expenditures, with legal limits:				
Current operating:				
Maintenance	0	0	0	0
Construction	0	0	0	0
Local support	0	0	0	0
Administration and transportation planning	0	0	0	0
Capital improvements	0	0	0	0
Transfers to other state funds	0	0	0	0
Expenditures with legal limits	0	0	0	0
Expenditures, without legal limits:				
Current operating:				
Maintenance	0	0	0	0
Local support	0	0	0	0
Administration and transportation planning	0	0	0	0
Capital improvements	0	0	0	0
Principal on debt	116,635	116,635	116,635	0
Interest and fees on debt	79,675	93,931	93,431	500
Transfers to other state funds	0	0	0	0
Expenditures without legal limits	196,310	210,566	210,066	500
Total expenditures	196,310	210,566	210,066	500
Excess (deficiency) of revenues over expenditures	(195,320)	(209,028)	(208,681)	347
Other financing sources (uses):				
Transfers-in	211,263	228,469	228,918	449
Transfers-out	0	0	0	0
Total other financing sources (uses)	211,263	228,469	228,918	449
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 15,943	\$ 19,441	20,237	\$ 796
Explanation of the differences between Budgetary Basis and GAAP Basis reporting				
Budgetary basis revenues adjusted to GAAP basis			48	
Budgetary expenditures have been adjusted for GAAP basis reporting			(56)	
Expenditures on prior year encumbrances are not reported for budgetary reporting			(508)	
Current year encumbrances are reported as expenditures for budgetary reporting purposes			8	
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis			\$ 19,729	

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Combining Fund Statement

Agency Funds

KANSAS DEPARTMENT OF TRANSPORTATION

Agency Funds are used to administer resources received and held by the Department as the agent for others. The use of these funds facilitates the discharge of responsibilities placed upon the Department by virtue of law or other authority.

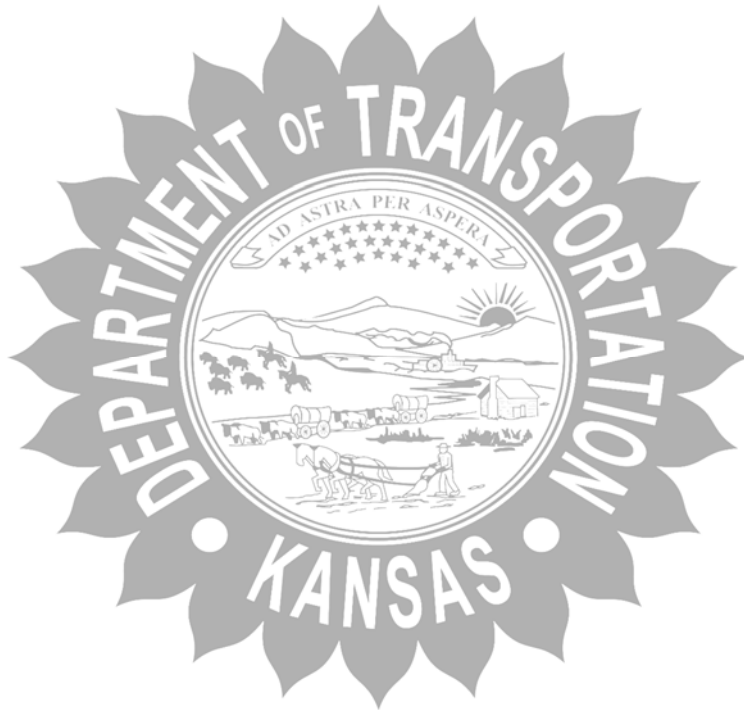
Special City and County Highway Fund – This fund receives a portion of the motor fuel tax revenues, subsequent to refunds and a deposit of \$3.5 million to the Kansas Qualified Agricultural Ethyl Alcohol Producers Incentive Fund, and all motor carrier property tax revenues. These revenues are distributed to the various cities and counties in the state for the financing of county roads and city street construction and maintenance.

County Equalization and Adjustment Fund – The purpose of this fund is to assure that after distribution of the receipts of the Special City and County Highway Fund, each county receives, in total, at least the amount received from that fund and this fund in Fiscal Year 1999.

Kansas Department of Transportation
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year ended June 30, 2019
(amounts in thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<u>Special City and County Highway Fund</u>				
Assets:				
Cash	\$ 39,329	\$ 154,973	\$ (156,596)	\$ 37,706
Receivables	12,404	12,922	(12,404)	12,922
Total assets	<u>\$ 51,733</u>	<u>\$ 167,895</u>	<u>\$ (169,000)</u>	<u>\$ 50,628</u>
Liabilities:				
Due to cities and counties	\$ 51,733	\$ 167,895	\$ (169,000)	\$ 50,628
Total liabilities	<u>\$ 51,733</u>	<u>\$ 167,895</u>	<u>\$ (169,000)</u>	<u>\$ 50,628</u>
<u>County Equalization and Adjustment Fund</u>				
Assets:				
Cash	\$ 10	\$ 2,500	\$ (2,500)	\$ 10
Total assets	<u>\$ 10</u>	<u>\$ 2,500</u>	<u>\$ (2,500)</u>	<u>\$ 10</u>
Liabilities:				
Due to cities and counties	\$ 10	\$ 2,500	\$ (2,500)	\$ 10
Total liabilities	<u>\$ 10</u>	<u>\$ 2,500</u>	<u>\$ (2,500)</u>	<u>\$ 10</u>
<u>Totals</u>				
Assets:				
Cash	\$ 39,339	\$ 157,473	\$ (159,096)	\$ 37,716
Receivables	12,404	12,922	(12,404)	12,922
Total assets	<u>\$ 51,743</u>	<u>\$ 170,395</u>	<u>\$ (171,500)</u>	<u>\$ 50,638</u>
Liabilities:				
Due to cities and counties	\$ 51,743	\$ 170,395	\$ (171,500)	\$ 50,638
Total liabilities	<u>\$ 51,743</u>	<u>\$ 170,395</u>	<u>\$ (171,500)</u>	<u>\$ 50,638</u>

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STATISTICAL SECTION

**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2019**

KANSAS DEPARTMENT OF TRANSPORTATION

Statistical Section

This part of the Comprehensive Annual Financial Report presents information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Department's financial health. It is presented in five sections:

Financial trends

These four schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

Revenue capacity

These seven schedules contain information to help the reader assess the Department's most significant own-source revenue, motor fuel taxes. In addition, information regarding vehicle registrations and sales taxes are presented in compliance with bond covenant continuing disclosure requirements.

