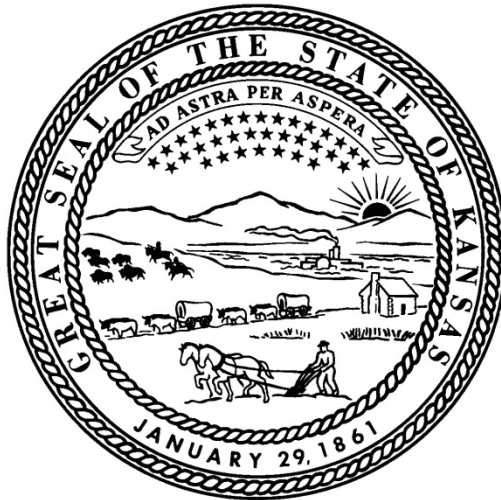


**STATE OF KANSAS**  
**Department of Administration**  
**Division of Accounts and Reports**

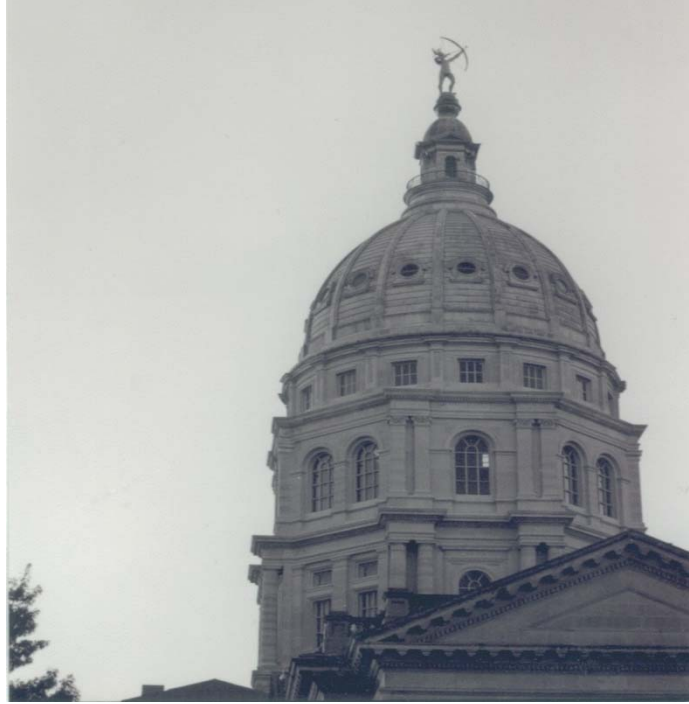


**COMPREHENSIVE**  
**ANNUAL**  
**FINANCIAL**  
**REPORT**

July 1, 2008 to June 30, 2009

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**Duane A. Goossen, Secretary**  
**Kent E. Olson, Director**



# **STATE OF KANSAS**

## **Department of Administration**

*Duane A. Goossen*

**Secretary  
of  
Administration**

*Kent E. Olson*

**Director  
of  
Accounts and Reports**

State of Kansas  
**Fiscal Year 2009 Financial Report**  
June 30, 2009

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# INTRODUCTION

December 31, 2009

The Honorable Mark Parkinson, Governor of the State of Kansas  
Members of the Legislature and  
Citizens of the State of Kansas:

It is my pleasure to submit to you the 56<sup>th</sup> Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2009, as provided by Kansas Statutes Annotated (K.S.A.) 75-3735. This Comprehensive Annual Financial Report (CAFR) has been prepared in conformance with generally accepted accounting principles (GAAP). The objective of this is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

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

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

The State's financial statements have been audited by Allen, Gibbs & Houlik, L.C. and Berberich Trahan & Co., P. A., two firms of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State of Kansas for the fiscal year ended June 30, 2009, are free of material misstatement. This independent audit was part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards here also require the auditor to report on the State of Kansas' internal controls and compliance with legal requirements. A copy of the separately issued Single Audit Report can be obtained from the Legislative Division of Post Audit.

## **PROFILE OF THE GOVERNMENT**

The State government is comprised of three branches: the Executive Branch, with the Governor as chief executive; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 125 members; and the Judicial Branch, which includes the Supreme Court, the Appeals Court and the District Trial Courts. The State provides a full range of services including education, safety, social services, recreation and transportation. The annual budget serves as the

foundation of the State's financial planning and control. On or before October 1, agencies are required to submit annually or biennially budget estimates for the next fiscal year to the Division of Budget. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However, in the case of the regular legislative session immediately following the election of a governor, who was elected to the Office of Governor for the first time, that governor must submit the budget report to the Legislature on or before the 21<sup>st</sup> calendar day of that regular session.

## **FINANCIAL INFORMATION**

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

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

## **CASH MANAGEMENT**

On a daily basis, the State monitors receipts to, and expenditures out of, the State Treasury. It also employs cash flow tools and techniques that maximize revenues without incurring undue risk. The State invests idle funds to match anticipated cash flow needs by using government securities, collateralized bank deposits, and high grade commercial paper to provide safety, liquidity, and yield, in that order. As a cash flow management policy, the State seeks to avoid borrowing from its own idle funds to meet expenditure obligations of the State General Fund.

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



## **RISK MANAGEMENT**

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

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

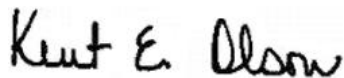
## **PENSION TRUST FUND OPERATIONS**

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

## **ACKNOWLEDGEMENTS**

I wish to express my deepest appreciation and thanks to those on my staff responsible for the preparation of this report. It is through their dedicated effort that this report was made possible. I also wish to thank the many other individuals in the State agencies whose contributions made this report possible.

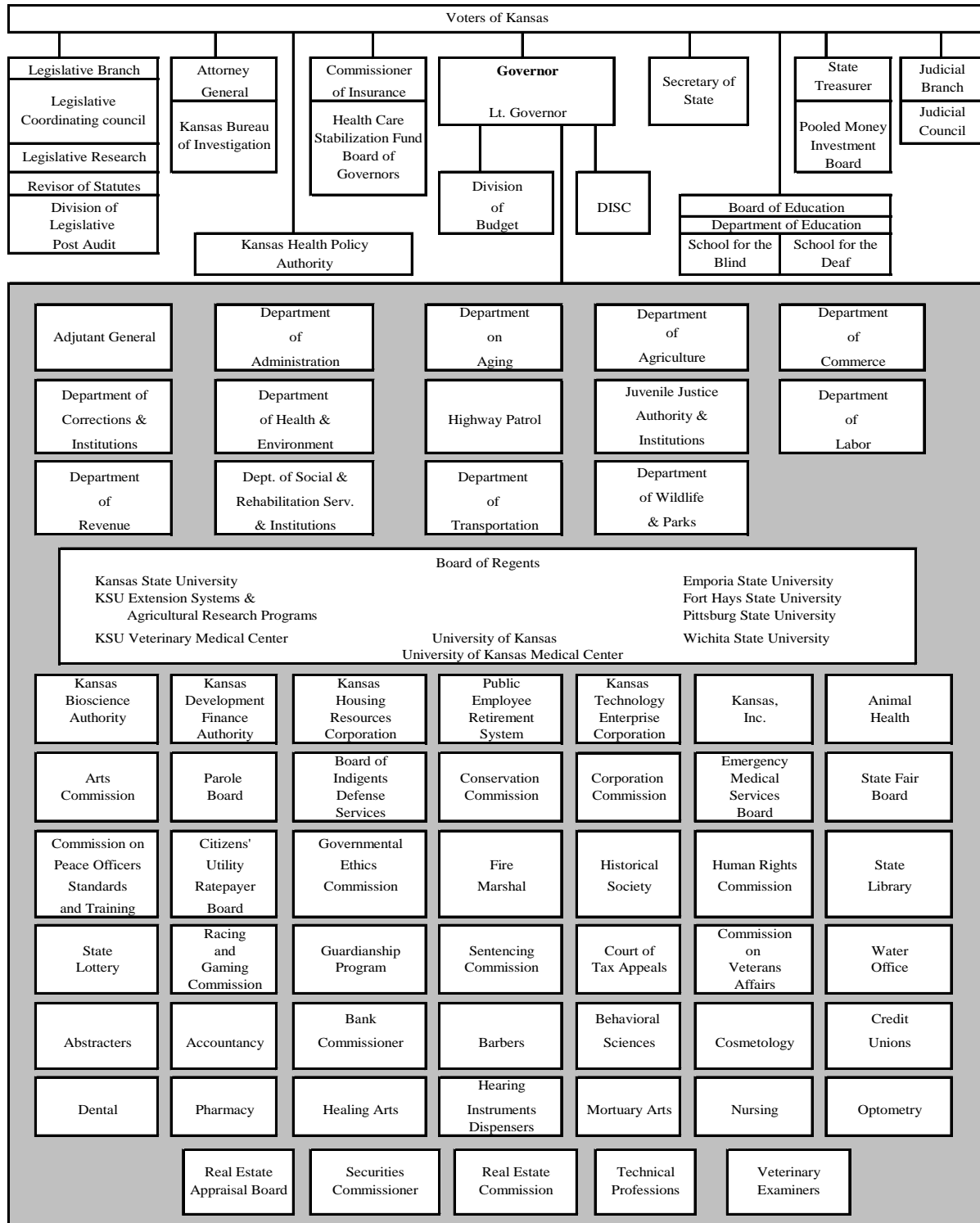
Sincerely,



Kent E. Olson, Director  
Division of Accounts and Reports

State of Kansas  
**Organizational Chart**  
June 30, 2009

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State of Kansas  
**List of Selected Officials**  
June 30, 2009

---

**Executive Branch**

*Governor*  
Mark Parkinson

*Lieutenant Governor*  
Troy Findley

*Secretary of State*  
Ron Thornburgh

*State Treasurer*  
Dennis McKinney

*Attorney General*  
Stephen N. Six

*Commissioner of  
Education*  
Diane DeBacker

*Commissioner of  
Insurance*  
Sandy Praeger

**Legislative Branch**

*Speaker of the House of  
Representatives*  
Michael O'Neal

*Speaker Pro Tempore of  
the House of  
Representatives*  
Arlen Siegfried

*President of the Senate*  
Stephen R. Morris

*Vice President of the  
Senate*  
John Vratil

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

*Secretary of Senate*  
Pat Saville

*Legislative Coordinating  
Council*  
Stephen R. Morris

*Legislative Research*  
Alan Conroy

**Judicial Branch**

*Supreme Court of Kansas*  
*Chief Justice*  
Robert E. Davis

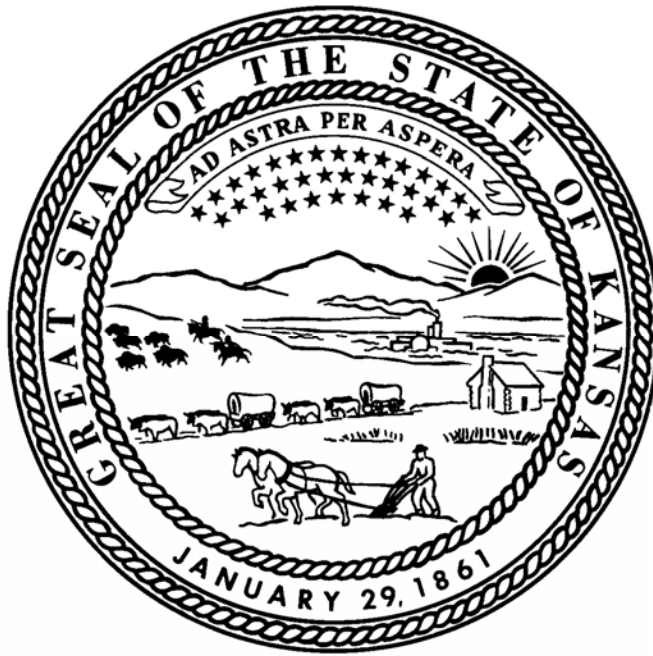
*Justices*  
Lee A. Johnson  
Carol A. Beier  
Robert E. Davis  
Eric S. Rosen  
Marla J. Luckert  
Lawton R. Nuss  
Dan Biles

*Court of Appeals*  
*Chief Judge*  
Gary W. Rulon

*Judicial Council*  
*Executive Director*  
Randy M. Hearrell

*Judicial Administrator*  
Howard P. Schwartz

**FINANCIAL**  
**SECTION**



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## INDEPENDENT AUDITOR'S REPORT

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (State), as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the various component units of the six state universities, which represent 47 percent and 36 percent, respectively, of the assets and revenues of the aggregate discretely presented component units, the Kansas Technology Enterprise Corporation (KTEC) which represents less than 1 percent of the assets and revenues of the aggregate discretely presented component units, and the College Savings Program (a State Fiduciary Fund) which represents 10 percent and 4 percent, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities and the KTEC in the aggregate discretely presented component units, and the College Savings Program in the aggregate remaining fund information, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the various component units of the six state universities and the College Savings Program, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2010 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 18, the information needed to support the modified approach for infrastructure reporting on pages 105 through 106, and the other post employment benefits "schedule of funding progress" on page 106 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

*Berberich Trahan & Co. PA*  
CERTIFIED PUBLIC ACCOUNTANTS

January 8, 2010  
Wichita, Kansas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the State of Kansas Comprehensive Annual Financial Report (CAFR) is provided for readers of the financial statements for the fiscal year ended June 30, 2009. This information is to be used in conjunction with the additional information furnished in the preceding letter of transmittal and with the financial statements that follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL HIGHLIGHTS

#### Government-wide highlights:

- The assets of the State exceeded its liabilities at fiscal year ending June 30, 2009 by \$10.5 billion (presented as "net assets"). Of this amount, \$99.1 million was reported as unrestricted net assets, which represents the amount available to be used to meet ongoing obligations to citizens and creditors.
- Total net assets decreased by \$527.4 million (4.8 percent) in fiscal year 2009. Net assets of governmental activities decreased by \$215.3 million (2.2 percent), and net assets of the business-type activities decreased \$312.1 million (28.7 percent).

#### Fund highlights:

- For fiscal year 2009, the governmental funds reported a combined ending fund balance of \$148.3 million, a decrease of \$1 billion in comparison with the prior year. Of the total amount, \$459.9 million represents the fund balance of the Transportation Fund. There is negative \$1.4 billion in the "unreserved fund balances". The reserved balance of \$1.5 billion includes the reserve for advances to other funds of \$109.6 million and the reserve for encumbrances of \$1.2 billion.

#### Long-term debt:

- The State's total long-term debt obligation (including bonds payable on demand) showed a net increase of \$252.2 million (4.9 percent) during the current year. This increase was primarily due to a \$119.6 million increase in revenue bonds, a \$29.7 million decrease in STAR bonds, and a \$162.3 million increase in other long-term obligations.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Basic Financial Statements

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



## **Government-wide Financial Statements**

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

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

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

*Governmental Funds Financial Statements* - Most of the basic services provided by the State are financed through governmental type funds. Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide

State of Kansas  
**Management's Discussion and Analysis**  
June 30, 2009

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

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

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

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

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

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

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

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

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

### ***Notes to the Financial Statements***

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

### **Required Supplementary Information**

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

### **Other Supplementary Information**

#### ***Combining Financial Statements***

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of the financial position of a government. The combined net assets of the State (government and business-type activities) totaled \$10.5 billion at the end of 2009, compared to \$11.1 billion at the end of the previous year, a decrease of 4.8 percent.

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

State of Kansas  
**Management's Discussion and Analysis**  
June 30, 2009

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 2,294,844	\$ 2,777,936	\$ 1,806,533	\$ 2,008,482	\$ 4,101,377	\$ 4,786,418
Capital assets	12,236,368	11,529,174	478	364	12,236,846	11,529,538
Total assets	14,531,212	14,307,110	1,807,011	2,008,846	16,338,223	16,315,956
Non-current liabilities	2,419,034	2,520,288	946,686	846,070	3,365,720	3,366,358
Other liabilities	2,353,105	1,812,415	86,762	77,146	2,439,867	1,889,561
Total liabilities	4,772,139	4,332,703	1,033,448	923,216	5,805,587	5,255,919
Invested in capital assets, net of related debt	9,509,615	9,800,244	478	364	9,510,093	9,800,608
Restricted	143,946	87,640	779,479	1,066,936	923,425	1,154,576
Unrestricted	105,512	86,523	(6,394)	18,330	99,118	104,853
Total net assets	\$ 9,759,073	\$ 9,974,407	\$ 773,563	\$ 1,085,630	\$ 10,532,636	\$ 11,060,037

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

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

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

	Component Units	
	2009	2008
Current and other assets	\$ 3,217,714	\$ 3,617,554
Capital assets	1,740,841	1,637,466
Total assets	4,958,555	5,255,020
Non-current liabilities	942,761	894,730
Other liabilities	581,597	642,762
Total liabilities	1,524,358	1,537,492
Invested in capital assets, net of related debt	1,176,607	1,075,982
Restricted	1,124,322	1,104,706
Unrestricted	1,133,268	1,536,840
Total net assets	\$ 3,434,197	\$ 3,717,528

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**Changes in Net Assets – Primary Government**

Net assets decreased by \$527.4 million or 4.8 percent. Approximately 55.1 percent of the total revenue came from taxes, while 29.7 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 11.3 percent of the total revenues. Expenses cover a range of services. The largest expenses of total expenses were for education (41.4 percent), human resources (29.5 percent), and general government (7.6 percent).