Debt capacity

These two schedules present information to help the reader assess the affordability of the Department's current level of outstanding debt and its ability to issue additional debt.

Demographic and Economic Information

These two schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

Operating Information

These three schedules contain service and infrastructure data to help the reader understand how the information in the Department's financial report relates to the services the Department provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the CAFR for the relevant year.

Kansas Department of Transportation
Net Position by Component
(accrual basis of accounting)
(amounts in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Net investments in capital assets	\$ 9,985,914	\$ 9,921,506	\$ 10,007,187	\$ 9,932,249	\$ 10,185,136	\$ 10,292,208	\$ 10,238,462	\$ 10,609,749	\$ 10,636,023	\$ 10,612,685
Restricted for:										
Debt service	76,632	106,038	113,867	109,231	121,317	113,946	122,819	103,906	80,075	98,621
Transportation purposes	0	0	0	0	0	0	42,906	48,874	55,217	132,344
Unrestricted	275,129	534,291	185,883	384,264	462,853	241,494	260,047	63,032	341,402	566,135
Total governmental activities net assets	<u>\$ 10,337,675</u>	<u>\$ 10,561,835</u>	<u>\$ 10,306,937</u>	<u>\$ 10,425,744</u>	<u>\$ 10,769,306</u>	<u>\$ 10,647,648</u>	<u>\$ 10,664,234</u>	<u>\$ 10,825,561</u>	<u>\$ 11,112,717</u>	<u>\$ 11,409,785</u>
Business-type Activities:										
Net investments in capital assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:										
Debt service	15,279	15,277	37,991	38,475	38,207	38,382	39,195	40,145	0	136
Unrestricted	18,315	44,427	21,523	22,266	22,458	22,652	22,903	23,156	23,208	21,323
Total business-type activities net assets	<u>\$ 33,594</u>	<u>\$ 59,704</u>	<u>\$ 59,514</u>	<u>\$ 60,741</u>	<u>\$ 60,665</u>	<u>\$ 61,034</u>	<u>\$ 62,098</u>	<u>\$ 63,301</u>	<u>\$ 23,208</u>	<u>\$ 21,459</u>
Primary Government:										
Net investments in capital assets	\$ 9,985,914	\$ 9,921,506	\$ 10,007,187	\$ 9,932,249	\$ 10,185,136	\$ 10,292,208	\$ 10,238,462	\$ 10,609,749	\$ 10,636,023	\$ 10,612,685
Restricted for:										
Debt service	91,911	121,315	151,858	147,706	159,524	152,328	162,014	144,051	80,075	98,757
Transportation	14,767	25,902	25,581	23,835	33,167	39,833	47,399	48,874	55,217	132,344
Unrestricted	278,677	552,816	181,825	382,695	452,144	224,313	278,457	86,188	364,610	587,458
Total	<u>\$ 10,371,269</u>	<u>\$ 10,621,539</u>	<u>\$ 10,366,451</u>	<u>\$ 10,486,485</u>	<u>\$ 10,829,971</u>	<u>\$ 10,708,682</u>	<u>\$ 10,726,332</u>	<u>\$ 10,888,862</u>	<u>\$ 11,135,925</u>	<u>\$ 11,431,244</u>

Note: The Department implemented GASB Statement No. 68 in FY 2015. Statement No. 68 was not retroactively implemented.

Note: The Department implemented GASB Statement No. 75 in FY 2018. Statement No. 75 was not retroactively implemented.

Kansas Department of Transportation
Changes in Net Position
(accrual basis of accounting)
(amounts in thousands)

	2010	2011	2012	2013	2014
Expenses					
Governmental activities:					
Maintenance and preservation	\$ 223,473	\$ 589,587	\$ 765,233	\$ 780,005	\$ 648,197
Communications system	18,630	13,412	15,786	13,470	7,158
Local support	194,261	192,813	113,958	106,826	139,735
General government	352,490	331,416	382,370	195,470	309,922
Rail, air and public transportation	14,222	19,684	43,050	14,825	19,451
Interest on long-term debt	70,165	62,152	67,984	58,562	61,036
Total governmental activities expenses	<u>873,241</u>	<u>1,209,064</u>	<u>1,388,381</u>	<u>1,169,158</u>	<u>1,185,499</u>
Business-type activities:					
Transportation Revolving Fund	3,109	2,896	2,638	2,558	2,666
Communications system	1,452	533	850	1,350	217
Total business-type activities expenses	<u>4,561</u>	<u>3,429</u>	<u>3,488</u>	<u>3,908</u>	<u>2,883</u>
Total primary government expenses	<u>\$ 877,802</u>	<u>\$ 1,212,493</u>	<u>\$ 1,391,869</u>	<u>\$ 1,173,066</u>	<u>\$ 1,188,382</u>
Program revenues					
Governmental activities:					
Charges for services:					
General government					
Vehicle registrations and drivers' licenses	\$ 175,291	\$ 178,492	\$ 177,649	\$ 198,120	\$ 211,644
Other	7,654	11,423	10,016	20,437	6,769
Operating grants and contributions	212,523	285,940	294,368	218,536	243,236
Capital grants and contributions	302,685	386,427	200,099	222,787	275,729
Total governmental activities program revenues	<u>698,153</u>	<u>862,282</u>	<u>682,132</u>	<u>659,880</u>	<u>737,378</u>
Business-type activities:					
Charges for services:					
Transportation Revolving Fund	3,105	3,200	2,820	2,334	1,677
Communications system	512	526	634	2,065	387
Total business-type activities program revenues	<u>3,617</u>	<u>3,726</u>	<u>3,454</u>	<u>4,399</u>	<u>2,064</u>
Total primary government program revenues	<u>\$ 701,770</u>	<u>\$ 866,008</u>	<u>\$ 685,586</u>	<u>\$ 664,279</u>	<u>\$ 739,442</u>
Net (expense)/revenue					
Governmental activities	\$ (175,088)	\$ (346,782)	\$ (706,249)	\$ (509,278)	\$ (448,121)
Business-type activities	(944)	297	(34)	491	(819)
Total primary government net expense	<u>\$ (176,032)</u>	<u>\$ (346,485)</u>	<u>\$ (706,283)</u>	<u>\$ (508,787)</u>	<u>\$ (448,940)</u>
General revenues					
Governmental activities:					
Taxes					
Motor fuel taxes	\$ 281,314	\$ 284,022	\$ 286,150	\$ 274,437	\$ 294,285
Sales and use taxes	258,721	299,263	311,452	323,667	500,808
Investment earnings	5,293	9,179	(28,207)	28,337	(6,005)
Unrestricted appropriations from other state funds	2,597	3,478	3,665	1,636	2,595
Transfers	(5,032)	(25,000)	876	8	0
Total governmental activities general revenues	<u>542,893</u>	<u>570,942</u>	<u>573,936</u>	<u>628,085</u>	<u>791,683</u>
Business-type activities:					
Investment earnings	910	813	720	744	743
Transfers	-	25,000	(876)	(8)	-
Total business-type general revenues	<u>910</u>	<u>25,813</u>	<u>(156)</u>	<u>736</u>	<u>743</u>
Total primary government general revenues	<u>\$ 543,803</u>	<u>\$ 596,755</u>	<u>\$ 573,780</u>	<u>\$ 628,821</u>	<u>\$ 792,426</u>
Change in Net Position					
Governmental activities	\$ 367,805	\$ 224,160	\$ (132,313)	\$ 118,807	\$ 343,562
Business-type activities	(34)	26,110	(190)	1,227	(76)
Total primary government	<u>\$ 367,771</u>	<u>\$ 250,270</u>	<u>\$ (132,503)</u>	<u>\$ 120,034</u>	<u>\$ 343,486</u>

Note: The Department implemented GASB Statement No. 68 in FY 2015. Statement No. 68 was not retroactively implemented.

Note: The Department implemented GASB Statement No. 75 in FY 2018. Statement No. 75 was not retroactively implemented.

Note: In fiscal year 2018, the Department changed its budget program structure, and some expenditures previously included in the Local Support and Rail, air & public transportation programs now appear in the Transportation Planning and Modal Support program.

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Kansas Department of Transportation
Changes in Net Position
(accrual basis of accounting)
(amounts in thousands)

	2015	2016	2017	2018	2019
Expenses					
Governmental activities:					
Maintenance and preservation	\$ 649,739	\$ 545,452	\$ 466,368	\$ 385,337	\$ 539,962
Communications system	9,155	7,482	7,658	7,380	7,806
Local support	151,971	190,320	187,213	158,787	123,279
General government	490,375	590,215	561,968	564,346	511,550
Rail, air and public transportation	16,556	19,808	23,408	40,060	40,812
Interest on long-term debt	63,328	32,605	67,467	69,612	71,604
Total governmental activities expenses	<u>1,381,124</u>	<u>1,385,882</u>	<u>1,314,082</u>	<u>1,225,522</u>	<u>1,295,013</u>
Business-type activities:					
Transportation Revolving Fund	1,983	1,122	764	216	0
Communications system	69	60	48	47	13
Total business-type activities expenses	<u>2,052</u>	<u>1,182</u>	<u>812</u>	<u>263</u>	<u>13</u>
Total primary government expenses	<u>\$ 1,383,176</u>	<u>\$ 1,387,064</u>	<u>\$ 1,314,894</u>	<u>\$ 1,225,785</u>	<u>\$ 1,295,026</u>
Program revenues					
Governmental activities:					
Charges for services:					
General government					
Vehicle registrations and drivers' licenses	\$ 218,788	\$ 214,428	\$ 219,710	\$ 218,765	\$ 223,273
Other	6,693	10,581	9,875	11,102	8,909
Operating grants and contributions	191,169	199,630	164,057	211,151	289,968
Capital grants and contributions	208,377	160,502	259,907	192,951	162,549
Total governmental activities program revenues	<u>625,027</u>	<u>585,141</u>	<u>653,549</u>	<u>633,969</u>	<u>684,699</u>
Business-type activities:					
Charges for services:					
Transportation Revolving Fund	1,419	1,153	965	771	711
Communications system	233	232	218	224	180
Total business-type activities program revenues	<u>1,652</u>	<u>1,385</u>	<u>1,183</u>	<u>995</u>	<u>891</u>
Total primary government program revenues	<u>\$ 626,679</u>	<u>\$ 586,526</u>	<u>\$ 654,732</u>	<u>\$ 634,964</u>	<u>\$ 685,590</u>
Net (expense)/revenue					
Governmental activities	\$ (756,097)	\$ (800,741)	\$ (660,533)	\$ (591,553)	\$ (610,314)
Business-type activities	(400)	203	371	732	878
Total primary government net expense	<u>\$ (756,497)</u>	<u>\$ (800,538)</u>	<u>\$ (660,162)</u>	<u>\$ (590,821)</u>	<u>\$ (609,436)</u>
General revenues					
Governmental activities:					
Taxes					
Motor fuel taxes	\$ 288,016	\$ 298,477	\$ 299,646	\$ 304,705	\$ 306,865
Sales and use taxes	513,735	515,771	513,063	529,509	532,955
Investment earnings	156	(1,484)	4,879	7,336	13,604
Unrestricted appropriations from other state funds	2,196	4,563	4,272	1,101	51,226
Transfers	0	0	0	41,039	2,732
Total governmental activities general revenues	<u>804,103</u>	<u>817,327</u>	<u>821,860</u>	<u>883,690</u>	<u>907,382</u>
Business-type activities:					
Investment earnings	769	861	832	214	105
Transfers	0	0	0	(41,039)	(2,732)
Total business-type general revenues	<u>769</u>	<u>861</u>	<u>832</u>	<u>(40,825)</u>	<u>(2,627)</u>
Total primary government general revenues	<u>\$ 804,872</u>	<u>\$ 818,188</u>	<u>\$ 822,692</u>	<u>\$ 842,865</u>	<u>\$ 904,755</u>
Change in Net Position					
Governmental activities	\$ 48,006	\$ 16,586	\$ 161,327	\$ 292,137	\$ 297,068
Business-type activities	369	1,064	1,203	(40,093)	(1,749)
Total primary government	<u>\$ 48,375</u>	<u>\$ 17,650</u>	<u>\$ 162,530</u>	<u>\$ 252,044</u>	<u>\$ 295,319</u>

Note: The Department implemented GASB Statement No. 68 in FY 2015. Statement No. 68 was not retroactively implemented.