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 836,550	\$ 646,339	\$ 525,856	\$ 530,026	\$ 1,362,406	\$ 1,176,365
Operating grants and contributions	3,381,408	3,051,325	570	1,200	3,381,978	3,052,525
Capital grants and contributions	196,008	341,706	8,883	7,912	204,891	349,618
General revenues:						
Taxes						
Property taxes	631,800	613,222	0	0	631,800	613,222
Income and inheritance taxes	2,997,595	3,431,970	0	0	2,997,595	3,431,970
Sales and excise taxes	2,883,012	2,949,551	0	0	2,883,012	2,949,551
Gross receipts taxes	138,532	138,094	0	0	138,532	138,094
Investment earnings	17,811	35,563	37,890	44,956	55,701	80,519
Other revenue	232,779	106,339	182,920	33,014	415,699	139,353
Total revenues	<u>11,315,495</u>	<u>11,314,109</u>	<u>756,119</u>	<u>617,108</u>	<u>12,071,614</u>	<u>11,931,217</u>
<b>Expenses:</b>						
General government	955,701	1,002,719	0	0	955,701	1,002,719
Human resources	3,691,535	3,279,850	0	0	3,691,535	3,279,850
Education	5,183,287	5,011,242	0	0	5,183,287	5,011,242
Public safety	754,869	742,254	0	0	754,869	742,254
Agriculture and natural resources	126,940	111,445	0	0	126,940	111,445
Highways and other transportation	437,099	848,375	0	0	437,099	848,375
Health and environment	229,198	225,740	0	0	229,198	225,740
Economic development	0	251	0	0	0	251
Interest expense	151,702	145,246	0	0	151,702	145,246
Water pollution and safety	0	0	35,479	33,794	35,479	33,794
Health care stabilization	0	0	45,641	56,030	45,641	56,030
Employment security	0	0	735,844	277,545	735,844	277,545
Workers' compensation	0	0	4,511	5,050	4,511	5,050
Lottery	0	0	165,048	171,216	165,048	171,216
Intergovernmental transfer program	0	0	102	470	102	470
Transportation revolving fund	0	0	3,384	2,681	3,384	2,681
Total expenses	<u>11,530,331</u>	<u>11,367,122</u>	<u>990,009</u>	<u>546,786</u>	<u>12,520,340</u>	<u>11,913,908</u>
Increase (decrease) in net assets before transfers	(214,836)	(53,013)	(233,890)	70,322	(448,726)	17,309
Transfers	<u>78,177</u>	<u>78,160</u>	<u>(78,177)</u>	<u>(78,160)</u>	<u>0</u>	<u>0</u>
Change in net assets	(136,659)	25,147	(312,067)	(7,838)	(448,726)	17,309
Net assets, beginning of year	9,974,407	9,964,526	1,085,630	1,094,482	11,060,037	11,059,008
Revisions to beginning net assets	(78,675)	(15,266)	0	(1,014)	(78,675)	(16,280)
Net assets, beginning of year (restated)	<u>9,895,732</u>	<u>9,949,260</u>	<u>1,085,630</u>	<u>1,093,468</u>	<u>10,981,362</u>	<u>11,042,728</u>
Net assets, end of year	<u>\$ 9,759,073</u>	<u>\$ 9,974,407</u>	<u>\$ 773,563</u>	<u>\$ 1,085,630</u>	<u>\$ 10,532,636</u>	<u>\$ 11,060,037</u>

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**Changes in Net Assets – Component Units**

Component unit net assets decreased by \$283.3 million or 7.6 percent. Charges for various goods and services provided 58.7 percent of the total revenues. Approximately 38.6 percent of the total revenue came from other revenue, while 21.5 percent resulted from grants and contributions (including federal aid). Expenses cover a range of services and are shown below by component unit below.

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

	Component Units	
	2009	2008
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,108,949	\$ 976,344
Operating grants and contributions	405,158	312,619
Capital grants and contributions	90	0
General revenues:		
Taxes		
Gross receipts taxes	1,158	943
Investment earnings	(354,971)	(2,098)
Other revenue	728,825	702,413
Total revenues	<u>1,889,209</u>	<u>1,990,221</u>
<b>Expenses:</b>		
Kansas Development Finance Authority	1,303	1,277
Kansas Technology Enterprise Corp.	16,275	16,501
Kansas Bioscience Authority	13,147	8,983
State University System	2,051,503	1,725,676
Kansas Housing Resources Corp.	88,436	75,193
Total expenses	<u>2,170,664</u>	<u>1,827,630</u>
Change in net assets	(281,455)	162,591
Net assets, beginning of year	3,717,528	3,563,222
Revisions to beginning net assets	<u>(1,876)</u>	<u>(8,285)</u>
Net assets, beginning of year (restated)	3,715,652	3,554,937
Net assets, end of year	<u><u>\$ 3,434,197</u></u>	<u><u>\$ 3,717,528</u></u>

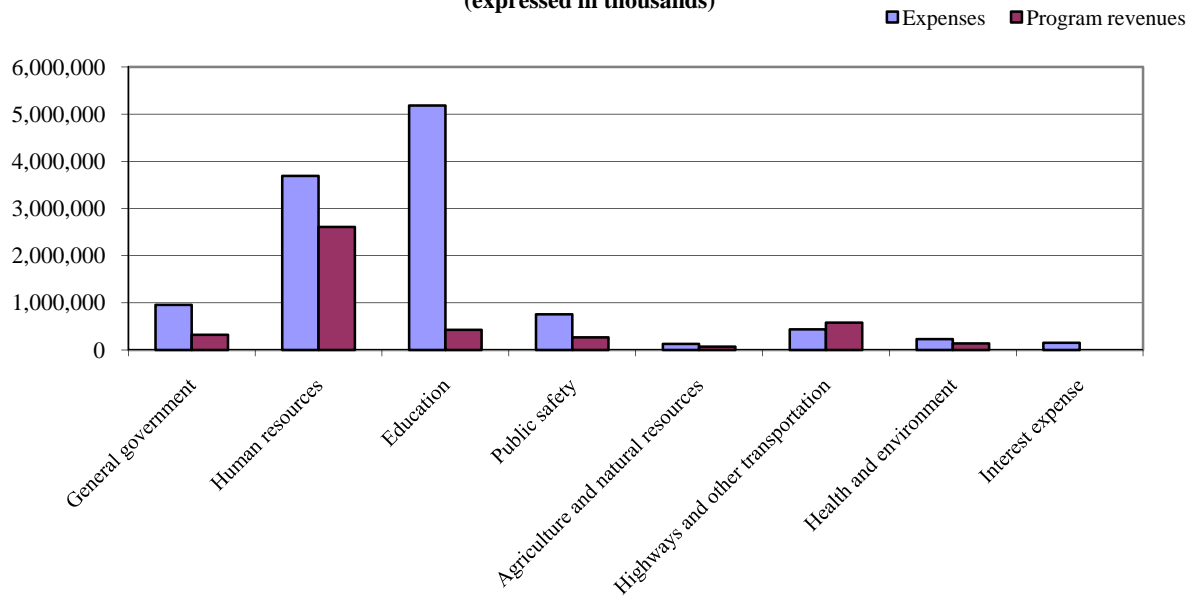
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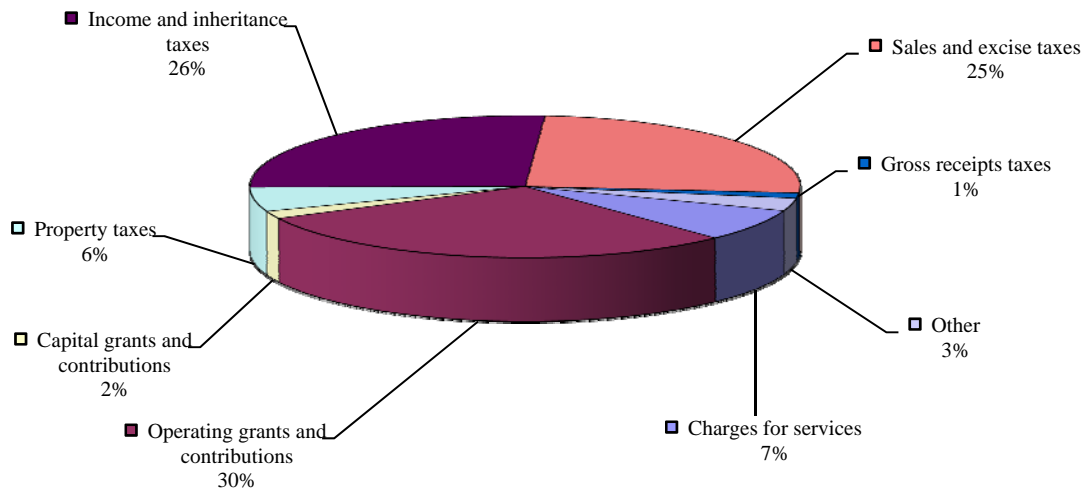
**Governmental Activities**

Governmental activities decreased net assets by \$215.3 million in fiscal year 2009. For the State's governmental activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Governmental Activities**  
**Fiscal Year Ended June 30, 2009**  
(expressed in thousands)

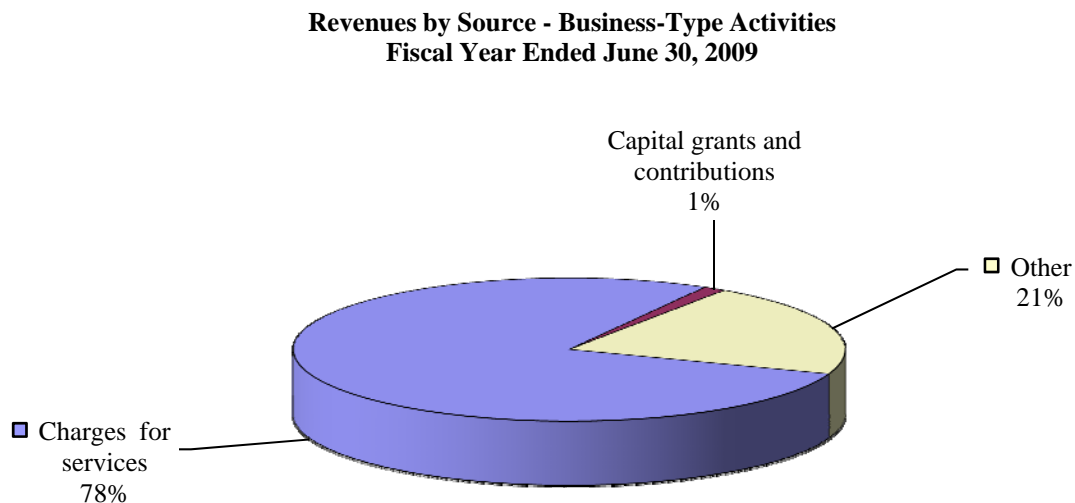
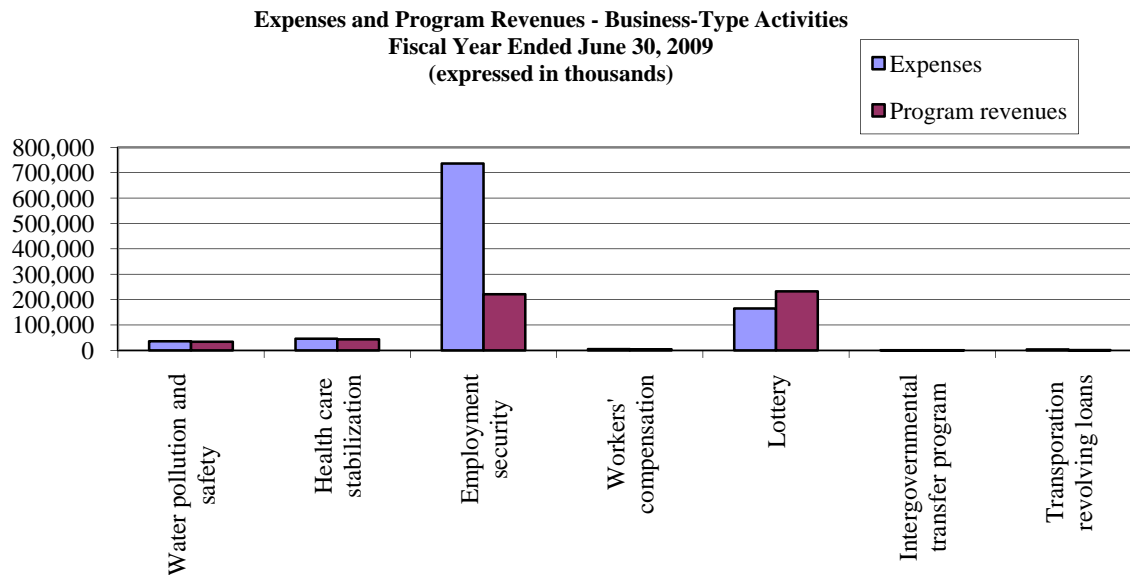


**Revenues by Source - Governmental Activities**  
**Fiscal Year Ended June 30, 2009**



### Business-Type Activities

The State's business-type activities decreased the net assets of the State by \$312.1 million. For the State's business-type activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

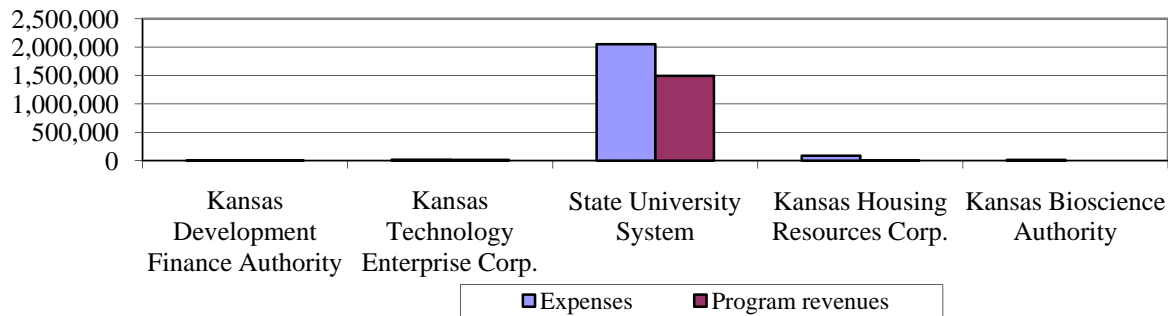




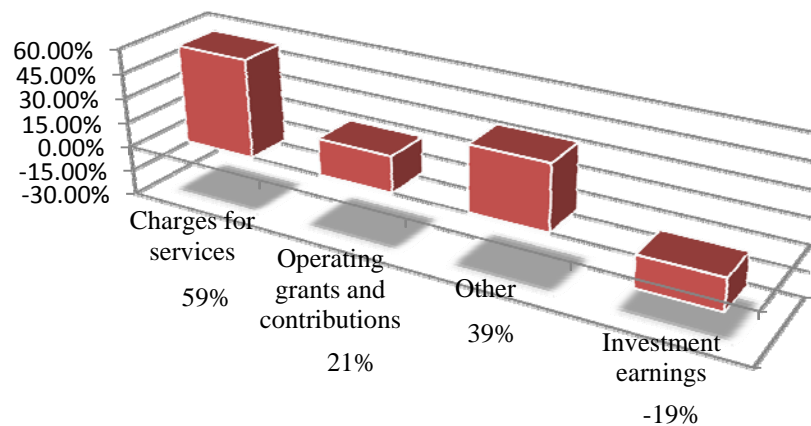
### Component Units

The State's component units decreased the net assets of the State by \$283.3 million. For the State's component units a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Component Units**  
**Fiscal Year Ended June 30, 2009**  
(expressed in thousands)



**Revenues by Source - Component Units**  
**Fiscal Year Ended June 30, 2009**



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

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

### **Governmental Funds**

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

For fiscal year 2009, the governmental funds reported a combined ending fund balance of \$148.3 million, a decrease of \$1 billion in comparison with the prior year. Part of this fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year in the amount of \$1.2 billion and for advances in the amount of \$109.6 million.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was a negative \$201 million, while the total fund balance reached a negative \$176.3 million. During fiscal year 2009 the State experienced a revenue decline in income and inheritance taxes and also in sales and excise taxes. As a result, the cash balance is approximately \$371 million lower in fiscal year 2009 than it was in fiscal year 2008. As a measure of liquidity of the General Fund, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents a negative 3.0 percent of total General Fund expenditures, while total fund balance represents a negative 2.6 percent of that same amount. The fund balance in the General Fund decreased by \$598.4 million during the current fiscal year.

### **Proprietary Funds**

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

As discussed in the business-type activities above, the State's net assets decreased by \$312.1 million as a result of operations in the proprietary funds. This decrease resulted from the \$319.7 million decrease in net assets of the Unemployment Insurance Fund. As the economy slowed and unemployment increased, a greater demand was placed on the Fund during the fiscal year.

### **Component Unit Funds**

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

The State's component unit net assets decreased by \$283.3 million. Most of this decrease resulted from the State University System with a decrease of \$303.0 million and the Kansas Bioscience Authority with an increase of \$24.2 million in net assets. The other three component units accounted for \$4.6 million decrease in net assets.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences existed between the original budget and the final budget. Revenue estimates were reduced by approximately \$311.2 million and expenditure estimates were reduced by approximately \$255.2 million. The original estimates provided for revenues less than expenditures of \$394.0 million. The final budget provided for \$450.0 million of revenues under expenditures. Subsequently, fiscal year 2009 was closed with revenues under expenditures of \$400.9 million.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

State investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$12.2 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads and bridges.

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

The total increase in the investment in capital assets for its governmental and business-type activities for the current fiscal year was 6.13 percent in terms of net book value. The majority of capital asset expenditures were used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$82.0 million. Additional information on the capital assets can be found in Note III of the notes to the financial statements of this report.

### **Debt Administration**

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

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

The total long-term bond debt obligations increased by \$89.8 million during the current fiscal year. The key factor in this increase was the issuance of new bonds during the year. Bonds issued during the year include \$38.9 million for State Capital Restoration Project, KDFA Series 2008 L-1, \$3.2 million for National Guard Armory Renovation Project, KDFA Series 2008 L-2, \$1.1 million for Correctional Facilities Expansion Project, KDFA Series 2008L-3, \$21.1 million for KU School of Pharmacy Project, KDFA Series 2008L-4, \$14.2 million for KDOT Communication Lease Program, KDFA Series 2008G, \$36.7 million for Public Water Supply, KDFA Series 2008DW, \$66.5 million for Water Pollution Control, KDFA Series 2008CW, \$30.9 million for KDOT Revolving Fund, KDFA Series 2009TR, \$4.3 million for State General Fund Refunding Restructure, KDFA Series 2009A, \$20 million for KBOR-Postsecondary Education Institution Infrastructure, KDFA Series 2009C, \$49.4 million for Kansas Department of Commerce IMPACT Program, KDFA Series 2009F, \$1.0 million for PSU-Student Health Center, KDFA Series 2009G, \$14.6 million for PSU-Housing System Improvement, KDFA Series 2009H, and \$4.5 million for PSU-Parking System, KDFA Series 2009J.

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

## **ECONOMIC FACTORS**

Kansas economy has experienced a significant decline in fiscal year 2009. According to the Kansas Department of Labor *Kansas Labor Market Information News Release* for July 2009, employment for nonfarm jobs in the State of Kansas for June 2009 is decreasing. Compared to June 2009, employment decreased by 53,000 jobs for a total of 1.35 million nonfarm jobs. The unemployment rate was 7.0 percent

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for June 2009, compared to 4.4 percent in June 2008. Further information regarding the State's economic condition can be found in Note IV of the notes to the financial statements of this report.