Note: The Department implemented GASB Statement No. 75 in FY 2018. Statement No. 75 was not retroactively implemented.

Note: In fiscal year 2018, the Department changed its budget program structure, and some expenditures previously included in the Local Support and Rail, air & public transportation programs now appear in the Transportation Planning and Modal Support program.

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Kansas Department of Transportation
Fund Balances of Governmental Funds
(modified accrual basis of accounting)
(amounts in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
State Highway Fund*										
Nonspendable										
Materials & supplies	\$ 24,728	\$ 23,968	\$ 24,940	\$ 24,363	\$ 23,983	\$ 23,465	\$ 24,598	\$ 25,615	\$ 24,266	\$ 23,095
Long-term receivable	0	0	0	0	0	1,495	9,721	8,597	7,572	6,348
Prepaid insurance	0	0	0	0	1,096	391	27	0	0	0
Assigned to:										
Transportation	756,580	0	0	0	0	0	0	0	0	0
Unassigned	(524,154)	248,808	102,629	292,903	432,854	387,128	423,250	203,607	457,590	674,053
	<u>\$ 257,154</u>	<u>\$ 272,776</u>	<u>\$ 127,569</u>	<u>\$ 317,266</u>	<u>\$ 457,933</u>	<u>\$ 412,479</u>	<u>\$ 457,596</u>	<u>\$ 237,819</u>	<u>\$ 489,428</u>	<u>\$ 703,496</u>
All Other Governmental Funds										
Restricted for:										
Debt service	\$ 97,362	\$ 106,038	\$ 113,867	\$ 109,231	\$ 121,317	\$ 113,946	\$ 122,819	\$ 103,906	\$ 110,241	\$ 129,970
Transportation	14,767	25,902	25,581	23,835	33,167	39,833	47,399	48,874	55,217	132,344
Unassigned	(648,995)	(379,464)	(504,312)	(321,812)	(383,215)	(147,000)	(146,999)	0	0	0
Total	<u>\$ (536,866)</u>	<u>\$ (247,524)</u>	<u>\$ (364,864)</u>	<u>\$ (188,746)</u>	<u>\$ (228,731)</u>	<u>\$ 6,779</u>	<u>\$ 23,219</u>	<u>\$ 152,780</u>	<u>\$ 165,458</u>	<u>\$ 262,314</u>

Years prior to 2011 have been restated to comply with GASB Statement No. 54

* - The Agency's General Fund

Kansas Department of Transportation
Changes in Fund Balances of Governmental Funds
(modified accrual basis of accounting)
(amounts in thousands)

	For the fiscal year ended June 30				
	2010	2011	2012	2013	2014
Revenues:					
Motor fuel taxes	\$ 280,376	\$ 283,981	\$ 286,151	\$ 274,337	\$ 293,707
Sales and use taxes	259,899	295,989	312,934	320,756	501,291
Vehicle registration & permits	175,291	178,492	177,649	198,120	211,644
Intergovernmental	508,465	676,067	492,617	445,659	523,241
Investment earnings	4,698	2,664	756	866	584
Other	9,615	6,840	13,140	22,997	7,950
Appropriations from other state funds	2,598	3,478	3,665	1,636	2,595
Total revenues	<u>1,240,942</u>	<u>1,447,511</u>	<u>1,286,912</u>	<u>1,264,371</u>	<u>1,541,012</u>
Expenditures:					
Maintenance	132,535	133,381	130,123	132,830	125,934
Preservation	145,846	235,091	365,988	397,608	378,348
Modernization	235,031	130,798	115,293	67,102	27,850
Expansion and Enhancement	183,348	238,329	258,498	247,549	272,014
Communication system	13,398	9,135	10,948	6,443	7,140
Local support	194,199	192,813	113,958	106,826	139,735
Rail, air & public transportation	14,198	19,682	43,051	14,826	19,452
Transportation Planning and Modal Support	0	0	0	0	0
Administration	69,473	63,103	63,982	69,671	55,653
Distributions to other state funds	286,447	261,759	313,402	115,366	270,382
Debt service					
Principal	78,530	82,295	65,145	67,090	80,790
Interest & fees	69,185	75,401	70,918	68,436	62,652
Total expenditures	<u>1,422,190</u>	<u>1,441,787</u>	<u>1,551,306</u>	<u>1,293,747</u>	<u>1,439,950</u>
Excess of revenues over (under) expenditures	<u>(181,248)</u>	<u>5,724</u>	<u>(264,394)</u>	<u>(29,376)</u>	<u>101,062</u>
Other financing sources (uses):					
Transfers - In	200,624	285,332	443,108	474,238	309,046
Transfers - Out	(205,656)	(310,332)	(442,232)	(474,230)	(309,046)
Sale of assets	0	0	0	0	0
Revenue bonds issued	0	325,000	0	296,250	0
Refunding bonds issued	201,132	0	0	200,000	0
Payment to refunded bonds escrow agent	0	0	0	(186,227)	0
Premium on bond issuance	0	0	0	85,738	0
Demand bonds	0	0	0	0	0
Total other financing sources (uses)	<u>196,100</u>	<u>300,000</u>	<u>876</u>	<u>395,769</u>	<u>0</u>
	<u>14,852</u>	<u>305,724</u>	<u>(263,518)</u>	<u>366,393</u>	<u>101,062</u>
Other changes in fund balances:					
Change in reserve for materials and supplies inventory	<u>3,283</u>	<u>(760)</u>	<u>971</u>	<u>(578)</u>	<u>(380)</u>
Net change in fund balances	<u>\$ 18,135</u>	<u>\$ 304,964</u>	<u>\$ (262,547)</u>	<u>\$ 365,815</u>	<u>\$ 100,682</u>
Debt service as a percentage of noncapital expenditures	<u>17.9%</u>	<u>12.6%</u>	<u>9.6%</u>	<u>11.3%</u>	<u>11.4%</u>

*-In fiscal year 2018, the Department changed its budget program structure, and some expenditures previously included in the Local Support and Rail, air & public transportation programs now appear in the Transportation Planning and Modal Support program.

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Kansas Department of Transportation
Changes in Fund Balances of Governmental Funds
(modified accrual basis of accounting)
(amounts in thousands)

	For the fiscal year ended June 30				
	2015	2016	2017	2018*	2019
Revenues:					
Motor fuel taxes	\$ 288,303	\$ 300,408	\$ 299,587	\$ 303,507	\$ 308,435
Sales and use taxes	512,360	519,239	513,533	530,765	532,756
Vehicle registration & permits	218,788	214,428	219,710	218,765	223,273
Intergovernmental	399,932	350,731	426,852	404,818	444,494
Investment earnings	1,059	1,832	1,245	4,831	14,226
Other	7,853	11,730	10,930	12,308	8,639
Appropriations from other state funds	2,196	4,563	4,272	1,101	51,226
Total revenues	1,430,491	1,402,931	1,476,129	1,476,095	1,583,049
Expenditures:					
Maintenance	133,608	117,789	116,294	131,099	129,930
Preservation	432,941	329,371	329,827	210,364	333,429
Modernization	19,528	38,145	35,699	46,580	43,025
Expansion and Enhancement	344,574	369,812	254,961	140,191	77,266
Communication system	5,508	4,161	4,902	4,629	5,406
Local support	151,971	190,321	187,188	130,510	81,230
Rail, air & public transportation	16,556	19,809	23,432	0	0
Transportation Planning and Modal Support	0	0	0	56,188	73,566
Administration	53,443	53,860	49,740	45,995	47,319
Distributions to other state funds	430,519	528,535	516,763	530,715	473,872
Debt service					
Principal	90,065	102,670	107,310	108,285	116,635
Interest & fees	72,708	78,011	88,246	89,155	93,987
Total expenditures	1,751,421	1,832,484	1,714,362	1,493,711	1,475,665
Excess of revenues over (under) expenditures	(320,930)	(429,553)	(238,233)	(17,616)	107,384
Other financing sources (uses):					
Transfers - In	521,050	698,528	197,413	510,125	380,659
Transfers - Out	(521,050)	(698,528)	(197,413)	(469,086)	(377,927)
Sale of assets	0	0	0	0	1,982
Revenue bonds issued	250,000	400,000	0	200,000	173,035
Refunding bonds issued	212,875	190,875	0	0	0
Payment to refunded bonds escrow agent	0	(223,778)	0	0	0
Premium on bond issuance	48,629	122,880	0	42,212	26,962
Demand bonds	0	0	147,000	0	0
Total other financing sources (uses)	511,504	489,977	147,000	283,251	204,711
	190,574	60,424	(91,233)	265,635	312,095
Other changes in fund balances:					
Change in reserve for materials and supplies inventory	(518)	1,133	1,017	(1,348)	(1,171)
Net change in fund balances	\$ 190,056	\$ 61,557	\$ (90,216)	\$ 264,287	\$ 310,924
Debt service as a percentage of noncapital expenditures	11.3%	12.0%	13.6%	14.9%	14.4%

*-In fiscal year 2018, the Department changed its budget program structure, and some expenditures previously included in the Local Support and Rail, air & public transportation programs now appear in the Transportation Planning and Modal Support program.

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Kansas Department of Transportation
Motor Fuel Taxes - Revenue Base and Rates

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue Base Information (gallons in thousands)											
Gasoline**	Gallons sold	1,338,222	1,241,059	1,238,176	1,171,577	1,209,576	1,279,876	1,207,880	1,153,667	1,320,296	1,211,488
Motor carrier	Trip permits	22,688	24,450	25,183	21,944	21,718	24,125	20,907	21,097	22,561	22,936
Diesel	Gallons sold	432,469	462,188	503,218	440,541	540,691	490,196	409,562	417,824	476,179	456,551
Liquid petroleum	Gallons sold	784	671	700	1,465	1,215	2,411	7,019	5,943	8,730	8,874

Some previously reported amounts above are routinely updated for late filings and other needed corrections.

Revenue Rate Information											
Gasoline	Cents per gallon	24	24	24	24	24	24	24	24	24	24
E-85	Cents per gallon	17	17	17	17	17	17	17	17	17	17
Motor carrier	Per permit	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00
Diesel	Cents per gallon	26	26	26	26	26	26	26	26	26	26
Liquid petroleum	Cents per gallon	23	23	23	23	23	23	23	23	23	23

(A) - Separate E-85 rates began January 1, 2007

** - includes gasohol

Source: Revenue base information provided by Kansas Department of Revenue
Revenue rate information derived from Kansas Statutes