**REQUESTS FOR INFORMATION**

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

Kent E. Olson, Director of Accounts and Reports  
900 S.W. Jackson, Room 351S  
Landon State Office Building  
Topeka, KS 66612-1248

# **Financial Statements**

State of Kansas  
**Financial Statements**  
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**Government Wide - Statement of Net Assets**

**June 30, 2009**

*(expressed in thousands)*

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
ASSETS				
Cash and cash equivalents	\$ 1,055,533	\$ 156,415	\$ 1,211,948	\$ 552,821
Investments	237,681	237,660	475,341	1,696,644
Receivables (net)	776,790	928,809	1,705,599	321,400
Due from primary government:				
Investment in direct financing leases, due within one year	0	0	0	14,795
Investment in direct financing leases, due in more than one year	0	0	0	187,475
Internal balances	3,779	(3,779)	0	0
Inventories	29,517	2,783	32,300	15,128
Other current assets	0	0	0	64,940
Restricted cash and cash equivalents	174,630	381,005	555,635	114,270
Restricted investments	0	73,352	73,352	131,596
Capital assets (net of accumulated depreciation)	2,426,117	478	2,426,595	1,740,841
Infrastructure	9,810,251	0	9,810,251	0
Other non-current assets	16,914	30,288	47,202	118,645
Total assets	14,531,212	1,807,011	16,338,223	4,958,555
LIABILITIES				
Accounts payable and other current liabilities	1,150,483	24,846	1,175,329	355,601
Due to component unit:				
Lease revenue bonds payable, due within one year	14,795	0	14,795	0
Lease revenue bonds payable, due in more than one year	187,475	0	187,475	0
Deferred revenue	32,765	4,067	36,832	104,035
Bonds payable on demand	885,715	0	885,715	0
Short-term notes payable	0	0	0	5,000
Noncurrent liabilities:				
Due within one year	269,347	57,849	327,196	116,961
Due in more than one year	2,194,954	741,271	2,936,225	942,761
Claims and judgements	36,605	205,415	242,020	0
Total liabilities	4,772,139	1,033,448	5,805,587	1,524,358
NET ASSETS				
Invested in capital assets, net of related debt	9,509,615	478	9,510,093	1,176,607
Restricted for:				
Capital projects	0	0	0	26,653
Debt service	143,946	19,996	163,942	47,344
Other purposes	0	759,483	759,483	1,050,325
Unrestricted	105,512	(6,394)	99,118	1,133,268
Total net assets	\$ 9,759,073	\$ 773,563	\$ 10,532,636	\$ 3,434,197

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

State of Kansas  
**Financial Statements**  
June 30, 2009

**Government Wide - Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
<b>1 Primary government:</b>				
2 Governmental activities:				
3 General government	\$ 955,701	\$ 241,040	\$ 81,683	\$ 66
4 Human resources	3,691,535	291,732	2,317,736	0
5 Education	5,183,287	5,248	420,083	0
6 Public safety	754,869	28,375	238,393	0
7 Agriculture and natural resources	126,940	54,207	17,835	0
8 Highways and other transportation	437,099	189,344	194,037	195,942
9 Health and environment	229,198	26,604	111,641	0
10 Interest expense	151,702	0	0	0
11 Total governmental activities	<u>11,530,331</u>	<u>836,550</u>	<u>3,381,408</u>	<u>196,008</u>
12 Business-type activities:				
13 Water pollution and safety	35,479	25,146	0	8,883
14 Health care stabilization	45,641	43,108	0	0
15 Employment security	735,844	220,316	570	0
16 Workers' compensation	4,511	4,049	0	0
17 Lottery	165,048	232,139	0	0
18 Intergovernmental transfer program	102	197	0	0
19 Transportation revolving loans	3,384	901	0	0
20 Total business-type activities	<u>990,009</u>	<u>525,856</u>	<u>570</u>	<u>8,883</u>
21 <b>Total primary government</b>	<u><u>\$ 12,520,340</u></u>	<u><u>\$ 1,362,406</u></u>	<u><u>\$ 3,381,978</u></u>	<u><u>\$ 204,891</u></u>
22				
23 <b>Component units:</b>				
24 Kansas Development Finance Authority	\$ 1,303	\$ 1,691	\$ 0	\$ 0
25 Kansas Technology Enterprise Corporation	16,275	568	13,358	0
26 Kansas Bioscience Authority	13,147	0	0	0
27 State University System	2,051,503	1,102,382	390,162	90
28 Kansas Housing Resources Corporation	88,436	4,308	1,638	0
29 <b>Total component units</b>	<u><u>\$ 2,170,664</u></u>	<u><u>\$ 1,108,949</u></u>	<u><u>\$ 405,158</u></u>	<u><u>\$ 90</u></u>

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

State of Kansas  
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Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business- Type Activities	Total	Component Units	
				1
				2
\$ (632,912)	\$ 0	\$ (632,912)	\$ 0	3
(1,082,067)	0	(1,082,067)	0	4
(4,757,956)	0	(4,757,956)	0	5
(488,101)	0	(488,101)	0	6
(54,898)	0	(54,898)	0	7
142,224	0	142,224	0	8
(90,953)	0	(90,953)	0	9
(151,702)	0	(151,702)	0	10
<u>(7,116,365)</u>	<u>0</u>	<u>(7,116,365)</u>	<u>0</u>	11
				12
0	(1,450)	(1,450)	0	13
0	(2,533)	(2,533)	0	14
0	(514,958)	(514,958)	0	15
0	(462)	(462)	0	16
0	67,091	67,091	0	17
0	95	95	0	18
0	(2,483)	(2,483)	0	19
<u>0</u>	<u>(454,700)</u>	<u>(454,700)</u>	<u>0</u>	20
<u><u>\$(7,116,365)</u></u>	<u><u>\$ (454,700)</u></u>	<u><u>\$ (7,571,065)</u></u>	<u><u>\$ 0</u></u>	21
				22
				23
\$ 0	\$ 0	\$ 0	\$ 388	24
0	0	0	(2,349)	25
0	0	0	(13,147)	26
0	0	0	(558,869)	27
0	0	0	(82,490)	28
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (656,467)</u>	29
<b>General revenues:</b>				
Taxes:				
Property tax	\$ 631,800	\$ 0	\$ 631,800	\$ 0
Income and inheritance tax	2,997,595	0	2,997,595	0
Sales and excise tax	2,883,012	0	2,883,012	0
Gross receipts tax	138,532	0	138,532	1,158
Investment earnings	17,811	37,890	55,701	(354,971)
Other revenue	232,779	182,920	415,699	728,825
Transfers	78,177	(78,177)	0	0
<b>Total general revenues</b>	<u>6,979,706</u>	<u>142,633</u>	<u>7,122,339</u>	<u>375,012</u>
Change in net assets	<u>(136,659)</u>	<u>(312,067)</u>	<u>(448,726)</u>	<u>(281,455)</u>
Net assets - beginning	9,974,407	1,085,630	11,060,037	3,717,528
Revisions to beginning net assets	<u>(78,675)</u>	<u>0</u>	<u>(78,675)</u>	<u>(1,876)</u>
Net assets - beginning (restated)	<u>9,895,732</u>	<u>1,085,630</u>	<u>10,981,362</u>	<u>3,715,652</u>
Net assets - ending	<u><u>\$ 9,759,073</u></u>	<u><u>\$ 773,563</u></u>	<u><u>\$10,532,636</u></u>	<u><u>\$3,434,197</u></u>

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



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**Financial Statements**  
June 30, 2009

**Balance Sheet - Governmental Funds**  
**June 30, 2009**

*(expressed in thousands)*

	General	Transporta- tion	Health Policy Authority	Transporta- tion-Capital Projects	Other Governmental	Total Governmental
<b>ASSETS</b>						
Cash and cash equivalents	\$209,372	\$ 195,530	\$ 25,339	\$ 0	\$ 591,109	\$ 1,021,350
Investments	0	226,146	0	0	11,535	237,681
Receivables, net	344,213	86,654	138,467	0	205,363	774,697
Due from other funds	5,750	29	0	0	18,815	24,594
Inventories	7,490	21,445	0	0	0	28,935
Advances to other funds	0	30,896	0	0	74,968	105,864
Restricted cash and cash equivalents	11	5,000	0	0	169,618	174,629
<b>Total assets</b>	<b>\$566,836</b>	<b>\$ 565,700</b>	<b>\$163,806</b>	<b>\$ 0</b>	<b>\$ 1,071,408</b>	<b>\$ 2,367,750</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other current liabilities	\$589,273	\$ 59,672	\$147,120	\$ 0	\$ 330,727	\$ 1,126,792
Due to other funds	15,340	0	0	0	1,578	16,918
Deferred revenue	36,939	46,157	0	0	1,777	84,873
Advances from other funds	101,628	0	0	0	3,549	105,177
Bonds payable on demand	0	0	0	885,715	0	885,715
<b>Total liabilities</b>	<b>743,180</b>	<b>105,829</b>	<b>147,120</b>	<b>885,715</b>	<b>337,631</b>	<b>2,219,475</b>
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	165,598	165,598
Inventory	7,490	21,445	0	0	0	28,935
Encumbrances	17,173	969,918	7,964	0	237,604	1,232,659
Advances to other funds	0	30,896	0	0	78,717	109,613
Unreserved, reported in:						
General Fund	(201,007)	0	0	0	0	(201,007)
Other Governmental	0	0	0	0	31,144	31,144
Transportation	0	(562,388)	0	0	0	(562,388)
Health Policy Authority	0	0	8,722	0	0	8,722
Transportation - Capital Projects	0	0	0	(885,715)	0	(885,715)
Special Revenue Funds	0	0	0	0	204,453	204,453
Capital Project Funds	0	0	0	0	16,261	16,261
<b>Total fund balance</b>	<b>(176,344)</b>	<b>459,871</b>	<b>16,686</b>	<b>(885,715)</b>	<b>733,777</b>	<b>148,275</b>
<b>Total liabilities and fund balance</b>	<b>\$566,836</b>	<b>\$ 565,700</b>	<b>\$163,806</b>	<b>\$ 0</b>	<b>\$ 1,071,408</b>	<b>\$ 2,367,750</b>

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

*(Continued)*

State of Kansas  
**Financial Statements**  
June 30, 2009

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**Balance Sheet - Governmental Funds - Continued**  
**June 30, 2009**

*(expressed in thousands)*

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	<u>Total Governmental</u>
<b>Reconciliation to the Statement of Net Assets:</b>	
Total fund balance from previous page	\$ 148,275
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds:	
Infrastructure	9,810,251
Capital assets	2,342,109
Other non-current assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Noncurrent assets	16,914
Deferred revenue (not on statement of net assets)	52,108
Accounts payable	(16,842)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Long term debt	(2,137,430)
Compensated absences	(132,371)
Due to component unit (lease revenue bonds payable)	(202,270)
In the statement of activities, an expense is recorded for environmental remediation obligations when the expected outlay is reasonably estimatable. In governmental funds, an expense is recorded when paid.	(55,929)
In the statement of net assets, a long term liability is recorded for the unfunded portion of post employment benefits other than pensions, while in the governmental funds liabilities that do not require satisfaction with current resources are not recorded.	(26,626)
Internal Service Funds: the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(39,116)
Net assets of governmental activities as reported on the Statement of Net Assets.	<u>\$ 9,759,073</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2009

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009  
(expressed in thousands)**

	General	Transporta- tion	Health Policy Authority	Transporta- tion-Capital Projects	Other Governmental	Total Governmental
<b>Revenues:</b>						
Property tax	\$ 587,673	\$ 0	\$ 0	\$ 0	\$ 50,880	\$ 638,553
Income and inheritance tax	2,978,514	0	0	0	16,741	2,995,255
Sales and excise tax	2,253,477	545,617	0	0	53,964	2,853,058
Gross receipts tax	121,088	0	0	0	17,454	138,542
Charges for services	46,514	187,299	103,266	0	508,285	845,364
Operating grants	0	175,255	1,655,552	0	1,539,304	3,370,111
Capital grants	0	210,550	0	0	66	210,616
Investment earnings	7,969	0	321	0	9,531	17,821
Other revenues	(41,721)	4,820	119,359	0	157,865	240,323
<b>Total revenues</b>	<u>5,953,514</u>	<u>1,123,541</u>	<u>1,878,498</u>	<u>0</u>	<u>2,354,090</u>	<u>11,309,643</u>
<b>Expenditures:</b>						
Current:						
General government	658,151	0	0	0	424,476	1,082,627
Human resources	925,819	0	1,061,023	0	1,710,751	3,697,593
Education	4,610,488	0	0	0	574,806	5,185,294
Public safety	410,707	0	0	0	345,055	755,762
Agriculture and natural resources	23,591	0	0	0	102,591	126,182
Highways and other transportation	0	990,727	0	0	19,473	1,010,200
Health and environment	33,676	0	0	0	193,483	227,159
Debt service:						
Principal	0	0	0	0	134,367	134,367
Interest	290	0	0	0	146,085	146,375
<b>Total expenditures</b>	<u>6,662,722</u>	<u>990,727</u>	<u>1,061,023</u>	<u>0</u>	<u>3,651,087</u>	<u>12,365,559</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(709,208)</u>	<u>132,814</u>	<u>817,475</u>	<u>0</u>	<u>(1,296,997)</u>	<u>(1,055,916)</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of debt	0	0	0	0	117,248	117,248
Transfers, net	114,675	(316,929)	(802,253)	20,270	1,068,483	84,246
<b>Total other financing sources (uses)</b>	<u>114,675</u>	<u>(316,929)</u>	<u>(802,253)</u>	<u>20,270</u>	<u>1,185,731</u>	<u>201,494</u>
<b>Net change in fund balances</b>	<u>(594,533)</u>	<u>(184,115)</u>	<u>15,222</u>	<u>20,270</u>	<u>(111,266)</u>	<u>(854,422)</u>
Fund balances, beginning of year	422,037	641,238	1,464	(755,115)	844,473	1,154,097
Revisions to beginning fund balances	(4,014)	0	0	(150,870)	570	(154,314)
Fund balances, beginning of year (restated)	<u>418,023</u>	<u>641,238</u>	<u>1,464</u>	<u>(905,985)</u>	<u>845,043</u>	<u>999,783</u>
Change in reserves for inventory	166	2,748	0	0	0	2,914
<b>Fund balances, end of year</b>	<u><u>\$(176,344)</u></u>	<u><u>\$ 459,871</u></u>	<u><u>\$ 16,686</u></u>	<u><u>\$ (885,715)</u></u>	<u><u>\$ 733,777</u></u>	<u><u>\$ 148,275</u></u>

(Continued)

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

State of Kansas  
**Financial Statements**  
June 30, 2009

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**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds - Continued  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

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	<u>Total Governmental</u>
<b>Reconciliation to the Statement of Activities:</b>	
Total net change in fund balance from previous page	\$ (854,422)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	17,556
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets:	
Revenue bond proceeds	(97,030)
Bond premiums and discounts	(14,683)
Loan proceeds	(2,368)
Other borrowings	(3,168)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	134,367
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets	1,150,802
Depreciation expense	(76,114)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated Absences	(20,048)
Accrued Interest	(5,326)
Other expenses	(365,214)
Gain (Loss) on asset disposal and other items	(1,833)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	822
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities	<u><u>\$ (136,659)</u></u>

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

State of Kansas  
**Financial Statements**  
June 30, 2009

**Statement of Net Assets - Proprietary Funds**

**June 30, 2009**

*(expressed in thousands)*

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor funds	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 124,537	\$ 5,897	\$ 2,636	\$ 23,345	\$ 156,415
Investments	0	0	25,762	0	25,762
Receivables, net	48,283	3,384	6,303	17,938	75,908
Inventories	0	0	0	2,783	2,783
Total current assets	172,820	9,281	34,701	44,066	260,868
Noncurrent assets:					
Investments	0	0	196,621	15,277	211,898
Receivables, net	771,324	0	0	81,577	852,901
Restricted cash and cash equivalents	27,537	335,900	0	17,568	381,005
Restricted investments	73,352	0	0	0	73,352
Advances to other funds	0	0	0	2,000	2,000
Capital assets (net of accumulated depreciation)	0	0	13	465	478
Other noncurrent assets	29,371	0	0	917	30,288
Total noncurrent assets	901,584	335,900	196,634	117,804	1,551,922
<b>Total assets</b>	<b>\$1,074,404</b>	<b>\$ 345,181</b>	<b>\$ 231,335</b>	<b>\$ 161,870</b>	<b>\$1,812,790</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and other current liabilities	\$ 7,689	\$ 5,222	\$ 790	\$ 11,145	\$ 24,846
Deferred revenue	0	0	0	4,067	4,067
Due to other funds	0	0	0	5,779	5,779
Short-term compensated absences	0	0	50	10	60
Short-term portion of long-term liabilities	38,662	0	8,112	11,015	57,789
Total current liabilities	46,351	5,222	8,952	32,016	92,541
Noncurrent liabilities:					
Compensated absences	0	0	10	2	12
Claims and judgements	0	0	178,838	26,577	205,415
Bonds, notes and loans payable	648,948	0	0	88,767	737,715
Arbitrage rebate payable	1,928	0	0	300	2,228
Advances from other funds	0	0	0	0	0
Other noncurrent liabilities	1,160	0	15	141	1,316
Total noncurrent liabilities	652,036	0	178,863	115,787	946,686
<b>Total liabilities</b>	<b>698,387</b>	<b>5,222</b>	<b>187,815</b>	<b>147,803</b>	<b>1,039,227</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	0	0	13	465	478
Restricted for:					
Debt service	0	0	0	19,996	19,996
Other purposes	376,017	339,959	43,507	0	759,483
Unrestricted	0	0	0	(6,394)	(6,394)
<b>Total net assets</b>	<b>376,017</b>	<b>339,959</b>	<b>43,520</b>	<b>14,067</b>	<b>773,563</b>
<b>Total liabilities and net assets</b>	<b>\$1,074,404</b>	<b>\$ 345,181</b>	<b>\$ 231,335</b>	<b>\$ 161,870</b>	<b>\$1,812,790</b>

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

State of Kansas  
**Financial Statements**  
June 30, 2009

**Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Proprietary Funds  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor Funds	Total	
<b>Operating revenues:</b>						
Charges for services	\$ 25,146	\$ 220,316	\$ 43,108	\$237,286	\$ 525,856	\$ 112,253
Other revenue	2,584	176,212	1,678	2,446	182,920	2,135
<b>Total operating revenues</b>	<b>27,730</b>	<b>396,528</b>	<b>44,786</b>	<b>239,732</b>	<b>708,776</b>	<b>114,388</b>
<b>Operating expenses:</b>						
Salaries and wages	0	0	1,069	4,475	5,544	29,678
Supplies and services	0	0	5,679	32,014	37,693	47,712
Lottery prize awards	0	0	0	130,911	130,911	0
Depreciation	0	0	2	132	134	5,742
Insurance claims and expenses	0	735,789	0	1,513	737,302	21,642
Program administration - Water Funds	2,290	0	0	0	2,290	0
Other expenses	1,413	55	37,717	920	40,105	1
<b>Total operating expenses</b>	<b>3,703</b>	<b>735,844</b>	<b>44,467</b>	<b>169,965</b>	<b>953,979</b>	<b>104,775</b>
<b>Operating income (loss)</b>	<b>24,027</b>	<b>(339,316)</b>	<b>319</b>	<b>69,767</b>	<b>(245,203)</b>	<b>9,613</b>
<b>Nonoperating revenues (expenses):</b>						
Operating grants	0	570	0	0	570	0
Capital grants	8,883	0	0	0	8,883	0
Investment earnings	11,284	25,373	0	1,232	37,889	0
Interest expense	(31,775)	0	0	(3,079)	(34,854)	(2,729)
Other expenses	0	0	(1,175)	0	(1,175)	0
<b>Total nonoperating revenues (expenses)</b>	<b>(11,608)</b>	<b>25,943</b>	<b>(1,175)</b>	<b>(1,847)</b>	<b>11,313</b>	<b>(2,729)</b>
<b>Net income (loss)</b>	<b>12,419</b>	<b>(313,373)</b>	<b>(856)</b>	<b>67,920</b>	<b>(233,890)</b>	<b>6,884</b>
Transfers in	0	(5,717)	(401)	(71,484)	(77,602)	(2,101)
Transfers out	0	(569)	0	(6)	(575)	(3,961)
<b>Net change in net assets</b>	<b>12,419</b>	<b>(319,659)</b>	<b>(1,257)</b>	<b>(3,570)</b>	<b>(312,067)</b>	<b>822</b>
Total net assets - beginning	363,598	659,618	44,777	17,637	1,085,630	(39,397)
Revisions to beginning net assets	0	0	0	0	0	(541)
Net assets - beginning (restated)	<b>363,598</b>	<b>659,618</b>	<b>44,777</b>	<b>17,637</b>	<b>1,085,630</b>	<b>(39,938)</b>
<b>Total net assets - ending</b>	<b>\$376,017</b>	<b>\$ 339,959</b>	<b>\$ 43,520</b>	<b>\$ 14,067</b>	<b>\$ 773,563</b>	<b>\$ (39,116)</b>