Kansas Department of Transportation
Motor Fuel Taxes - Receipts and Distribution
(amounts in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gasoline	\$ 310,039	\$ 313,554	\$ 309,018	\$ 296,872	\$ 308,771	\$ 311,005	\$ 323,678	\$ 339,726	\$ 343,021	\$ 340,205
E-85	201	312	297	162	119	96	63	88	105	297
Motor carrier stations	295	318	327	285	313	340	272	301	294	361
Diesel (dealers)	109,397	115,504	117,922	111,689	124,600	120,593	119,445	108,395	109,665	110,445
Interstate motor fuel	11,998	10,829	11,343	10,400	11,401	10,829	9,940	11,942	10,147	11,100
Liquid petroleum	182	157	163	201	277	463	1,144	1,664	2,003	2,041
Total motor fuel tax receipts	432,112	440,674	439,070	419,609	445,481	443,326	454,542	462,116	465,235	464,449
Refunds	7,541	4,443	4,021	4,257	3,640	3,768	3,742	3,808	3,552	3,632
Ethyl Alcohol Incentive Fund	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	0
Net receipts to KDOT	421,071	432,731	431,549	411,852	438,341	436,058	447,300	454,808	458,183	460,817
Distributed to agency funds:										
Special City and County Highway Fund	139,106	143,027	142,630	136,006	144,914	144,146	147,927	150,452	151,587	152,473
County Equalization & Adjustment Fund	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Net to State Highway Fund*	<u>\$ 279,465</u>	<u>\$ 287,204</u>	<u>\$ 286,419</u>	<u>\$ 273,346</u>	<u>\$ 290,927</u>	<u>\$ 289,412</u>	<u>\$ 296,873</u>	<u>\$ 301,856</u>	<u>\$ 304,096</u>	<u>\$ 305,844</u>

* - The agency's general fund

Source: Kansas Department of Revenue

Note: This data is presented to fulfill continuing disclosure requirements.

Kansas Department of Transportation
Motor Fuel Taxes - Principal Remitters

	2019			2010		
	Tax Remitted	Rank	Percentage of Total Taxes	Tax Remitted	Rank	Percentage of Total Taxes
<u>Remitter</u>	<u>(thousands)</u>		<u>Remitted</u>	<u>(thousands)</u>		<u>Remitted</u>
Firm X	\$ 56,517	1	12.68%	\$ -	-	-
Firm D	40,908	2	9.18%	19,901	4	4.73%
Firm H	31,574	3	7.09%	21,259	3	5.06%
Firm B	30,391	4	6.82%	30,601	2	7.28%
Firm Y	22,246	5	4.99%	-	-	-
Firm W	21,455	6	4.81%	-	-	-
Firm V	15,689	7	3.52%	-	-	-
Firm BB	9,405	8	2.11%	-	-	-
Firm E	8,607	9	1.93%	18,167	5	4.32%
Firm CC	8,156	10	1.84%	-	-	-
Firm A	-	-	-	49,661	1	11.81%
Firm G	-	-	-	15,975	6	3.80%
Firm R	-	-	-	14,337	7	3.41%
Firm C	-	-	-	12,508	8	2.98%
Firm S	-	-	-	9,952	9	2.37%
Firm T	-	-	-	7,953	10	1.88%
Total	<u>\$ 244,948</u>		<u>54.97%</u>	<u>\$ 200,314</u>		<u>47.64%</u>

Source: Information provided by Kansas Department of Revenue

Kansas Department of Transportation
Vehicle Registration Fee Schedule
For the Fiscal Year Ended June 30, 2019

Vehicle Category	Lowest		Highest	
	Fee	Weight Class	Fee	Weight Class
Passenger vehicles	\$ 30	0-4,500 lbs.	\$ 40	4,500+ lbs.
Regular trucks, operated more than 6,000 miles per year	40	0-12,000 lbs.	2,070	80-85,500 lbs.
Regular trucks, operated 6,000 miles or less per year	162	12-16,000 lbs.	1,145	80-85,500 lbs.
Local trucks	162	12-16,000 lbs.	1,145	80-85,500 lbs.
Farm trucks	57	12-16,000 lbs.	745	66,000+ lbs.
Custom harvesting farm trucks	82	12-16,000 lbs.	1,145	80-85,500 lbs.
Trailers, mobile homes	35	0-8,000 lbs.	55	12,000+ lbs.
		Number of Passengers		Number of Passengers
Buses	\$ 35	8-30	\$ 80	40+
	Flat Fee			
Motorized Bicycles	\$ 11			
Motorcycles	16			
Personalized Plates	40			
Antiques	40			
Special Interest Vehicles	26			
Modernization Surcharge per Vehicle	4			

Source: Information derived from Kansas Statutes

Note: This data is presented to fulfill continuing disclosure requirements.

Kansas Department of Transportation
Vehicle Registrations, Drivers' Licenses and Vehicle Permits
For the Fiscal Year Ended June 30
(amounts in thousands)

Fiscal Year	Vehicle Registration Fees*	Drivers' License*	Special Vehicle Permits	Total
2010	\$ 166,178	\$ 7,490	\$ 1,623	\$ 175,291
2011	167,386	8,999	2,107	178,492
2012	166,316	8,844	2,489	177,649
2013	186,962	8,755	2,403	198,120
2014	201,051	7,959	2,634	211,644
2015	208,935	7,090	2,763	218,788
2016	204,363	7,787	2,278	214,428
2017	208,159	8,843	2,708	219,710
2018	207,621	8,539	2,605	218,765
2019	210,704	8,872	3,697	223,273

Distribution: Vehicle Registration Fees and Special Vehicle Permits are retained 100% by the State Highway Fund. Drivers' Licenses are statutorily allocated between the Kansas Department of Transportation, the Kansas Highway Patrol and the Kansas Department of Education.

* - Net of refunds

Source: Kansas Department of Revenue

Note: This data is presented to fulfill continuing disclosure requirements.

Kansas Department of Transportation
Retailers' Sales Tax and Compensating Use Tax Rates
For the Fiscal Year Ended June 30

Fiscal Year	Total State Tax Rate	Daily Direct <u>Deposit to SHF*</u>		Other Reductions
		Ratio	Percent	
2010	5.30%	13/106	12.264%	--
2011	6.30%	--	11.427%	--
2012	6.30%	--	11.260%	--
2013	6.30%	--	11.233%	--
2014	6.15%	--	17.073%	--
2015	6.15%	--	17.073%	--
2016	6.50%	--	16.226%	--
2017	6.50%	--	16.154%	--
2018	6.50%	--	16.154%	--
2019	6.50%	--	16.154%	--

Effective in FY 2011, the legislature changed from using ratios to using a percentage of the Total Sales Tax Rate to calculate the Daily Direct Deposit to the SHF. Historic ratios above have been converted to percentages for comparative purposes.