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

State of Kansas  
**Financial Statements**  
June 30, 2009

**Statement of Cash Flows - Proprietary Funds**

**For the Fiscal Year Ended June 30, 2009**

*(expressed in thousands)*

	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor funds	Totals	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>						
Cash receipts from customers	\$ 23,890	\$ 395,989	\$ 43,852	\$ 210,998	\$ 674,729	\$ 112,319
Cash payments to suppliers for goods and services	(1,443)	(2,437)	(5,897)	(23,420)	(33,197)	(46,260)
Cash payments to employees for services	0	0	(1,044)	(4,475)	(5,519)	(28,964)
Cash payments for lottery prizes	0	0	0	(130,051)	(130,051)	0
Claims paid	0	(735,789)	(25,238)	(1,426)	(762,453)	(18,579)
Other operating revenues	54,290	0	0	0	54,290	0
Other operating expenses	(90,318)	0	0	0	(90,318)	0
<b>Net cash provided (used) by operating activities</b>	<b>(13,581)</b>	<b>(342,237)</b>	<b>11,673</b>	<b>51,626</b>	<b>(292,519)</b>	<b>18,516</b>
<b>Cash flows from noncapital financing activities:</b>						
Operating grants receipts	0	570	0	0	570	0
Other non-operating expenses	0	0	0	0	0	0
Net transfers to other funds	0	(6,053)	(401)	(78,332)	(84,786)	(6,106)
Other cash inflows from noncapital financing activities	112,306	0	0	0	112,306	0
Other cash outflows from noncapital financing activities	(87,320)	0	(1,175)	0	(88,495)	0
<b>Net cash provided (used) by noncapital financing activities</b>	<b>24,986</b>	<b>(5,483)</b>	<b>(1,576)</b>	<b>(78,332)</b>	<b>(60,405)</b>	<b>(6,106)</b>
<b>Cash flows from capital and related financing activities:</b>						
Proceeds from issuance of long-term debt	0	0	0	45,311	45,311	0
Repayment of long-term debt	0	0	0	(5,187)	(5,187)	(1,912)
Interest payments	0	0	0	(1,988)	(1,988)	(2,745)
Proceeds from sale of fixed assets	0	0	0	0	0	2,226
(Gain) loss on disposal of fixed assets	0	0	0	0	0	(2,114)
Payments for purchase of fixed assets	0	0	(11)	(237)	(248)	(5,535)
Other cash inflows from capital and related financing activities	0	0	0	94	94	0
Other cash outflows from capital and related financing activities	0	0	0	(572)	(572)	0
<b>Net cash provided (used) by capital and related financing activities</b>	<b>0</b>	<b>0</b>	<b>(11)</b>	<b>37,421</b>	<b>37,410</b>	<b>(10,080)</b>
<b>Cash flows from investing activities:</b>						
Proceeds from sale and maturities of investment securities	15,542	0	22,252	0	37,794	0
Purchase of investments	(2,422)	0	(27,803)	0	(30,225)	0
Interest and dividends	11,588	25,374	(139)	955	37,778	0
Unrealized (gain) loss on investments	0	0	(5,681)	0	(5,681)	0
<b>Net cash provided (used) by investing activities</b>	<b>24,708</b>	<b>25,374</b>	<b>(11,371)</b>	<b>955</b>	<b>39,666</b>	<b>0</b>
Net increase (decrease) in cash and cash equivalents	36,113	(322,346)	(1,285)	11,670	(275,848)	2,330
Cash and cash equivalents, beginning of year	115,961	664,143	3,921	29,243	813,268	31,852
<b>Cash and cash equivalents, end of year</b>	<b>\$ 152,074</b>	<b>\$ 341,797</b>	<b>\$ 2,636</b>	<b>\$ 40,913</b>	<b>\$ 537,420</b>	<b>\$ 34,182</b>
<b>Reconciliation of operating income (loss) to net cash provided by operations:</b>						
Operating income (loss)	\$ 24,027	\$ (339,316)	\$ 319	\$ 69,767	\$ (245,203)	\$ 9,613
<b>Adjustment to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation and amortization	0	0	2	132	134	5,742
Changes in assets and liabilities:						
Receivables	(38,823)	(539)	(934)	(32,723)	(73,019)	(2,069)
Inventories	0	0	0	8,236	8,236	(76)
Other assets	0	0	0	(405)	(405)	0
Accounts payable	1,215	(2,382)	(218)	1,683	298	1,529
Payroll liabilities	0	0	25	0	25	714
Claims and judgements	0	0	12,479	87	12,566	3,063
Deferred revenue	0	0	0	3,989	3,989	0
Lottery prize liability	0	0	0	860	860	0
Total adjustments	(37,608)	(2,921)	11,354	(18,141)	(47,316)	8,903
<b>Net cash provided (used) by operating activities</b>	<b>\$ (13,581)</b>	<b>\$ (342,237)</b>	<b>\$ 11,673</b>	<b>\$ 51,626</b>	<b>\$ (292,519)</b>	<b>\$ 18,516</b>

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

State of Kansas  
**Financial Statements**  
June 30, 2009

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**Statement of Fiduciary Net Assets**  
**June 30, 2009**  
*(expressed in thousands)*

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	Pension Trust	Investment Trust	College Savings Program	Agency
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,449	\$1,073,493	\$ 1,111	\$ 386,637
Investments	11,002,826	0	1,829,025	858,450
Receivables, net	1,999,250	0	3,131	763,487
Inventories	20	0	0	0
Capital assets	6,294	0	0	0
	<u>13,009,839</u>	<u>1,073,493</u>	<u>1,833,267</u>	<u>2,008,574</u>
<b>Total assets</b>				
	<u>13,009,839</u>	<u>1,073,493</u>	<u>1,833,267</u>	<u>2,008,574</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	2,763,498	0	2,512	\$2,008,574
	<u>2,763,498</u>	<u>0</u>	<u>2,512</u>	<u>\$2,008,574</u>
<b>Total liabilities</b>				
	<u>2,763,498</u>	<u>0</u>	<u>2,512</u>	<u>\$2,008,574</u>
<b>NET ASSETS</b>				
Net assets held in trust	<u>\$10,246,341</u>	<u>\$1,073,493</u>	<u>\$1,830,755</u>	

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



State of Kansas  
**Financial Statements**  
June 30, 2009

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**Statement of Changes in Fiduciary Net Assets**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

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	<u>Pension Trust</u>	<u>Investment Trust</u>	<u>College Savings Program Trust</u>
<b>ADDITIONS</b>			
Contributions:			
Employer contributions	\$ 485,570	\$ 0	\$ 0
Employee contributions	278,620	0	0
College savings contributions	<u>0</u>	<u>0</u>	<u>645,659</u>
Total contributions	764,190	0	645,659
Deposits:			
Net investment income	(2,592,210)	10,207	(321,236)
MIP deposits	0	4,615,142	0
Other deposits	<u>154</u>	<u>0</u>	<u>0</u>
<b>Total additions</b>	<u>(1,827,866)</u>	<u>4,625,349</u>	<u>324,423</u>
<b>DEDUCTIONS</b>			
Benefits and refunds:			
Monthly benefits and refunds	999,940	0	0
Refunds of contributions	43,929	0	0
Death benefits	9,238	0	0
Distributions	<u>0</u>	<u>4,511,560</u>	<u>538,966</u>
Total benefits and refunds	1,053,107	4,511,560	538,966
Administrative expenses	<u>65,750</u>	<u>0</u>	<u>0</u>
<b>Total deductions</b>	<u>1,118,857</u>	<u>4,511,560</u>	<u>538,966</u>
Net increase (decrease)	(2,946,723)	113,789	(214,543)
Net assets - beginning of year	<u>13,193,064</u>	<u>959,704</u>	<u>2,045,298</u>
<b>Net assets - end of year</b>	<u><u>\$ 10,246,341</u></u>	<u><u>\$ 1,073,493</u></u>	<u><u>\$ 1,830,755</u></u>

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

State of Kansas  
**Financial Statements**  
June 30, 2009

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

**June 30, 2009**

*(expressed in thousands)*

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	Kansas Development Finance Authority	Kansas Technology Enterprise Corporation	Kansas Housing Resources Corporation	Kansas Bioscience Authority	State University System	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 78	\$ 2,194	\$ 1,204	\$ 67,640	\$ 481,705	\$ 552,821
Investments	8,755	0	5,386	11,815	1,606,163	1,632,119
Receivables, net	188	980	2,411	8,872	204,971	217,422
Due from primary government	14,795	0	0	0	0	14,795
Inventories	0	0	0	0	15,128	15,128
Other assets	73	204	1,814	58	62,791	64,940
Total current assets	<u>23,889</u>	<u>3,378</u>	<u>10,815</u>	<u>88,385</u>	<u>2,370,758</u>	<u>2,497,225</u>
Noncurrent assets:						
Investments	0	8,964	0	13,600	41,961	64,525
Receivables, net	25	1,048	2,070	2,420	98,415	103,978
Restricted cash and cash equivalents	0	0	53	0	114,217	114,270
Restricted investments	333	0	5,821	4,999	120,443	131,596
Due from primary government	187,475	0	0	0	0	187,475
Capital assets (net of accumulated depreciation)	18	127	347	1,016	1,739,333	1,740,841
Other noncurrent assets	0	0	6,226	0	112,419	118,645
Total noncurrent assets	<u>187,851</u>	<u>10,139</u>	<u>14,517</u>	<u>22,035</u>	<u>2,226,788</u>	<u>2,461,330</u>
<b>Total assets</b>	<u><b>\$ 211,740</b></u>	<u><b>\$ 13,517</b></u>	<u><b>\$ 25,332</b></u>	<u><b>\$ 110,420</b></u>	<u><b>\$4,597,546</b></u>	<u><b>\$ 4,958,555</b></u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 97	\$ 738	\$ 1,503	\$ 1,369	\$ 351,894	\$ 355,601
Deferred revenue	333	0	1,800	0	101,902	104,035
Short-term notes payable	0	0	0	0	5,000	5,000
Short-term compensated absences	0	0	149	28	50,954	51,131
Short-term portion of long-term liabilities	14,795	0	0	0	51,035	65,830
Total current liabilities	<u>15,225</u>	<u>738</u>	<u>3,452</u>	<u>1,397</u>	<u>560,785</u>	<u>581,597</u>
Noncurrent liabilities:						
Compensated absences	0	0	0	0	10,812	10,812
Bonds, notes and loans payable	187,475	0	0	0	650,179	837,654
Other noncurrent liabilities	2,211	19	6,281	0	85,784	94,295
Total noncurrent liabilities	<u>189,686</u>	<u>19</u>	<u>6,281</u>	<u>0</u>	<u>746,775</u>	<u>942,761</u>
<b>Total liabilities</b>	<u><b>204,911</b></u>	<u><b>757</b></u>	<u><b>9,733</b></u>	<u><b>1,397</b></u>	<u><b>1,307,560</b></u>	<u><b>1,524,358</b></u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	18	127	347	1,016	1,175,099	1,176,607
Restricted for:						
Capital projects	0	0	0	0	26,653	26,653
Debt service	0	0	0	0	47,344	47,344
Other purposes	0	244	6,230	4,999	1,038,852	1,050,325
Unrestricted	<u>6,811</u>	<u>12,389</u>	<u>9,022</u>	<u>103,008</u>	<u>1,002,038</u>	<u>1,133,268</u>
<b>Total net assets</b>	<u><b>\$ 6,829</b></u>	<u><b>\$ 12,760</b></u>	<u><b>\$ 15,599</b></u>	<u><b>\$ 109,023</b></u>	<u><b>\$3,289,986</b></u>	<u><b>\$ 3,434,197</b></u>

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

State of Kansas  
**Financial Statements**  
June 30, 2009

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**Combining Statement of Activities - Component Units**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

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	Kansas Development Finance Authority	Kansas Technology Enterprise Corporation	Kansas Housing Resources Corporation	Kansas Bioscience Authority	State University System	Total
<b>Expenses:</b>						
Salaries and wages	\$ 891	\$ 3,910	\$ 2,938	\$ 1,552	\$ 981,646	\$ 990,937
Supplies and services	325	2,474	1,378	1,392	420,568	426,137
Depreciation	15	62	130	54	107,990	108,251
Interest expense	0	0	0	0	22,175	22,175
Other expenses	72	9,829	83,990	10,149	519,124	623,164
<b>Total expenses</b>	<u>1,303</u>	<u>16,275</u>	<u>88,436</u>	<u>13,147</u>	<u>2,051,503</u>	<u>2,170,664</u>
<b>Program Revenues:</b>						
Charges for services	1,691	568	4,308	0	1,102,382	1,108,949
Operating grants	0	13,358	1,638	0	390,162	405,158
Capital grants	0	0	0	0	90	90
<b>Total program revenues</b>	<u>1,691</u>	<u>13,926</u>	<u>5,946</u>	<u>0</u>	<u>1,492,634</u>	<u>1,514,197</u>
<b>Net (Expense) Revenue</b>	<u>388</u>	<u>(2,349)</u>	<u>(82,490)</u>	<u>(13,147)</u>	<u>(558,869)</u>	<u>(656,467)</u>
<b>General Revenue:</b>						
Taxes:						
Gross receipts tax	0	0	0	0	1,158	1,158
Investment earnings	188	61	0	2,580	(357,800)	(354,971)
Other revenues	0	228	79,435	34,804	614,358	728,825
<b>Total general revenues</b>	<u>188</u>	<u>289</u>	<u>79,435</u>	<u>37,384</u>	<u>257,716</u>	<u>375,012</u>
<b>Change in net assets</b>	<u>576</u>	<u>(2,060)</u>	<u>(3,055)</u>	<u>24,237</u>	<u>(301,153)</u>	<u>(281,455)</u>
Total net assets - beginning	6,253	14,832	18,654	84,786	3,593,003	3,717,528
Revisions to beginning net assets	0	(12)	0	0	(1,864)	(1,876)
Total net assets - beginning (restated)	<u>6,253</u>	<u>14,820</u>	<u>18,654</u>	<u>84,786</u>	<u>3,591,139</u>	<u>3,715,652</u>
<b>Total net assets - ending</b>	<u>\$ 6,829</u>	<u>\$ 12,760</u>	<u>\$ 15,599</u>	<u>\$ 109,023</u>	<u>\$3,289,986</u>	<u>\$3,434,197</u>

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

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

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The accompanying financial statements of the State of Kansas (the “State”) have been prepared in conformance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard setting body for governmental accounting and financial reporting principles.

### **A. Financial Reporting Entity**

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2009, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Kansas State Legislature and/or Constitutional Officers of the State.

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

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

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

### **Discrete Component Units**

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

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

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2009

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**I. Summary of Significant Accounting Policies**

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<b><u>Component Unit</u></b>	<b><u>Description: Criteria for Inclusion</u></b>	<b><u>Reporting Method</u></b>	<b><u>For Separate Financial Statements</u></b>
Kansas Development Finance Authority (KDFA)	The State appoints a voting majority of the board of KDFA and has the power to impose its will on KDFA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Development Finance Authority 555 South Kansas Avenue, Suite 202 Topeka, Kansas 66603
Kansas Technology Enterprise Corporation (KTEC)	The State appoints a voting majority of the board of KTEC and has the power to impose its will on KTEC. There is a potential for KTEC to impose specific financial burdens or provide specific financial benefits to the State. KTEC is fiscally dependent on the State.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Technology Enterprise Corporation 214 SW 6 <sup>th</sup> Avenue, Suite 100 Topeka, Kansas 66603
Kansas Housing Resources Corporation (KHRC)	KHRC is a subsidiary corporation of KDFA and a legal entity separate and distinct from KDFA and the State.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Housing Resources Corporation 611 S. Kansas Avenue, Suite 300 Topeka, Kansas 66603
State University System	The State appoints a voting majority of the Kansas Board of Regents which controls the State universities, and has the power to impose its will on the State universities through the budgeting process.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	The Kansas Board of Regents does not issue separate financial statements. For separate financial statements of a university, contact the respective university or:  Kansas Board of Regents 1000 SW Jackson St., Suite 520 Topeka, KS 66612-1368
Kansas Bioscience Authority (KBA)	The State appoints a voting majority of KBA and has the power to impose its will on KBA.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Bioscience Authority 25501 West Valley Parkway, Ste 100 Olathe, KS 66061
Kansas Public Employees Retirement System (KPERS)	The State appoints a voting majority of KPERS and has the power to impose its will on KPERS.	Although KPERS is a component unit of the State of Kansas, it is reported as a fiduciary pension trust fund.	Kansas Public Employees Retirement System 611 S. Kansas Ave., Ste 100 Topeka, KS 66603-3803

**Kansas Development Finance Authority (KDFA)** was established by Chapter 57, 1987 Session Laws of Kansas. Its enabling statutes are found in K.S.A. 74-8901 et seq., as amended and supplements. KDFA is a public body politic and

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## I. Summary of Significant Accounting Policies

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corporate, constituting an independent instrumentality of the State. KDFA was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

**Kansas Technology Enterprise Corporation (KTEC)** is a body politic, corporate, and an instrumentality of the State, which was created by the Legislature of the State in March 1986 (K.S.A. 74-8101). The responsibilities and duties of the existing State Office of Advanced Technology were transferred to KTEC effective January 12, 1987. KTEC's principal statutory functions and responsibilities are as follows:

- To foster innovation in existing and developing businesses, especially the creation, growth, and expansion of Kansas enterprises in a diversified range of primary sectors which develop value-added products, processes, and services.
- To invest in basic research, applied research and development, and technology transfer at Kansas educational institutions which meet competitive standards of excellence and which create innovative collaboration between Kansas educational institutions and Kansas enterprises.
- To award applied research matching grants to Kansas educational institutions and Kansas private enterprises in order to move innovation and applied research toward commercial application.
- To engage in seed-capital financing for the development and implementation of innovations or new technologies for existing resource, technology-based, and emerging Kansas businesses.
- To provide technical referral services to such small, new, emerging, or mature businesses and encourage Kansas educational institutions to establish technical information databases and industrial liaison offices, which are easily accessible by both private and public sector Kansas organizations.

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

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

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

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

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## I. Summary of Significant Accounting Policies

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bioscience, and to create jobs, foster economic growth, advance scientific knowledge and improve the quality of life for the citizens of the State.