* - State Highway Fund (the Agency's general fund)

Note: The Retailers' Sales Tax and Compensating Use Tax rates are equal.

Note: This data is presented to fulfill continuing disclosure requirements.

Source: Kansas Statutes

Kansas Department of Transportation
 Retailers' Sales Tax and Compensating Use Tax Deposits
 For the Fiscal Year Ended June 30
 (amounts in thousands)

Fiscal Year	<u>Deposits to State General Fund</u>		<u>Deposits to State Highway Fund (agency's general fund)</u>
	<u>Sales Tax</u>	<u>Compensating Use Tax</u>	<u>Direct Deposit Sales & Compensating Use Tax</u>
2010	\$ 1,652,037	\$ 205,540	\$ 259,445
2011	1,965,388	287,730	292,641
2012	2,136,353	325,339	312,358
2013	2,184,573	340,044	319,382
2014	2,102,239	344,017	485,314
2015	2,132,777	352,176	511,586
2016	2,273,941	384,992	517,698
2017	2,285,870	384,654	514,519
2018	2,341,693	406,514	529,863
2019	2,335,436	431,967	533,400

Source: Kansas Department of Revenue

Note: This data is presented to fulfill continuing disclosure requirements.

Kansas Department of Transportation
Ratios of Outstanding Debt and Debt Margin Information
For the Fiscal Year Ended June 30
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Ratios of Outstanding Debt			Debt Margin Information			
	Total Principal Debt Outstanding	Percentage of Personal Income*	Per Capita*	Statutory Limitation	Applicable Debt Issued	Legal Debt Margin	Ratio of Debt Issued
Governmental activities							
2010	\$ 1,582,620	1.40%	\$ 557	\$ 2,162,000	\$ 2,162,000	none	100%
2011	1,801,549	1.55%	627	see note below*			
2012	1,689,457	1.40%	585				
2013	1,819,278	1.43%	629				
2014	1,723,221	1.30%	593				
2015	1,892,105	1.42%	650				
2016	2,273,923	1.61%	782				
2017	2,141,494	1.54%	735				
2018	2,248,707	1.54%	772				
2019	2,303,440	N/A	N/A				

Calculation of Legal Debt Margin for Fiscal Year 2019

Current State Highway Fund revenues net of	
Distributions to other state funds	\$ 1,097,873
Maximum allowable annual Debt Service 18%	197,617
Maximum annual debt service on existing debt	207,847
Additional annual debt service allowed	0
Estimated additional debt available to be issued	0

Prior to FY 2011, the statutory limitation was on a specified amount of new money bonds. Commencing in FY 2011, the focus of the statutory limitation changed. The Department is currently authorized to issue additional bonds so long as the debt service in the current or any future fiscal year does not exceed eighteen percent of the State Highway Fund revenues.

Business-type activities							
2010	\$ 88,607	0.08%	\$ 31				
2011	81,235	0.07%	28				
2012	73,619	0.06%	26				
2013	59,423	0.05%	21				
2014	53,020	0.04%	18				
2015	46,992	0.04%	16				
2016	27,498	0.02%	9				
2017	16,423	0.01%	6				
2018	399	0.00%	0				
2019	0	N/A	N/A				

Calculation of Legal Debt Margin for Fiscal Year 2019

There are no dollar limitations on the debt that can be issued by the Transportation Revolving Fund or the Communication System Revolving Fund.

Total primary government							
2010	\$ 1,671,227	1.48%	\$ 588				
2011	1,882,784	1.62%	656				
2012	1,763,076	1.46%	611				
2013	1,878,701	1.48%	649				
2014	1,776,241	1.34%	611				
2015	1,939,097	1.46%	666				
2016	2,301,421	1.64%	791				
2017	2,157,917	1.56%	741				
2018	2,249,106	1.54%	772				
2019	2,303,440	N/A	N/A				

Amounts include unamortized premium (discount) and unamortized deferred refunding difference.

N/A - Not available

* - See following demographic and economic schedules for personal income and population data (not yet available for 2018).

Kansas Department of Transportation
Highway Revenue Bond Coverage
For the Fiscal Year Ended June 30
(amounts in thousands)

Fiscal Year	Revenues Available for Debt Service	Bond Service Charges			Coverage
		Principal	Interest	Total	
2010	\$ 728,725	\$ 99,930	\$ 74,476	\$ 174,406	418%
2011	766,774	104,885	80,692	185,577	413%
2012	789,453	109,970	63,931	173,901	454%
2013	815,774	107,385	83,649	191,034	427%
2014	1,502,254	103,310	47,917	151,227	993%
2015	1,390,809	113,405	80,252	193,657	718%
2016	1,367,151	102,670	78,124	180,794	756%
2017	1,437,279	107,310	88,380	195,690	734%
2018	1,443,718	108,285	89,303	197,588	731%
2019	1,554,952	116,974	94,067	211,041	737%

Note: Revenues available for debt service are defined by resolution as all monies (including motor fuel taxes, state sales tax and compensating use taxes, drivers' licenses and vehicle registration fees, and reimbursements received from the federal government), transferred to, or credited to the State Highway Fund except for monies, the use of which is restricted by law from paying debt service on the bonds.

The 1999 resolution provided that any reimbursements received from local governments be excluded from revenue available for debt service.

Kansas Department of Transportation
Demographic and Economic Statistics
For the Fiscal Year Ended June 30

Fiscal Year	Estimated Population as of July 1 ⁽¹⁾	Personal Income (amounts in thousands)	Per capita Personal Income ⁽²⁾	Unemployment Rate ⁽³⁾
2010	2,841,121	\$ 112,897,625	\$ 39,737	6.5%
2011	2,871,238	116,230,585	40,481	6.7%
2012	2,885,905	120,731,836	41,835	6.2%
2013	2,893,957	127,091,016	43,916	5.8%
2014	2,904,021	132,266,540	45,546	5.1%
2015	2,911,641	133,574,443	45,876	4.7%
2016	2,907,289	141,111,086	48,537	3.8%
2017	2,913,123	138,672,947	47,603	3.7%
2018	2,911,505	146,027,800	50,155	3.4%
2019	N/A	N/A	N/A	3.4%

N/A - Not Available

Data sources

⁽¹⁾ U.S. Bureau of the Census

⁽²⁾ U.S. Department of Commerce (calendar year data)

⁽³⁾ State of Kansas Department of Labor, Kansas Labor Market Information
Services

Kansas Department of Transportation
Principal Employers
Current Year and Ten Years Ago

<u>Employer</u>	<u>2018*</u>			<u>2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
State Government (includes Universities)	40,068	1	3.00%	-	-	-
State Government (excludes Regents)	-	-	-	22,375	1	1.57%
Wal-Mart Associates, Inc.	20,755	2	1.60%	-	-	-
Sprint Aerosystems Inc.	11,500	3	0.90%	8,000	4	0.56%
University of Kansas Hospital Authority	9,500	4	0.70%	-	-	-
KU and KUMC	-	-	-	12,125	2	0.85%
Dillons Companies Inc.	9,500	5	0.70%	-	-	-
Textron Aviation Inc.	9,000	6	0.70%	-	-	-
USD 259 (Wichita Public Schools)	7,500	7	0.60%	-	-	-
National Beef Packing Company	6,500	8	0.50%	-	-	-
Sprint Corp.	6,500	9	0.50%	9,000	3	0.63%
USD 233 (Olathe Public Schools)	5,500	10	0.40%	-	-	-
Embarq Corp.	-	-	-	5,000	5	0.35%
Via Christi Regional Medical Ctr.	-	-	-	4,000	7	0.28%
Hawker Beechcraft Corp.	-	-	-	3,000	8	0.21%
Royal Caribbean Cruises Ltd.	-	-	-	4,900	6	0.34%
Performance Contracting Inc.	-	-	-	2,900	9	0.20%
Stormont-Vail Healthcare Inc.	-	-	-	2,871	10	0.20%
Total	<u>126,323</u>		<u>9.60%</u>	<u>74,171</u>		<u>5.19%</u>

Source: 2018 from Kansas Department of Labor, Unemployment Insurance, ReferenceUSA.com, bloomberg.com, budget.ks.gov, and individual company websites.

2009 from State of Kansas, Comprehensive Annual Financial Report for Fiscal Year 2009

* Note: Information for FY 2019 is not available.

Kansas Department of Transportation
Department Workforce
For the Fiscal Year Ended June 30

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Maintenance and construction	2,484.5	2,483.5	2,367.0	2,315.0	2,230.0	2,223.5	2,054.5	1,880.0	1,913.3	1,905.5
Local support	62.0	63.0	55.0	49.0	51.0	51.0	45.0	42.0	18.0	18.0
Administration	-	-	-	-	-	-	-	-	348.0	349.5
Transportation Planning and Modal Support	-	-	-	-	-	-	-	-	76.0	78.0
General government	<u>567.0</u>	<u>567.0</u>	<u>494.5</u>	<u>465.5</u>	<u>456.5</u>	<u>463.0</u>	<u>416.1</u>	<u>388.0</u>	<u>-</u>	<u>-</u>
Total authorized positions	<u><u>3,113.5</u></u>	<u><u>3,113.5</u></u>	<u><u>2,916.5</u></u>	<u><u>2,829.5</u></u>	<u><u>2,737.5</u></u>	<u><u>2,737.5</u></u>	<u><u>2,515.6</u></u>	<u><u>2,310.0</u></u>	<u><u>2,355.3</u></u>	<u><u>2,351.0</u></u>

Note - The Department changed its budget program structure in FY 2018, and some employees previously included in the Local Support and General Government programs now appear in the Transportation Planning and Modal Support program.

Kansas Department of Transportation
Operating Indicators
For Calendar Year

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Maintenance and preservation										
Daily vehicle miles traveled										
Total state	81,916,438	82,250,374	83,530,221	82,760,987	84,135,915	85,970,381	87,711,855	88,248,910	88,192,458	N/A
State Highway System	26,747,853	26,874,672	27,146,989	26,843,637	27,535,711	27,583,783	28,345,332	28,647,719	28,701,016	N/A
General government										
Accidents (state wide)	60,659	60,057	58,005	58,255	58,527	60,391	61,854	58,792	64,882	N/A
Fatalities (state wide)	431	386	405	350	385	355	429	407	403	N/A
Rail, air and public transportation										
Activity at Kansas airports with commercial service										
Total enplanements	845,412	863,674	854,866	860,472	886,497	893,169	897,227	915,739 *	N/A	N/A
Landings & takeoffs	395,439	412,348	467,609	441,286	419,908	356,525	494,725	661,920 *	N/A	N/A
Public transit programs (fiscal year)										
Counties with public transit service available	93	87	87	83	84	85	85	85	87	86
Ridership - rural operators	2,912,436	2,796,751	2,888,508	2,916,435	2,968,108	3,026,841	2,669,267	2,530,940	2,525,569	2,516,503

N/A - Not Available

* - Updated

Kansas Department of Transportation
Capital Asset Statistics
For Calendar Year

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Maintenance and preservation										
Center lane miles										
Total state	140,653	140,513	140,613	140,687	140,476	140,654	142,046	142,054	142,201	N/A
State Highway System	9,503	9,503	9,480	9,463	9,461	9,405	9,414	9,414	9,414	N/A
Bridges										
Total state	25,279	25,257	25,162	25,062	24,969	24,894	24,883	24,786	24,932	N/A
State Highway System	5,063	5,092	5,128	5,137	5,140	5,090	5,112	5,121	5,128	N/A
Rail, air and public transportation										
Aircraft based at Kansas airports with commercial service	660	639	618	614	607	617	876	946	N/A	N/A
Public transit programs (fiscal year)										
Vehicles operated at year end	777	782	776	762	753	749	768	747	730	763

N/A - Not Available



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

Secretary of Transportation
Kansas Department of Transportation
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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kansas Department of Transportation (the Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 16, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Broomfield, Colorado
September 16, 2019