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

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

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

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

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

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

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

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

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## I. Summary of Significant Accounting Policies

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**Fund Financial Statements** – The fund financial statements provide information about State funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

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

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

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

The financial statements of the proprietary funds, pension funds, investment funds, college savings program fund, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. In reporting the financial activities of the proprietary funds the State applies all applicable GASB pronouncements and FASB pronouncements issued prior to November 30, 1989.

### D. Fund Accounting

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

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



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## I. Summary of Significant Accounting Policies

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### **Governmental Funds:**

These funds include the State's main operating fund, special revenue funds, capital projects funds, and debt service funds.

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

**Health Policy Authority** – This fund includes all health insurance purchasing by the State, as well as federally funded programs (Medicaid, State Children's Health Insurance Program and Medikan) and the State Employee Health Insurance Program.

**Transportation Fund** – This fund is the primary operating fund of the Department of Transportation. The Department of Transportation has the statutory responsibility to coordinate planning, development and operation of the various modes and systems of transportation in the State.

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

### **Proprietary Funds:**

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

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

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

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

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

### **Fiduciary Funds:**

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

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

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

**Private Purpose Trust Fund** - This fund accounts for the College Savings Program that allows participants to invest in a college savings account to cover tuition, fees, and the cost of room and board, books, supplies and equipment required for the enrollment or attendance of a beneficiary at an eligible educational.

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## I. Summary of Significant Accounting Policies

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

Both government-wide and proprietary funds financial statements of the State follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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

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

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

### E. Assets, Liabilities, and Net Assets or Equity

#### *Cash and Investments*

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

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

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

- Direct obligations of, or obligations except mortgage backed securities, that are insured as to principal and interest by the U.S. Government, or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Loans as mandated by the Kansas Legislature limited to not more than the lesser of 10 percent or \$140 million of total investments
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed \$60 million
- High grade commercial paper
- High grade Corporate Bonds

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

- U. S. Government obligations
- Mortgage backed securities
- Corporate securities
- U.S. Government agency securities
- Repurchase agreements

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## I. Summary of Significant Accounting Policies

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- Commercial paper not to exceed 270 days to maturity and rated within the two highest commercial paper ratings
- State of Kansas agency bonds, with maturities not to exceed four years

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

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

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

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

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

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

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

Receivables are shown net of an allowance for uncollectible.

### ***Inventories***

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

The governmental funds statements have a current financial resources focus. As a result, modified accrual adjustments to capitalize inventory at year-end, affect beginning fund balance rather than expenditures. The focus on current financial resources is better maintained by not adjusting the expenditures for the amount of inventory reclassified to the balance sheet. The government-wide statements, however, require the full accrual adjustment to expenditures to properly reflect the amount of inventory consumed during the fiscal year.

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## I. Summary of Significant Accounting Policies

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### *Deferred Bond Issuance Costs*

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

### *Restricted Assets*

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

### *Capital Assets*

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

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

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

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

### *Infrastructure*

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

### *Compensated Absences*

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

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## I. Summary of Significant Accounting Policies

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the sick leave liability. The compensated absences liability will be liquidated by the State's governmental and internal service funds.

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

Bonds and notes payable consist of notes and bonds issued to finance capital improvements for various projects. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and deferred bond issuance costs are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred bond issuance costs are reported as other asset and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as deferred bond issuance costs, during the current period. The face amount of bond debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Bond issuance costs are reported as debt service expenditures.

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

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

### ***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are reserved for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **F. Use of Estimates**

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

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

The State implemented the following new pronouncements for fiscal year 2009:

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," was issued in November 2006 and effective for periods beginning after December 15, 2007. This statement addresses obligations of current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Details regarding the State's liability related to this statement can be found in Note IV.

GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," was issued and effective in March 2009. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments.

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

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GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards," was issued and effective in March 2009. This statement incorporates GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The statement addresses three issues not included in the authoritative literature that establishes accounting principles - related party transactions, going concern considerations, and subsequent events. This statement does not establish new accounting standards but rather incorporates the existing guidance into the GASB standards.

At June 30, 2009, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the State. The State plans to implement the provisions of these statements on or before their effective dates. Management has not yet determined the impact these new statements will have on the State's financial statements. The State will implement the following new pronouncements for fiscal years ending after 2009:

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" was issued June, 2007. This statement classifies all intangible assets not specifically excluded as capital assets, and existing accounting and financial reporting guidance for capital assets should be applied. In addition, an approach for recognition of internally generated intangible assets is provided. The condition for amortization of these assets is addressed. The provisions of this statement are effective for periods beginning after June 15, 2009.

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" was issued June 2008. This statement requires government to measure most derivative instruments at fair value in their financial statement. The methods of evaluating the effectiveness of hedging derivative instruments are addressed. The recognition and disclosure of information regarding derivative instrument are also addressed in this statement. The provisions of this statement are effective for periods beginning after June 15, 2009.

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was issued March 2009. The objective of this Statement is to improve the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010.

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

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### **A. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2009, expenditures did not exceed appropriations or limitations.

### **B. Deficit Fund Equity**

The Transportation – Capital Projects Fund had a deficit fund balance in fiscal year 2009 due to reporting requirements of demand bonds with no long-term financing agreement in place.

The State General Fund had a deficit fund balance in fiscal year 2009 because the State had less cash due to the decline in the economy.

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

#### A. Deposits and Investments

A summary of deposits and investments at June 30, 2009, is as follows (expressed in thousands):

	Govt and Business Type Activities	Pension Trust	Investment Trust	College Savings Program	Agency	Component Units	Total
Pooled Cash and Investments							
Cash	\$ 22,017	\$ 1,449	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,466
Investments	1,170,996	0	1,073,493	0	399,531	455,492	3,099,512
Cash deposits with financial institutions	93,558	0	0	0	0	0	93,558
Cash with U.S. Treasury	335,900	0	0	0	0	0	335,900
Unclaimed Property invested by KPERS	172,068	0	0	0	0	0	172,068
Imprest funds and agency bank accounts	1,113	0	0	0	0	130	1,243
Canteen, members' benefit, members' money in agency's custody	0	0	0	0	10,551	0	10,551
Kansas Public Employees Retirement (KPERS)	0	11,002,826	0	0	0	0	11,002,826
Investments owned by other funds	548,692	0	0	0	705,908	21,569	1,276,169
Learning Quest investments	0	0	0	1,830,136	0	0	1,830,136
Security deposits held by Kansas Insurance Dept.	0	0	0	0	152,542	0	152,542
Star Bonds	43,835	0	0	0	0	0	43,835
Miscellaneous cash and other adjustments	(71,903)	0	0	0	(23,446)	2,018,140	1,922,791
Total	\$ 2,316,276	\$ 11,004,275	\$ 1,073,493	\$ 1,830,136	\$ 1,245,086	\$ 2,495,331	\$ 19,964,597



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### III. Detailed Notes On All Funds

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A reconciliation of deposits and investments for the State to the financial statements at June 30, 2009, is as follows (expressed in thousands):

**Disclosures Regarding Deposits and Investments:**

Total investments and deposits	\$ 16,680,166
Carrying amount of deposits	3,284,431
Total	<u>\$ 19,964,597</u>

**Statement of Net Assets**

*Governmental and Business-Type Activities*

Cash and cash equivalents	\$ 1,211,948
Investments at fair market value	475,341
Restricted cash and cash equivalents	555,635
Restricted investments	73,352

*Component Units*

Cash and cash equivalents	552,821
Investments at fair market value	1,696,644
Restricted cash and cash equivalents	114,270
Restricted investments	131,596

**Statement of Fiduciary Net Assets**

Cash and cash equivalents	1,462,690
Investments at fair market value	13,690,300
Total	<u>\$ 19,964,597</u>

**Investments Owned by Other Funds:**

Investment Type	Primary Government		Component Units	Fiduciary	Total
	Governmental	Business-Type Activities			
U.S. Government Obligations	\$ 2,617	\$ 0	\$ 1,935	\$ 705,908	\$ 710,460
US Government Agency Securities	223,854	145,127	1,138	0	370,119
Mortgage Backed Securities	130	0	0	0	130
Kansas Banks	0	0	2,914	0	2,914
Repurchase Agreements	439	51,196	2,871	0	54,506
Municipal Investment Pool	0	0	2,843	0	2,843
Guaranteed Investment Contracts	10,641	37,433	9,867	0	57,941
Corporate Securities	0	77,256	0	0	77,256
Total	<u>\$ 237,681</u>	<u>\$ 311,012</u>	<u>\$ 21,568</u>	<u>\$ 705,908</u>	<u>\$ 1,276,169</u>

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

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#### State Treasury and Municipal Investment Pool Balance

Cash balances in the State Treasury are held in numerous bank accounts. Available cash balances beyond immediate needs are pooled for short-term investment purposes. The cash balances and investments are combined and reported under the caption of "Cash and cash equivalents." The State Treasury and Municipal Investment Pool balance as of fiscal year-end is comprised as follows (expressed in thousands):

#### Pooled Cash and Investments

Cash	
Kansas banks demand accounts	\$ 23,466
Investments at fair market value	
Kansas banks certificates of deposit	183,410
U.S. government agencies securities	1,523,029
Corporate bonds	22,150
Commercial paper	474,829
Repurchase agreements	826,600
Loans receivable	10,987
Public water supply loan fund	5,000
Linked deposits	53,507
Cash deposits with financial institutions	
Moneys in custodial demand accounts	853
Cash items	41
Cash in transit	92,664
Unclaimed property invested by KPERS	172,068
Unemployment trust fund cash with U.S. Treasury	335,900
Total State Treasury and Municipal Investment Pool Balance	<u>\$ 3,724,504</u>

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### III. Detailed Notes On All Funds

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At June 30, 2009, the carrying amount (book balance) of the deposits included in the State Treasury balance was \$3.3 billion. At June 30, 2009, the State Treasurer had \$294.9 million in the associated bank balances. For cash deposits with financial institutions, the State requires that its depository banks pledge collateral that has a market value equal to or greater than the deposits. Effective March 15, 2004, the Kansas State Treasurer's office in its role as custodian for collateral pledged against the State deposits, agreed to follow the changes to the pledged collateral policy that the Pooled Money Investment Board has approved. The criteria for Kansas Bank CDs are as follows:

- U.S. Treasury securities (T-Bills, T-Notes, and Treasury Strips) and Federal Agency securities (Discount Notes and Debentures) with a final maturity of five years and under will require pledging of 100 percent collateralization (for any amount over the \$250,000 FDIC coverage).
- Any other type of security (including CMO's and MBS), surety bonds, or letters of credit (regardless of the final maturity) will require 105 percent collateralization.
- Any security with a final maturity longer than five years will require 105 percent collateralization.

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

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

#### **Component Unit - KDFA**

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

At June 30, 2009, KDFA has \$9.1 million invested in the State Municipal Investment Pool.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, KDFA will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The bank balances of KDFA's deposits at June 30, 2009, totaled \$90,842. UMB Bank will pledge collateral to a Federal Reserve account for bank balance in excess of the Federal Deposit Insurance Corporation (FDIC) limit, as well as by the standard coverage of the Federal Deposit Insurance Corporation (FDIC).

*Credit Risk.* KDFA's policy limits investments to those allowed by State Statute, and further to those with one of the top two ratings from Standard & Poor's or Moody's Investor Services, depending on the type of investment. As of June 30, 2009, KDFA was invested Kansas Municipal Investment Pool. As of June 30, 2009, the pool was rated AAAf / S1+ by Standard & Poor's. The repurchase agreement's underlying securities were GNMA securities, which are explicitly guaranteed by the U.S. government and thus carry no credit risk.

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from the fluctuations in interest rates, KDFA's investment policy limits investment maturities as follows: the portion of the portfolio equal to 150 percent of the current year annual operating expense budget shall be continuously invested in obligations which have maturities of twelve months or less. Moneys in excess of the 150 percent may be invested in obligations greater than twelve months, but no more than sixty months.

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### III. Detailed Notes On All Funds

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As of June 30, 2009, KDFA had the following investments, excluding certificates of deposit, with the noted investment maturities (expressed in thousands):

Investment Type	Fair Value	Less than 1 year
KMIP	\$ 9,088	\$ 9,088
Total	<u>\$ 9,088</u>	<u>\$ 9,088</u>

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

#### Component Unit - KHRC

As of June 30, 2009, KHRC had the following cash and investments (expressed in thousands):

	Cost	Fair Value
Cash		
Securty deposit	\$ 12	\$ 12
Financial Institution	126	126
Money market funds	673	673
Securities purchased under agreements to resell	446	446
U.S. Treasury Bond and Agency obligations	11,306	11,207
Total	<u>\$ 12,563</u>	<u>\$ 12,464</u>

As of June 30, 2009, KHRC investments and maturities consist of the following (expressed in thousands):

Investment Type	Fair Value	Less than 1 year	1-5 Years
U.S. Agency Securities	\$ 8,866	\$ 1,506	\$ 7,360
Mortgage backed securities	2,341	0	2,341
Total	<u>\$ 11,207</u>	<u>\$ 1,506</u>	<u>\$ 9,701</u>

*Investment Policy.* KHRC has adopted a formal investment policy. The primary objectives, in priority order, of investments activities shall be safety, liquidity, and yield. The standard of care to be used by investment officials shall be the "prudent person" standard, and shall be applied in the context of managing an overall portfolio. Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the capital as well as the probable income to be derived.

*Interest Rate Risk.* KHRC minimizes the risk it will realize losses due to declines in the market value of securities in its portfolios, by structuring its investment portfolio so that securities mature to meet cash requirements for scheduled disbursements or ongoing operations, taking into account cash balances available or expected to be available for such requirements, thereby avoiding the need to sell securities on the open market prior to maturity. KHRC also diversifies its investments to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities.

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### III. Detailed Notes On All Funds

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*Credit Risk.* The risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk. Per the investment policy, KHRC will minimize the credit risk through pre-qualifying institutions, diversifying its portfolios, and maintaining a standard of quality of authorized eligible investments. As of June 30, 2009, KHRC's investments were rated A+ to AAA by Standard & Poor's

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, KHRC will not be able to recover the value of its deposits or investments that are in the possession of an outside party. KHRC's investment policy requires collateralization on all demand deposit accounts, and to secure investments in Certificates of Deposits and Repurchase Agreements. KHRC also minimizes custodial credit risk by pre-qualifying the custodial or depository institutions, broker/dealers, intermediaries and advisors with which KHRC will do business. Investments held at June 30, 2009, including the underlying securities on the repurchase agreement, are held by the investment's counterparty. The repurchase agreement and deposits held with a financial institution were fully collateralized at June 30, 2009.

*Concentration of Credit Risk.* KHRC's investments are diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. The maximum percentage of portfolio by investment type ranges from 100 percent for U.S. Treasury securities, U.S. Government Instrumentality Obligations and the State of Kansas Pooled Money Investment Board to 15 percent for banker's acceptance and commercial paper. All of KHRC's investments are in U.S. Government Instrumentality Obligations, which include investments in the Federal National Mortgage Association (17.43 percent), Freddie Mac (49.18 percent), and the Federal Home Loan Bank (33.39 percent) as of June 30, 2009.

*Risks and Uncertainties:* KHRC maintains a portion of its total assets in a combination of bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amount reported in the combined statements of financial position.

#### Component Unit - KTEC

The following table summarizes the KTEC's cash and investments at June 30, 2009 (expressed in thousands):

Bank deposits and repurchase agreements	\$ 913
Certificate of deposit	1,275
Cash held by the State	6
Total Deposits	<u>\$ 2,194</u>

Cash in the amount of \$6,279 held by the State, which is not categorized below, represents grant funds received but not yet expended at June 30, 2009.

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, KTEC's deposits may not be returned to them. KTEC does not have a deposit policy for custodial risk. KTEC was not exposed to custodial risk at June 30, 2009, as indicated below (expressed in thousands):

Deposits covered by federal depository insurance or collateral held by KTEC or its agent in KTEC's name	\$ 2,023
Deposits covered by collateral held by pledging financial institution's trust department or by its agent in KTEC's name	198
Total Deposits (Bank Balance)	<u>\$ 2,221</u>

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**III. Detailed Notes On All Funds**

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Investments in Limited Partners consisted of the following at June 30, 2009 (expressed in thousands):

Investments in Economic Development LLCs

Wichita technology Ventures, LLC	\$ 812
Manhattan Holdings, LLC	666
Quest Ventures, LLC	215
Milestone Ventures, LLC	127
Precede Fund, LLC	194
Bi-State Investment Group	20

Seed Capital Investments

CritiTech, Inc	407
Relight America, Inc	147
Redemption Plus, Inc	91
Nanoscale Materials, Inc	250
Control Vision Corporation	200
Living Naturally	99
Magic Lantern, LLC	101
Hiper Technology	300
Vasogenix Pharmaceuticals, Inc	249
iModules Software, Inc	165
CyDex, Inc	378
Pixus Communications, LLC	100
PowerSmart, LLC	125
Softvu, LLC	160
Winglet Technology	150
Chemidex	226
Griffin Technology	100
IRR-Residential	200
NUVIO Corporation	150
Deciphera	113
Heartland Technologies	150
Innovia Medical	300
Proteon Therapeutics, LLC	182
Sportvision	42
Urogen	240
Community Wireless	100
Edenspace	250
Peak Vision Sports	150
Felton International	60
PS Holdings, LLC	38
TDP, Inc	496
Adaptive Ozone	300
Matrix Electronic Measuring, Inc	100
Rush Tracking	100
Athletixnation	100
EcoFit Lighting	200
KC Biomedix	311
Professional Engineering Corp	100
Total	<u>\$ 8,964</u>

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### III. Detailed Notes On All Funds

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KTEC Holdings hold an equity position in Wichita Technology Ventures, LLC, Manhattan Holdings, LLC, Quest Ventures, LLC, Milestone Ventures, LLC, and Precede Fund, LLC. These entities were co-organized by KTEC and others to make equity-related investments in pre-seed and other early stage financings. KTEC Holdings is in no way obligated to provide future funding to any of the joint ventures. Separate financial statements are available from each of the joint ventures upon request of the joint ventures' management.

#### Component Unit – Kansas Bioscience Authority

As of June 30, 2009, the Kansas Bioscience Authority (KBA) had balances of \$67.6 million of cash and money market investments.

*Deposit and Investment Policies.* KBA has adopted deposit and investment policies. Investment guidelines were followed by the local investment company which holds the KBA's cash and investments.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of a failure of the counterparty, KBA will not be able to recover the value of its deposits or investments that are in the possession of an outside party. Subsequent to June 30, 2009, KBA implemented a sweep option for its cash deposit account that transfers funds in excess of FDIC insurance coverage limits into a money market fund account for investment in government-backed securities. The investments in this money market account are protected from credit risk by \$500,000 in Securities Investor Protection Corporation (SPIC) insurance coverage. However, the underlying securities of \$19.9 million of investments are held by the investment's counterparty.

*Credit Risk.* As of June 30, 2009, KBA was invested in government agency securities including FHMLC, FFCB, FHLB and FNMA securities. The government agency securities were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Under KBA's investment policy, only AAA-rated securities were considered for investment.

*Concentration of Credit Risk.* Under KBA's investment policy, there is no limit on the total amount that can be invested in U.S. Treasury securities, government agency securities, or money market funds, but no more than five percent of the investment portfolio can be invested in securities issued or guaranteed by any one corporate issuer. As of June 30, 2009, more than five percent of KBA's investments are held in the following securities:

FHLB	12%
FFCB	6%

*Interest Rate Risk.* Interest rate risk relates to the exposure to fair value losses arising from the fluctuations in interest rates. Under KBA's investment policy, the average duration of the overall portfolio should be no more than four years and only high-quality securities are considered. Management utilizes an investment manager and considers input and advice from this manager as part of the investment policy. As of June 30, 2009, KBA had the following investment maturities (expressed in thousands):

Investment Type	Fair Value	Less than 90 days	90 days to 1 year	1-5 years
Government Securities	\$ 19,962	\$ 4,888	\$ 6,928	\$ 8,146

KBA has investments consisted of the following at June 30, 2009 (expressed in thousands):

Debt securities	\$ 4,480
Equity securities	974
Total	<u>\$ 5,454</u>

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### III. Detailed Notes On All Funds

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At June 30, 2009, KBA also owned warrants in one portfolio Company to purchase 350,000 shares of common stock at an exercise price of \$1.30 per share, and held equity rights for one percent of common stock in another portfolio company. The value of these warrants and equity rights is not readily determinable; therefore, they are not included in these financial statements.

#### **B. Investments**

Investments in the State Treasury Balance and Municipal Investment Pool at June 30, 2009, are as follows (expressed in thousands):

U.S. Government agency securities	\$ 370,119
Mortgage backed securities	130
Repurchase agreements	54,506
U.S. Government obligations	710,460
Kansas banks	2,914
State of Kansas Municipal Investment Pool	2,843
Guaranteed investment contracts	57,941
Corporate securities	77,256
Security deposits held by Kansas Insurance Department	152,542
College Savings Program	1,830,135
Less component units and other reconciling items	(21,569)
Total investments	<u>\$ 3,237,277</u>

Investments are managed by the Pooled Money Investment Board (PMIB) which maintains a published investment policy.

*Interest Rate Risk.* The PMIB minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by: (a) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and (b) investing operating funds primarily in shorter-term securities.

*Credit Risk.* The PMIB minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by: (a) limiting investments to the safest types of securities; (b) pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the PMIB will do business; and (c) diversifying the investment portfolio so that potential losses on individual securities will be minimized.

*Concentration of Credit Risk.* The PMIB minimizes concentration of credit risk by requiring that commercial paper and corporate bonds shall never exceed 50 percent of the total PMIB investment portfolio, and that no more than five percent of that portfolio shall be invested in the securities of any single business entity.



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

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#### **Investments Owned by Other Funds but maintained by KDFA**

*Specific Fund Investments.* Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

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### III. Detailed Notes On All Funds

As of June 30, 2009, State agencies had the following investments (expressed in thousands):

Agency Name	Investment Type	Fair Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Fort Hays State University	Investment Agreement	\$ 468	\$ 0	\$ 0	\$ 468	\$ 0
Dept. of Health and Environment	Repurchase Agreements	54,920	0	0	6,120	48,800
Dept. of Health and Environment	Investment Agreements	18,431	0	554	4502	13,375
Dept. of Transportation	Investment Agreement	15,277	0	0	0	15,277
Dept. of Commerce	Investment Agreement	9,506	0	6,056	3,450	0
Kansas State University	Repurchase Agreements	932	0	0	932	0
Kansas State University	Investment Agreement	4,335	0	461	0	3,874
Emporia State University	Investment Agreement	227	0	0	0	227
Pittsburg State University	Investment Agreement	1,019	0	0	365	654
Dept. of Corrections	Repurchase Agreements	439	0	0	0	439
Dept. of Corrections	Investment Agreement	1,135	0	1,135	0	0
University of Kansas	Repurchase Agreements	1,939	0	1,117	0	822
University of Kansas	Investment Agreement	2,566	0	445	1,599	522
University of Kansas Medical Center	Investment Agreement	696	0	0	232	464
Wichita State University	Repurchase Agreements	555	0	555	0	0
Total		<u>\$ 112,445</u>	<u>\$ 0</u>	<u>\$ 10,323</u>	<u>\$ 17,668</u>	<u>\$ 84,454</u>

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### III. Detailed Notes On All Funds

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The investments shown above include debt service reserve funds and other investments as shown below (expressed in thousands):

<b>Agency Name</b>	<b>Debt Service Reserve Fund</b>	<b>Other Investments</b>	<b>Total</b>
Fort Hays State University	\$ 468	\$ 0	\$ 468
Dept. of Health and Environment	67,418	5,933	73,351
Dept. of Transportation	15,277	0	15,277
Dept. of Commerce	9,506	0	9,506
Kansas State University	5,267	0	5,267
Emporia State University	227	0	227
Pittsburg State University	1,019	0	1,019
Dept. of Corrections	1,574	0	1,574
University of Kansas	4,506	0	4,506
University of Kansas Medical Center	695	0	695
Wichita State University	555	0	555
Total	<u>\$ 106,512</u>	<u>\$ 5,933</u>	<u>\$ 112,445</u>

*Interest Rate Risk* – Due to the tax exempt status of the bonds it is generally the practice of KDFA management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the KDFA generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally three to five years.

*Credit Risk* – The KDFA holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated.

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### III. Detailed Notes On All Funds

*Concentration of Credit Risk.* The KDFA places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2009 (expressed in thousands):

Agency Name	Investment Provider	Fair Value	Percent of Total for Agency
Fort Hays State University	Natixis Funding Corp.	\$ 468	100%
Dept. of Health & Environ.	AIG	20,955	28.60%
Dept. of Health & Environ.	Citigroup	17,558	24.00%
Dept. of Health & Environ.	MBIA	3,997	5.40%
Dept. of Health & Environ.	Morgan Guaranty	1,007	1.40%
Dept. of Health & Environ.	FSA	1,201	1.60%
Dept. of Health & Environ.	Societe Generale	5,895	8.00%
Dept. of Health & Environ.	Trinity Plus Funding	11,384	15.50%
Dept. of Health & Environ.	Westdeutsche	11,354	15.50%
Dept. of Transportation	FSA Capital Mgmt. Serv.	15,277	100%
Dept. of Commerce	MBIA	3,451	36.30%
Dept. of Commerce	Bayerische	3,239	34.07%
Dept. of Commerce	FSA Capital Mgmt. Serv.	2,816	29.63%
Kansas State University	MBIA	3,874	73.55%
Kansas State University	JP Morgan Chase	932	17.70%
Kansas State University	Bayerische	461	8.75%
Emporia State University	Trinity Plus	227	100%
Pittsburg State University	AIG	814	79.83%
Pittsburg State University	Trinity Plus	205	20.17%
Dept. of Corrections	AIG	1,574	100%
University of Kansas	Bayerische	1,760	39.06%
University of Kansas	FSA Capital Mgmt. Serv.	1,872	41.54%
University of Kansas	Natixis	445	9.88%
University of Kansas	Trinity Plus	429	9.52%
University of KS Medical Ctr.	Natixis Funding Corp.	463	66.70%
University of KS Medical Ctr.	Societe Generale	232	33.30%
Wichita State University	AIG	555	100%
<b>Total</b>		<u>\$ 112,445</u>	

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**III. Detailed Notes On All Funds**

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**Component Unit-Universities**

The following table summarizes the State University System's cash and investments at June 30, 2009 (expressed in thousands):

	Fair Value
U.S. Government obligations	\$ 384
Kansas banks	2,914
Invested with PMIB	5,533
Invested with KDFA	12,738
Imprest funds	130
Cash held with the State Treasurer	454,653
Cash and other investments	1,888,138
Total cash and investments	<u>\$ 2,364,490</u>

University component unit cash investments minimize risks for credit, interest and concentration of credit per specific investment policies which include U.S. Treasury securities or obligations explicitly guaranteed by the U.S. government.

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### III. Detailed Notes On All Funds

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#### Kansas Public Employees Retirement System (KPERS) Investments

Investments and the investment process are governed by K.S.A. 74-4921. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses the governing provisions of the law, as well as specifying additional guidelines for the investment process.

Statutory authority for KPERS investment program is provided in K.S.A. 74-4901, et seq., effective July 1, 1993. The Retirement Act addresses the following areas:

- Establishes the structure of the Board of Trustees, defines the Trustees' responsibilities, imposing the prudent expert standard upon their actions with respect to managing the assets of KPERS.
- Requires that the assets be invested to preserve capital and solely to provide benefits to members and the members' beneficiaries.
- Limits the possible allocation of common stock to 60 percent of the total book value of the fund.
- The annual allowance for new alternative (non-publicly traded) investments is limited to one percent of the market value of the total investment assets of the fund as measured from the end of the preceding calendar year.
- Establishes limits on the structure of future investments in real estate or alternative investments.
- Requires that the Board develop investment policies and objectives to invest fund assets.
- Authorizes the Board to hire qualified professionals/firms to assist in investing the fund and requires that such professionals/firms obtain errors and omissions insurance coverage and fidelity bond insurance coverage.
- Authorizes the Board to pay for the services of retained professionals/firms at the rates fixed by the Board, excluding any reimbursement for expenses and subject to the provisions of the appropriations acts.
- Provides for an annual audit and requires that the Board annually examine the investment program, specific investments, and its policies and practices.

KPERS permissible investment categories include:

- 1) Equities
- 2) Fixed income securities
- 3) Cash equivalents
- 4) Real estate
- 5) Derivative products
- 6) Alternative investments

In fulfilling its responsibilities, the Board of Trustees has contracted with 22 investment management firms and a master global custodian. Presently, KPERS has investments in the financial futures market. Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Daily, the net change in the future contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to nonperformance of counterparties to future contracts is minimal. At June 30, 2009, KPERS had futures contracts with market exposure of approximately \$1.9 billion. Cash equivalents and short-term investments in amounts

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### III. Detailed Notes On All Funds

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necessary to settle the economic value of the futures contracts were held in the portfolio so that no leverage was employed, in accordance with the Statement of Investment Policy.

KPERS Statement of Investment Policy authorizes participation in a securities lending program administered by the master global custodian, Mellon Trust. KPERS receives income from the loan of the securities, in addition to the income, which accrues to KPERS as owner of the securities. The securities loans are open contracts and therefore could be terminated at any time by either party. The types of securities lent include U.S. Government securities, domestic and international equities, and domestic and international bonds.

The borrower collateralizes the loan with either cash or government securities of 102 percent of fair value on domestic securities and 105 percent of fair value on international securities loaned. Cash collateral is invested in KPERS name in a dedicated short-term investment fund consisting of investment grade debt securities. KPERS does not have the ability to pledge or sell collateral securities without a borrower default. At June 30, 2009, the maturities of securities in this dedicated bond portfolio are as follows: 44 percent of the fair values of the securities mature within 30 days; 24 percent mature between 31 and 180 days; and 32 percent mature after 180 days.

The custodian provides for full indemnification to KPERS for any losses that might occur in the event of borrower default. KPERS does incur credit risk as it relates to the credit quality of the securities in the collateral pool. The securities on loan are marked to market daily to ensure the adequacy of the collateral. The fair value of securities on loan as of June 30, 2009, and June 30, 2008, were \$790 million and \$2.8 billion respectively. Collateral held by KPERS for June 30, 2009, and June 30, 2008, was \$824 million and \$2.9 billion respectively. Net income produced from securities lending activities for fiscal year 2009 was negative \$20.6 million and \$3.3 million and for fiscal year 2008.

KPERS international investment managers use forward contracts to hedge the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward contracts to enhance returns or to control volatility. KPERS also contracts with a currency overlay manager to manage the currency exposure to KPERS passive international equity portfolio. Currency risk arises due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counterparties. KPERS could incur a loss if its counterparties failed to perform pursuant to terms of their contractual obligations. Controls are established by the investment managers to monitor the creditworthiness of the counterparties.

All forward foreign currency contracts are carried at fair value by KPERS. As of June 30, 2009, KPERS had sold forward currency contracts with a fair value of \$1.6 billion and had bought forward currency contracts with a fair value of \$1.7 billion. Purchases of forward currency contracts are liabilities reported as securities purchased, and sales of forward currency contracts are receivables reported as sale of investment securities.

KPERS also participates in option contracts. These contractual agreements give the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by KPERS are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations.

KPERS internally manages a Treasury Inflation Protected Securities (TIPS) portfolio. TIPS are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2009, KPERS had invested in TIPS with a fair value of approximately \$711 million.

Custodial Credit Risk - is when in the event a financial institution or counterparty fails, KPERS would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. One hundred percent (100 percent) of KPERS investments are held in KPERS name and are not subject to creditors of the custodial bank.

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### III. Detailed Notes On All Funds

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*Concentration Risk.* KPERS has investments in Federal National Mortgage Association issued securities that represent 6.0 percent of the total net asset value. KPERS investment policy does not prohibit holdings above five percent in the debt securities of U.S. government issuers. Government sponsored enterprises (GSEs, such as FNMA) are considered government issuers for the purpose of implementing KPERS investment policy. No other single issuer represents 5 percent or more of KPERS assets other than the U.S. Government.

*Currency Risk.* The risk that changes in exchange rates will adversely affect the fair value of an investment. KPERS investments at June 30, 2009, were distributed among the following currencies (expressed in thousands):

USD Equivalent	Currency	Percent
\$ 133,634,182	Australian Dollar	1.21%
95,901,736	Brazil Real	0.87%
263,395,016	British Pound Sterling	2.39%
172,001,231	Canadian Dollar	1.56%
2,107,871	Chilean Peso	0.02%
26,012,527	Chinese Yuan Renminbi	0.24%
3,778,991	Colombian Peso	0.03%
6,919,429	Czech Koruna	0.06%
21,192,377	Danish Krone	0.19%
1,599,097	Egyptian Pound	0.01%
791,447,999	Euro Currency Unit	7.17%
106,777,817	Hong Kong Dollar	0.97%
2,876,409	Hungarian Forint	0.03%
3,168,816	Iceland Krona	0.03%
4,622,387	Indian Rupee	0.04%
17,357,477	Indonesian Rupian	0.16%
8,876,144	Israeli Shekel	0.08%
666,293,557	Japanese Yen	6.04%
15,842,430	Malaysian Ringgit	0.14%
43,774,318	Mexican New Peso	0.40%
1,330,805	Moroccan Dirham	0.01%
47,065,676	New Taiwan Dollar	0.43%
24,728,732	New Turkish Lira	0.22%
11,552,803	New Zealand Dollar	0.10%
24,911,306	Norwegian Krone	0.23%
2,763,306	Philippines Peso	0.03%
9,371,578	Polish Zloty	0.08%
20,008,493	Russian Rubel	0.18%
33,681,967	S African Comm Rand	0.31%
35,821,615	Singapore Dollar	0.32%
71,269,282	South Korean Won	0.65%
31,688,013	Swedish Krona	0.29%
153,148,999	Swiss Franc	1.39%
14,897,610	Thailand Baht	0.13%
928,225	Uruguayan Peso	0.01%
9,712,141	Other currencies	0.08%
8,158,312,643	U.S. Dollar *	73.90%
<u>\$ 11,038,773,005</u>		<u>100.00%</u>

\* Includes securities lending collateral of \$597,414,351



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KPERS asset allocation and investment policies include active and passive investments in international securities as shown above. KPERS target allocation is to have 22 percent of assets (excluding securities lending collateral) in dedicated international equities. KPERS also have five percent of assets targeted to Global Equities which are expected to be between 40 and 60 percent international. Core Plus bond managers are allowed to invest up to 20 percent of their portfolio in non-dollar securities. KPERS utilizes a currency overlay manager to reduce risk by hedging up to 50 percent of the foreign currency for selected international equity portfolios. At June 30, 2009, KPERS total foreign currency exposure was 8.4 percent hedged.

*Credit Risk.* The risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. KPERS investment policies require Core and Core Plus managers to have at least 70 percent of holdings in investment grade securities. Each portfolio is required to maintain a reasonable risk level relative to its benchmark. KPERS assets (expressed in thousands), as of June 30, 2009, subject to credit risk, are shown with current credit ratings below:

Quality Rating	Commercial Paper	Corporate	Agency	U.S. Government	Securities Lending Collateral	Total
NR	\$ 614,604	\$ 220,264	\$ 0	\$ 0	\$ 271,998	\$ 1,106,866
AAA	2,308	245,990	1,022	763,903	50,251	1,063,474
AA	7,076	74,632	1,047,685	42,498	69,134	1,241,025
A	2637	405,274	0	0	194,279	602,190
BBB	0	373,406	0	0	11,752	385,158
BB	0	144,032	0	0	0	144,032
B	0	68,324	0	0	0	68,324
CCC	0	107,461	0	0	0	107,461
Total	<u>\$ 626,625</u>	<u>\$ 1,639,383</u>	<u>\$ 1,048,707</u>	<u>\$ 806,401</u>	<u>\$ 597,414</u>	<u>\$ 4,718,530</u>

Commercial Paper also includes repurchase agreements and other short term securities. Agency securities are those implicitly guaranteed by the U.S. Government. U.S. Government securities are treasury securities and agencies explicitly guaranteed. Securities Lending Collateral are securities invested using cash collateral from the securities lending program, not pooled with any other institution's funds. Securities rated A1/P1 are included in AA on this table. The securities lending collateral class has the following policy requirements: to be rated A3/A- or better; Commercial Paper must be A1/P1; Asset-backed securities must be AA3/AA- or better; repurchase agreements must be 102 percent collateralized with A3/A- or A1/P1 or better securities and held by the custodial bank or third-party custodian. Securities Lending Collateral NR (Not Rated) securities are 100 percent repurchase agreement.

*Interest Rate Risk.* The risk that changes in interest rates will adversely affect the fair value of an investment. Investment policy requires Core and Core Plus managers to be within 20 percent of their benchmark duration, and all fixed portfolios shall maintain a reasonable risk level relative to their benchmarks. The same KPERS assets as above are also subject to interest rate risk. These are shown below grouped by effective duration ranges (expressed in thousands):

Effective Duration	Commercial Paper	Corporate	Agency	U.S. Government	Securities Lending Collateral	Total
0-1 yr	\$ 626,625	\$ 767,150	\$ 440,525	\$ 135,768	\$ 597,414	\$ 2,567,482
1-3 yrs	0	157,870	351,965	248,722	0	758,557
3-5 yrs	0	228,193	248,520	141,690	0	618,403
5-10 yrs	0	383,238	103	248,508	0	631,849
10-20 yrs	0	102,932	7,594	31,713	0	142,239
Total	<u>\$ 626,625</u>	<u>\$ 1,639,383</u>	<u>\$ 1,048,707</u>	<u>\$ 806,401</u>	<u>\$ 597,414</u>	<u>\$ 4,718,530</u>

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### III. Detailed Notes On All Funds

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Total TIPS for all duration ranges were valued at \$711 million at June 30, 2009. Securities lending collateral policy limit the maximum average portfolio maturity of 90 days. Only floating rate and fixed rate asset-backed securities may mature beyond thirteen months.

#### C. External Investment Pool

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

The MIP is considered a mixed pool because agencies of the State are participants in the pool. At June 30, 2009, the State's participation in the MIP was \$12.7 million. Deposits in the MIP are combined with State moneys to form the Pooled Money Investment Portfolio (PMIP). Investments subject to categorization of the PMIP are all category 1. As of March 15, 2004, the Pooled Money Investment Portfolio was rated AAAsf/S1+ by Standard & Poor's. Standard and Poor's requires monthly reporting on the Pool Money Investment Portfolio and conducts an annual rating review. Their most recent portfolio rating review was in May, 2009, and the rating AAAsf/S1+ was reaffirmed.

The MIP structure provides fixed rate investment alternatives between 30 and 179 days plus 180 and 365-day maturities as well as a variable rate, daily liquidity, overnight investment alternative. Participants' ownership in the fund is based on their deposits and is reflected as net assets held in trust on the statement of fiduciary net assets. The MIP is valued on a monthly basis.

#### D. Receivables

Accounts receivable as of June 30, 2009, for the State's primary government and component units net of the applicable allowances for uncollectible accounts, are as follows (expressed in thousands):

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
Taxes receivable	\$ 344,916	\$ 0	\$ 344,916	\$ 0
Loan receivable	0	771,324	771,324	27,101
Accrued interest	148	13,720	13,868	2,527
Other receivables	431,727	143,764	575,491	291,773
Total	<u>\$ 776,791</u>	<u>\$ 928,808</u>	<u>\$ 1,705,599</u>	<u>\$ 321,401</u>

Taxes receivable are shown net of allowances for uncollectible taxes of \$433.5 million and net of estimated individual and corporate refunds of \$305.6 million.

#### E. Investment in Direct Financing Leases

##### Component Units

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

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### III. Detailed Notes On All Funds

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Net investment in direct financing obligations as of June 30, 2009, are as follows (expressed in thousands):

Total minimum lease payments to be received	\$ 274,785
Less: unearned income	<u>(72,515)</u>
Net investment in direct financing leases	<u><u>\$ 202,270</u></u>

The future minimum loan payments to be received by KDFA under the direct financing agreements mirror the payments to be made by KDFA under the revenue bonds payable.

#### F. Restricted Assets

Certain revenue bond proceeds and other resources set aside for bond repayment, capital projects, and other purposes are reported as restricted assets in the Statement of Net Assets because their use is limited by applicable bond covenants or statutory provisions.

*Donor-Restricted Assets.* Kansas' permanent endowment moneys are held primarily by State university foundations. Each university has a separate foundation, and each foundation has its own policies and procedures. Typically, the permanent endowment funds have a nonexpendable permanent corpus and an earnings reserve, which is used to receive earnings and pay expenses. The donor restrictions and the Uniform Management of Institutional Funds Act (K.S.A. 58-3601) provide guidance on how these funds can be invested, and also govern the spending of net appreciation from these investments. Net appreciation is reflected in restricted net assets. The amount of net appreciation available to be spent can be found in the individual foundation annual financial reports.

#### G. Equity

Invested in capital assets, restricted for capital projects, restricted for debt service and restricted for other purposes are each shown separately on the Statement of Net Assets. The majority of restrictions are within the component units, with \$382.4 million from the Kansas University Endowment. Restrictions as of June 30, 2009, from component units are as follows (expressed in thousands):

#### Component Units

	Kansas Development Finance Authority	Kansas Technology Enterprise Corporation	Kansas Housing Resources Corporation	Kansas Bioscience Authority	State University System	Total
Invested in capital assets, net of related debt	\$ 18	\$ 127	\$ 347	\$ 1,016	\$ 1,175,099	\$ 1,176,607
Restricted for capital projects	0	0	0	0	26,653	26,653
Restricted for debt service	0	0	0	0	47,344	47,344
Restricted for other purposes	0	244	6,230	4,999	1,038,852	1,050,325
Unrestricted	6,811	12,389	9,022	103,008	1,002,038	1,133,268
Total	<u><u>\$ 6,829</u></u>	<u><u>\$ 12,760</u></u>	<u><u>\$ 15,599</u></u>	<u><u>\$ 109,023</u></u>	<u><u>\$ 3,289,986</u></u>	<u><u>\$ 3,434,197</u></u>

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### III. Detailed Notes On All Funds

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#### H. Capital Assets

##### Primary Government

	(expressed in thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental activities</i>				
Capital assets, not being depreciated:				
Land	\$ 185,462	\$ 14,844	\$ 163	\$ 200,143
Land improvements	87,070	4,741	437	91,374
Intangible	0	750	0	750
Construction in progress	804,434	391,257	283,400	912,291
Infrastructure (including construction in progress)	9,358,404	527,779	75,932	9,810,251
Total capital assets, not being depreciated	<u>10,435,370</u>	<u>939,371</u>	<u>359,932</u>	<u>11,014,809</u>
Capital assets, being depreciated:				
Buildings and improvements	1,145,577	149,721	17,034	1,278,264
Equipment and furnishings	487,349	45,762	18,713	514,398
Vehicles	71,145	10,790	7,716	74,219
Water rights	27,273	5158	0	32,431
Total	<u>1,731,344</u>	<u>211,431</u>	<u>43,463</u>	<u>1,899,312</u>
Less accumulated depreciation for:				
Buildings and improvements	346,535	32,514	16,932	362,117
Equipment and furnishings	233,246	38,077	16,995	254,328
Vehicles	43,739	10,545	7,717	46,567
Water rights	14,020	719	0	14,739
Total	<u>637,540</u>	<u>81,855</u>	<u>41,644</u>	<u>677,751</u>
Total capital assets, being depreciated, net	<u>1,093,804</u>	<u>129,576</u>	<u>1,819</u>	<u>1,221,561</u>
Governmental activity capital assets, net	<u>\$ 11,529,174</u>	<u>\$ 1,068,947</u>	<u>\$ 361,751</u>	<u>\$ 12,236,370</u>
<i>Business-type activities</i>				
Capital assets, being depreciated:				
Equipment and furnishings	\$ 4,439	\$ 247	\$ 38	\$ 4,648
Less accumulated depreciation for:				
Equipment and furnishings	4,075	133	38	4,170
Business-type activity capital assets, net	<u>\$ 364</u>	<u>\$ 114</u>	<u>\$ 0</u>	<u>\$ 478</u>

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Depreciation expense was charged to functions/programs as follows (expressed in thousands):

*Governmental activities*

General government	\$ 8,670
Human resources	11,100
Education	1,563
Public safety	24,722
Agriculture and natural resources	4,743
Highways and other transportation	24,389
Health and environment	<u>927</u>
Total depreciation expense – Government activities	<u><u>\$ 76,114</u></u>

*Business-Type activities*

Health care stabilization	\$ 2
Lottery	<u>132</u>
Total depreciation expense – Business-type activities	<u><u>\$ 134</u></u>

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#### Component Units

	(expressed in thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Kansas Development Finance Authority</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 191	\$ 8	\$ 15	\$ 184
Buildings and improvements	108	0	0	108
Less accumulated depreciation	274	14	14	274
Total capital assets, being depreciated, net	<u>\$ 25</u>	<u>\$ (6)</u>	<u>\$ 1</u>	<u>\$ 18</u>
<i>Kansas Technology Enterprise Corporation</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 1,014	\$ 71	\$ 9	\$ 1,076
Less accumulated depreciation	893	63	7	949
Total capital assets, being depreciated, net	<u>\$ 121</u>	<u>\$ 8</u>	<u>\$ 2</u>	<u>\$ 127</u>
<i>Kansas Housing Resources Corporation</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 549	\$ 111	\$ 0	\$ 660
Vehicles	12	0	0	12
Buildings and improvements	49	0	0	49
Less accumulated depreciation	244	130	0	374
Total capital assets, being depreciated, net	<u>\$ 366</u>	<u>\$ (19)</u>	<u>\$ 0</u>	<u>\$ 347</u>
<i>Kansas Bioscience Authority</i>				
Capital assets, not being depreciated				
Land	\$ 254	\$ 0	\$ 0	\$ 254
Construction in Process	0	626	0	626
Total capital assets, not being depreciated	<u>254</u>	<u>626</u>	<u>0</u>	<u>880</u>
Capital assets, being depreciated				
Furniture and equipment	165	53	2	216
Buildings and improvements	6	0	0	6
Less accumulated depreciation	42	44	0	86
Total capital assets being depreciated, net	<u>129</u>	<u>9</u>	<u>2</u>	<u>136</u>
Total capital assets, net	<u>\$ 383</u>	<u>\$ 635</u>	<u>\$ 2</u>	<u>\$ 1,016</u>

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	(expressed in thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>University System</i>				
Capital assets, not being depreciated				
Land	\$ 44,257	\$ 1,331	\$ 277	\$ 45,311
Land improvements	38,537	1,560	80	40,017
Construction in progress	101,146	199,913	195,518	105,541
Total capital assets, not being depreciated	<u>183,940</u>	<u>202,804</u>	<u>195,875</u>	<u>190,869</u>
Capital assets, being depreciated				
Buildings and improvements	2,179,467	156,907	5,623	2,330,751
Equipment and furnishings	469,158	50,986	22,997	497,147
Vehicles	46,997	2,109	1,516	47,590
Total capital assets, being depreciated	<u>2,695,622</u>	<u>210,002</u>	<u>30,136</u>	<u>2,875,488</u>
Less accumulated depreciation for:				
Buildings and improvements	904,391	63,580	1,714	966,257
Equipment and furnishings	301,980	41,353	20,764	322,569
Vehicles	36,601	3,092	1,491	38,202
Totals	<u>1,242,972</u>	<u>108,025</u>	<u>23,969</u>	<u>1,327,028</u>
Total capital assets, being depreciated, net	<u>1,452,650</u>	<u>101,977</u>	<u>6,167</u>	<u>1,548,460</u>
University system capital assets, net	<u>\$ 1,636,590</u>	<u>\$ 304,781</u>	<u>\$ 202,042</u>	<u>\$ 1,739,329</u>
<i>All Component Units</i>				
Capital assets, not being depreciated				
Land	\$ 44,511	\$ 1,331	\$ 277	\$ 45,565
Land improvements	38,538	1,560	81	40,017
Construction in progress	101,145	200,538	195,516	106,167
Total capital assets, not being depreciated	<u>184,194</u>	<u>203,429</u>	<u>195,874</u>	<u>191,749</u>
Capital assets, being depreciated				
Buildings and improvements	2,179,630	156,907	5,624	2,330,913
Equipment and furnishings	471,077	51,230	23,023	499,284
Vehicles	47,009	2,109	1,516	47,602
Total capital assets, being depreciated	<u>2,697,716</u>	<u>210,246</u>	<u>30,163</u>	<u>2,877,799</u>
Less accumulated depreciation for:				
Buildings and improvements	904,530	63,594	1,713	966,411
Equipment and furnishings	303,282	41,591	20,788	324,085
Vehicles	36,612	3,093	1,490	38,215
Totals	<u>1,244,424</u>	<u>108,278</u>	<u>23,991</u>	<u>1,328,711</u>
Total capital assets, being depreciated, net	<u>1,453,292</u>	<u>101,968</u>	<u>6,172</u>	<u>1,549,088</u>
All Component units capital assets, net	<u>\$ 1,637,486</u>	<u>\$ 305,397</u>	<u>\$ 202,046</u>	<u>\$ 1,740,837</u>

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#### Construction Commitments

The State has active construction projects as of June 30, 2009. The projects include road projects, dam repair, building remodeling and restoration, and new juvenile correctional facilities. At year-end, the State's commitments with contractors are as follows (expressed in thousands):

Agency – Project	Spent to Date	Remaining Commitment	Funding Source
<b>Primary Government:</b>			
<b>Kansas Department of Correction</b>			
Norton Correctional Facility - Water Treatment Plant	\$ 965	\$ 1,171	Correctional Facilities Infrastructure project fund
Norton Correctional Facility - Decentralization of Utilities	953	461	Correctional Facilities Infrastructure project fund
Lansing Correction - New Clinic & Infirmary (exterior shell only)	2,361	0	Correctional Facilities Infrastructure project fund
Hutchinson Correctional Facility	3,090	0	Correctional Facilities Infrastructure project fund
Locking system Replacement, A, B, & C Cellhouses			
<b>Department of Social and Rehabilitation Services</b>			
Construction Project - Kansas Neurological Institution	559	1,778	Debt Service - State Institution Building Fund
Construction of new Larned State Security Hospital	48,665	1,456	Bonds 2002N-1
State Hospitals Rehabilitation Construction Project - Osawatomie State Hospital	2,051	115	Debt Service - State Institution Building Fund
<b>Department of Administration</b>			
Statehouse restoration and renovation	168,925	80,802	Lease revenue Bonds secured by lease rents
Capitol Complex Maintenance Tunnel Replacement	1,030	1,989	State general fund
<b>Kansas Department of Transportation</b>			
Various Roadway Projects (over 3,000 projects)	n/a	985,400	Federal, state and local funds (primarily in the form of matching Federal highway construction funds, motor fuel tax moneys and vehicle registrations and permits)
<b>Adjutant General's Department</b>			
AFRC Wichita	0	2,246	Federal funding
Field Maintenance Shop Wichita	0	1,419	Federal funding
Great Plains Training Center	1,826	3,217	State bond funds and federal funds
Pittsburg State University/Pittsburg Readiness Ctr	6,564	53	State bond funds and federal funds



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Agency – Project	Spent to Date	Remaining Commitment	Funding Source
<b>Component Units:</b>			
<b>Fort Hays State University</b>			
Picken Hall Renovation	1,764	2,942	Infrastructure and deferred maintenance funds; university funds
<b>Kansas State University</b>			
Child Care Center	351	5,649	Bonds and restricted fees funds
Rec. Complex	199	23,800	Bonds and restricted fees funds
Leisure Hall	232	3,368	Infrastructure maintenance fund
Willard Hall	2,462	7,538	Infrastructure maintenance fund
Throckmorton Greenhouses	1,612	507	Rehabilitation and repair projects fund
Utilities Infrastructure/Power Plant Improvements	3,872	14,551	Infrastructure maintenance fund
Jardine Apartments Housing Project	63,327	8,958	Bonds and housing system operation fund
Parking Garage	12,200	5,655	Bonds and parking fee fund
Salina Student Life Center	3,922	1,978	Bonds and restricted fee fund
<b>Emporia State University</b>			
Memorial Union Refurbishing	3,171	15,329	State funds
<b>Pittsburg State University</b>			
Porter Hall Repair Project	240	1,396	Bonds and university interest
New Student Housing	978	9,673	Bonds and housing & parking fee funds
Renovation of Existing Housing	285	2,951	Bonds and housing system operation fund
New Parking Expansion	1,083	3,074	Bonds and parking & student fee funds
KS Army National Guard-Readiness/Recreation Center	10,041	22	Bonds, education building fund, general fund, student fees/private gifts and auxiliary funds.
McCray Hall Renovation	2,749	0	R&R fund, education building fund & student fees/private gifts
Construction of New Student Health Center	2,313	740	Bonds and private gifts and student fee funds
<b>University of Kansas</b>			
Pharmacy Teaching and Administration - Phase I	1,988	48,752	Bonds and private funds
Jayhawk Towers Renovation	5,638	2,197	Bonds and housing fund
Haworth Hall	442	2,158	Infrastructure maintenance program & university interest
Malott Hall	259	2,341	Infrastructure maintenance program & university interest
Deferred Maintenance – Tunnels	6,322	2,478	Infrastructure maintenance program & university interest
KLETC Capital Improvement Project	10,676	5,746	Revenue bonds secured by KLETC docket fees
<b>University of Kansas Medical Center</b>			
Miscellaneous	9,654	Unknown	University funds
<b>Wichita State University</b>			
Henrior Hall - Wilner Auditorium Fire Code Improvements	191	162	Rehabilitation and repair funds
Duerksen Fine Arts Center Electrical Service Upgrade	193	51	Deferred maintenance
Ahlberg Hall Utility Tunnel Waterproofing	437	259	Deferred maintenance
Hubbard Hall Elevator Upgrade	78	211	Rehabilitation and repair funds
Bombardier Learjet Practice Facility	173	0	Donation/student fees fund
Corbin Education Center Belvedere Roofs	41	88	Rehabilitation and repair funds
Total	<u>\$ 383,882</u>	<u>\$ 1,252,681</u>	

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### III. Detailed Notes On All Funds

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#### I. Interfund Receivables, Payables, and Transfers

##### Due from/to other funds

Due from/to other funds represent interfund accounts receivable and payable. The total of due from/to other funds at June 30, 2009, is as follows (expressed in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 5,750	\$ 15,340
Transportation Fund	29	0
Non-major Governmental Funds	18,815	1,578
Internal Service Funds	0	1,897
Fiduciary Funds	0	5,779
Total	<u>\$ 24,594</u>	<u>\$ 24,594</u>

##### Advances to/from other funds

Advances to/from other funds represent long-term loans from one fund to another fund. Advances at June 30, 2009, were as follows (expressed in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 0	\$ 101,628
Transportation Fund	30,896	0
Non-major Governmental Funds	74,968	3,549
Non-major Enterprise Funds	2,000	0
Internal Service Funds	0	2,687
Total	<u>\$ 107,864</u>	<u>\$ 107,864</u>

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

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

Fund	Net Transfers In	Net Transfers Out
General	\$ 114,675	\$ 0
Transportation	0	316,929
Transportation-Capital Projects	20,270	0
Health Policy Authority	0	802,253
Non-major Governmental	1,068,481	0
Unemployment Insurance	0	6,286
Health Care Stabilization	0	401
Non-major Enterprise Funds	0	71,490
Internal Service Funds	0	6,067
Total	<u>\$ 1,203,426</u>	<u>\$ 1,203,426</u>

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#### J. Short-term Obligations

Short-term obligations at June 30, 2009, and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/2008 Beginning Balance	Additions	Deletions	6/30/2009 Ending Balance
<i>Governmental Activities</i>				
Certificates of Indebtedness	\$ 0	\$ 775,000	\$ 775,000	\$ 0
Accrued receivables:				
State Building Fund	0	42,890	42,890	0
Children's Initiatives Fund	0	32,642	32,642	0
Correctional Institution Building Fund	0	4,018	4,018	0
State Economic Development	0	21,216	21,216	0
Kansas Endowment for Youth Fund	0	208	208	0
27 <sup>th</sup> Paycheck	0	16,181	16,181	0
Expanded Lottery Operations	2,632	0	2,632	0
Bond Anticipation Notes:				
KDFA Series 2008-1, 3.23%	1,700	0	1,700	0
KDFA Series 2008-2, 3.86%	3,000	0	3,000	0
KDFA Series 2008-3, 2.80%	0	1,500	1,500	0
KDFA Series 2008-4, 1.98%	0	5,000	0	5,000
KDFA Series 2009-1, 1.32%	0	1,000	1,000	0
KDFA Series 2009-2, 1.11%	0	4,000	4,000	0
 Total short-term obligations	 <u>\$ 7,332</u>	 <u>\$ 903,655</u>	 <u>\$ 905,987</u>	 <u>\$ 5,000</u>

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later than June 30, immediately following the issuance of the indebtedness. No interest is accrued or paid. During fiscal year 2009, three Certificates of Indebtedness were issued: \$300 million on July 1, 2008; \$250 million on December 17, 2008; and \$225 million on February 19, 2009. All three Certificates were redeemed on June 25, 2009.

Per K.S.A. 76-6b11, on July 1 of each year ad valorem tax and receivables are posted to the State Treasurer's receivables for the State Buildings Fund. The receivable is reduced as the ad valorem taxes are received. In fiscal year 2009, \$28.6 million was posted to the Kansas Educational Building Fund and \$14.3 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in June 2009.

Per Senate Bill 534, Section 85(f) of the 2008 Session, receivables are to be posted to the State Treasurer's receivables for the Children's Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2009 a receivable was posted for \$32.6 million and was reduced to zero in April 2009.

Per Senate Bill 534, Section 85(h) of the 2008 Session, on July 1, 2008, receivables are to be posted to the State Treasurer's receivables for the Correctional Institutions Building Fund by an amount certified by the director of budget which is to be 80 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2009, a receivable was posted for \$4 million and was reduced to zero in March, 2009.

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### III. Detailed Notes On All Funds

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Per Senate Bill 534, Section 85(g) of the 2008 Session, on July 1, 2008, receivables are to be posted to the State Treasurer's receivables for the State Economic Development Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2009, a receivable was posted for \$21.2 million and was reduced to zero in December 2008.

Per Senate Bill 534, Section 85(i) of the 2008 Session, on July 1, 2008, receivables are to be posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund by an amount certified by the director of budget which is to be 80 percent of the amount approved for expenditure during the fiscal year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2009, a receivable was posted for \$208 thousand and was reduced to zero in April 2009.

Per Senate Bill 534, Section 85(p) of the 2008 Session, on July 1, 2008, receivables are to be posted to the State Treasurer's receivables for the 27<sup>th</sup> payroll in the amount of \$16.2 million. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2009, a receivable was posted for \$16.2 million and was reduced to zero in June 2009.

Senate Bill 357, Section 10 of the 2007 Session, allowed the executive director of the Kansas Racing and Gaming Commission to request loans from the Pooled Money Investment Board through June 30, 2008, for operating expenditures related to expanded lottery operations. Senate Bill 534, Section 89, and House Bill 2946, Section 20, of the 2008 Session, extended the loan request period through June 30, 2009, and increased the loan limit to \$5 million. House Bill 2354, Section 53 of the 2009 Session extended the repayment date to June 30, 2012. This loan has been reclassified as long term debt.

The Kansas Development Finance Authority is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the KDFA has authorized the issuance of notes in anticipation of revenue bond financing. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

The \$1.7 million KDFA Bond Anticipation Note, Series 2008-1, was issued to fund a capital improvement project for the Department of Corrections. The loan was provided by the Pooled Money Investment Board (PMIB) for a term of 365 days (due February 15, 2009) at an interest rate of 3.23 percent. Permanent financing was obtained with the issuance and sale of revenue bonds, KDFA Series 2008L-3, on October 1, 2008, in the amount of \$1 million. The bond anticipation note was subsequently redeemed on October 1, 2008.

The \$3 million KDFA Bond Anticipation Note, Series 2008-2, was issued to fund a capital improvement project for the Kansas Army National Guard Armory. The loan was provided by the PMIB for a term of 183 days (due December 23, 2008) at an interest rate of 3.86 percent. Permanent financing was obtained with the issuance and sale of revenue bonds, KDFA Series 2008L-2, on October 1, 2008, in the amount of \$3.2 million. The bond anticipation note was subsequently redeemed on October 1, 2008.

The \$1.5 million KDFA Bond Anticipation Note, Series 2008-3, was issued to fund a capital improvement project for Pittsburg State University (Student Health Center). The loan was provided by the PMIB for a term of 365 days (due December 1, 2010) at an interest rate of 2.80 percent. Permanent financing was obtained with the issuance and sale of revenue bonds, KDFA Series 2009G, on June 29, 2009, in the amount of \$825 thousand. The bond anticipation note was subsequently redeemed on June 29, 2009.

The \$5 million KDFA Bond Anticipation Note, Series 2008-4, was issued to fund a capital improvement project for University of Kansas (Housing System). The loan was provided by the PMIB for a term of 356 days (due December 1, 2009) at an interest rate of 1.98 percent.

The \$1 million KDFA Bond Anticipation Note, Series 2009-1, was issued to fund a capital improvement project for Pittsburg State University (Housing System). The loan was provided by the PMIB for a term of 122 days (due July 13, 2009) at an interest rate of 1.32 percent. Permanent financing was obtained with the issuance and sale of

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### III. Detailed Notes On All Funds

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revenue bonds, KDFA Series 2009H, on June 29, 2009, in the amount of \$14.6 million. The bond anticipation note was subsequently redeemed on June 29, 2009.

The \$4 million KDFA Bond Anticipation Note, Series 2009-2, was issued to fund a capital improvement project for Pittsburg State University (Parking System). The loan was provided by the PMIB for a term of 88 days (due July 13, 2009) at an interest rate of 1.11 percent. Permanent financing was obtained with the issuance and sale of revenue bonds, KDFA Series 2009J, on June 29, 2009, in the amount of \$4.5 million. The bond anticipation note was subsequently redeemed on June 29, 2009.

#### **K. Long-term Obligations**

A summary of long-term obligations at June 30, 2009, for the fiscal year then ended is as follows (expressed in thousands):

	Government Activities	Business-Type Activities	Component Units	Total
Revenue bonds payable	\$ 2,744,828	\$ 765,976	\$ 705,223	\$ 4,216,027
Less - Bonds payable on demand	(885,715)	0	0	(885,715)
Sales tax limited obligation bonds	156,196	0	0	156,196
Notes payable	26,655	0	146,517	173,172
Capital leases payable	130,533	0	14,147	144,680
Arbitrage rebate payable	385	2,885	123	3,393
Claims and judgments	85,920	218,332	0	304,252
Compensated absences	134,386	72	61,943	196,401
Other post employment benefits	26,626	155	20,068	46,849
Pollution remediation	81,092	0	0	81,092
Other	0	17,115	111,701	128,816
Total long-term obligations	<u>\$ 2,500,906</u>	<u>\$ 1,004,535</u>	<u>\$ 1,059,722</u>	<u>\$ 4,565,163</u>

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Long-term obligations at June 30, 2009, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2008 Beginning Balance	Additions	Deletions	6/30/2009 Ending Balance	Amounts Due In One Year
<b>Governmental Activities</b>									
<u>Revenue bonds payable:</u>									
KDFA Series 1999 E	1999	4.00 - 5.00%	2009	\$ 34,470	\$ 4,065	\$ 0	\$ 4,065	\$ 0	\$ 0
KDFA Series 2001M	2002	3.50 - 5.00%	2011	32,390	11,830	0	3,755	8,075	3,940
KDFA Series 2003 H	2004	1.41 - 5.21%	2014	40,250	26,030	0	3,855	22,175	4,020
KDFA Series 2004 A	2004	2.00 - 5.00%	2024	44,920	38,525	0	1,720	36,805	1,785
KDFA Series 2004 C	2004	3.43 - 5.50%	2034	500,000	500,000	0	10,070	489,930	10,415
KDFA Series 2004 G-2	2005	2.50 - 5.13%	2010	1,545	580	0	280	300	300
KDFA Series 2005 H	2006	3.25 - 5.00%	2032	88,175	81,870	0	3,130	78,740	3,250
KDFA Series 2005 N	2006	3.50 - 4.00%	2015	28,165	20,340	0	2,590	17,750	2,680
KDFA Series 2006 A	2006	4.00 - 5.00%	2027	209,490	202,755	0	7,010	195,745	7,300
KDFA Series 2006 L	2007	4.00 - 4.25%	2026	13,210	12,595	0	640	11,955	665
KDFA Series 2007 F	2007	4.00 - 4.97%	2017	34,505	31,915	0	2,970	28,945	3,085
KDFA Series 2007 K	2008	4.00 - 5.25%	2028	59,455	59,455	0	1,880	57,575	1,955
KDFA Series 2008 L	2009	2.00 - 5.25%	2029	43,265	0	43,265	0	43,265	1,510
KDFA Series 2009 A	2009	2.50 - 5.00%	2035	3,825	0	3,825	0	3,825	0
KDFA Series 2009 B	2009	5.00%	2019	515	0	515	0	515	0
KDFA Series 2009 F	2009	3.00 - 5.00%	2019	49,425	0	49,425	0	49,425	0
KDOT Series 1998	1998	3.65 - 5.50%	2015	189,195	58,265	0	11,595	46,670	15,310
KDOT Series 2000 B & C*	2001	4.50 - 5.85%	2021	200,000	200,000	0	0	200,000	0
KDOT Series 2002 A	2003	Variable	2012	199,600	77,040	0	21,125	55,915	22,390
KDOT Series 2002 B & C*	2003	3.39%	2020	320,005	320,005	0	0	320,005	0
KDOT Series 2002 D*	2003	Variable	2012	88,110	88,110	0	20,270	67,840	21,400
KDOT Series 2003 A & B	2004	3.13 - 5.00%	2014	248,190	248,190	0	0	248,190	40,830
KDOT Series 2004 A	2004	4.50 - 5.50%	2023	250,000	250,000	0	0	250,000	0
KDOT Series 2004 B	2005	4.30 - 5.00%	2025	200,000	200,000	0	0	200,000	0
KDOT Series 2004 C*	2005	Variable	2025	147,000	147,000	0	0	147,000	0
KDOT Series 2008 A*	2008	3.36%	2016	150,870	150,870	0	0	150,870	0
								2,731,515	140,835
								(885,715)	(21,400)
*Less-Bonds payable on demand									
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	35,653	14,683	5,970	44,366	0
Unamortized deferred refunding difference				0	(38,123)	0	(7,070)	(31,053)	0
Total revenue bonds payable				\$ 3,176,575	2,726,970	111,713	93,855	1,859,113	119,435
<u>Sales tax limited obligation bonds:</u>									
1999 KISC	1999	4.20 - 5.25%	2028	17,496	17,116	0	295	16,821	369
2001 Project Area B	2001	4.00 - 5.10%	2021	20,639	16,769	0	716	16,053	904
2002 Subordinate KISC	2002	5.00 - 8.00%	2023	4,550	2,318	0	266	2,052	187
400 Acres Refunding	2005	3.25 - 5.54%	2021	3,931	3,766	0	112	3,654	148
1 <sup>st</sup> Lien 2005B Turbo	2006	3.75%	2009	36,281	8,248	0	8,248	0	0
1 <sup>st</sup> Lien 2005C Turbo	2006	3.85%	2009	12,409	12,409	0	12,409	0	0
2 <sup>nd</sup> Lien 2005 Turbo	2006	4.75 - 5.00%	2021	125,298	125,298	0	7,682	117,616	0
Total sales tax limited obligation bonds				\$ 220,604	185,924	0	29,728	156,196	1,608
<u>Notes payable:</u>									
Water supply storage									
in Federal reservoirs				32,575	17,040	5,159	924	21,275	677
Expanded Lottery Operations				5,000	2,632	2,368	0	5,000	0
Printing plant				3,857	557	0	177	380	187
Total notes payable				\$ 41,432	20,229	7,527	1,101	26,655	864
Capital leases payable					140,106	3,168	12,741	130,533	12,087
Arbitrage rebate payable					481	404	500	385	0
Claims and judgments					82,858	378,897	375,835	85,920	49,315
Compensated absences					12,125	13,131	0	134,386	60,874
Other post employment benefits					16,813	17,208	7,395	26,626	0
Pollution remediation					0	81,092	0	81,092	25,164
Total Governmental Activities				\$ 3,294,636	\$ 613,140	\$ 521,155	\$ 2,500,906	\$ 269,347	

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

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2008 Beginning Balance	Additions	Deletions	6/30/2009 Ending Balance	Amounts Due In One Year
<b>Business-Type Activities</b>									
<u>Revenue bonds payable:</u>									
KDFA Series 1997 1 & 2	1998	4.13 - 5.00%	2020	\$ 45,420	\$ 12,825	\$ 0	\$ 0	\$ 12,825	\$ 0
KDFA Series 1998 1 & 2	1999	3.88 - 5.25%	2021	39,690	13,105	0	8,900	4,205	0
KDFA Series 1998 II	1998	3.75 - 5.25%	2020	80,500	32,640	0	15,365	17,275	6,105
KDFA Series 2000 I & II	2000	4.60 - 6.13%	2012	82,915	11,760	0	3,520	8,240	3,810
KDFA Series 2000 1 & 2	2000	4.75 - 5.75%	2023	53,500	19,315	0	2,045	17,270	2,150
KDFA Series 2001 I & II	2002	3.00 - 5.50%	2022	141,045	120,990	0	5,175	115,815	5,685
KDFA Series 2002 1 & 2	2002	4.00 - 5.50%	2024	51,805	24,680	0	1,880	22,800	1,935
KDFA Series 2002 II	2003	2.26 - 5.50%	2024	101,575	58,220	0	2,850	55,370	3,000
KDFA Series 2004 I & II	2004	2.00 - 5.25%	2023	50,140	46,140	0	1,000	45,140	1,500
KDFA Series 2004 1 & 2	2005	3.00 - 5.00%	2026	176,010	167,310	0	6,880	160,430	7,125
KDFA Series 2005 CW	2006	3.00 - 5.00%	2027	118,860	108,995	0	5,540	103,455	5,365
KDFA Series 2008 CW	2009	3.00 - 5.13%	2030	66,545	0	66,545	0	66,545	0
KDFA Series 2008 DW	2009	5.00 - 6.00%	2029	36,700	0	36,700	255	36,445	1,330
KDFA Series 2005 TR	2006	3.00 - 5.00%	2026	32,690	30,490	0	2,035	28,455	2,080
KDFA Series 2006 TR	2007	4.00 - 5.00%	2027	24,755	23,305	0	1,710	21,595	1,705
KDFA Series 2008 G	2009	4.60 - 5.05%	2023	14,200	0	14,200	1,442	12,758	1,145
KDFA Series 2009 TR	2009	2.50 - 4.78%	2028	30,950	0	30,950	0	30,950	1,280
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	25,174	339	3,156	22,357	0
Unamortized deferred refunding difference				0	(17,477)	0	(1,523)	(15,954)	0
Total revenue bonds payable				<u>\$ 1,147,300</u>	<u>677,472</u>	<u>148,734</u>	<u>60,230</u>	<u>765,976</u>	<u>44,215</u>
Arbitrage rebate payable					1,755	1,548	418	2,885	657
Claims and judgments					205,766	12,566	0	218,332	12,917
Compensated absences					56	16	0	72	60
Other post employment benefits					89	71	5	155	0
Other					14,703	2,412	0	17,115	0
Total Business-type Activities					<u>\$ 899,841</u>	<u>\$ 165,347</u>	<u>\$ 60,653</u>	<u>\$ 1,004,535</u>	<u>\$ 57,849</u>

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### III. Detailed Notes On All Funds

Component Units	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2008 Beginning Balance	Additions	Deletions	6/30/2009 Ending Balance	Amounts Due In One Year
<b>Revenue bonds payable:</b>									
Board of Regents Series 1969	1970	3.00 - 7.13%	2009	\$ 1,100	\$ 30	\$ 0	\$ 30	\$ 0	\$ 0
KDFA Series 1989 E	1990	6.00 - 7.25%	2010	1,401	247	12	131	128	128
KDFA Series 1993 L	1994	3.40 - 5.15%	2009	3,975	445	0	445	0	0
KDFA Series 1995 K	1996	3.75 - 5.40%	2016	3,835	2,210	0	190	2,020	200
KDFA Series 1996 J	1997	3.85 - 5.40%	2010	5,600	245	0	175	70	70
KDFA Series 1997 C	1997	4.70 - 5.30%	2011	3,255	840	0	290	550	305
KDFA Series 1997 G-1	1998	5.05%	2012	626	1,063	54	0	1,117	0
KDFA Series 1998 B	1998	3.90 - 5.00%	2018	9,320	6,100	0	410	5,690	430
KDFA Series 1998 D	1998	3.70 - 5.05%	2023	4,290	3,230	0	130	3,100	135
KDFA Series 1998 E	1999	3.40 - 4.90%	2024	4,750	3,850	0	135	3,715	145
KDFA Series 1998 L	1999	3.80 - 5.00%	2019	5,590	3,740	0	260	3,480	275
KDFA Series 1998 P	1999	3.00 - 4.85%	2019	3,650	2,560	0	150	2,410	160
KDFA Series 1999 A-1 & A-2	1999	3.20 - 5.00%	2012	28,210	9,380	0	1,980	7,400	2,075
KDFA Series 1999 B	1999	3.60 - 5.00%	2019	2,920	2,050	0	130	1,920	135
KDFA Series 1999 C	1999	4.00 - 5.10%	2019	3,085	2,180	0	135	2,045	145
KDFA Series 1999 D	1999	4.00 - 4.75%	2014	11,170	5,060	0	750	4,310	785
KDFA Series 1999 H	2000	3.75 - 5.20%	2012	17,830	3,090	0	715	2,375	750
KDFA Series 1999 N	2000	4.00 - 5.88%	2035	21,645	685	0	335	350	350
KDFA Series 2000 B	2000	4.70 - 5.90%	2010	5,705	3,445	0	350	3,095	370
KDFA Series 2000 D	2001	4.60 - 5.60%	2015	1,735	1,040	0	105	935	110
KDFA Series 2000 V	2001	4.35 - 4.75%	2011	16,370	3,075	0	900	2,175	1,100
KDFA Series 2001 B	2001	3.65 - 5.20%	2021	2,805	2,105	0	120	1,985	125
KDFA Series 2001 D	2001	4.25 - 5.25%	2021	48,895	37,050	0	2,075	34,975	2,180
KDFA Series 2001 F	2001	3.30 - 5.50%	2012	29,905	12,575	0	3,380	9,195	3,560
KDFA Series 2001 J	2002	3.50 - 4.30%	2013	5,300	2,265	0	505	1,760	525
KDFA Series 2001 N	2001	4.25 - 5.25%	2014	7,230	3,910	0	565	3,345	590
KDFA Series 2001 S	2002	4.13 - 5.50%	2021	15,940	11,810	0	795	11,015	690
KDFA Series 2001 U	2002	3.10 - 5.00%	2021	10,295	6,765	0	620	6,145	645
KDFA Series 2001 W	2002	3.00 - 5.00%	2022	47,855	39,015	0	2,110	36,905	2,045
KDFA Series 2002 A	2002	3.50 - 5.00%	2027	26,560	20,255	0	1,235	19,020	1,275
KDFA Series 2002 C	2002	3.00 - 5.00%	2022	15,830	12,765	0	675	12,090	705
KDFA Series 2002 H	2003	2.50 - 4.70%	2022	3,765	2,875	0	160	2,715	165
KDFA Series 2002 J-1 & J-2	2003	3.39 - 3.58%	2035	33,355	30,440	0	845	29,595	880
KDFA Series 2002 K	2003	4.30 - 5.00%	2023	5,120	5,120	0	0	5,120	0
KDFA Series 2002 N	2003	3.00 - 5.25%	2023	52,075	43,560	0	2,080	41,480	2,185
KDFA Series 2002 P	2003	3.00 - 5.00%	2021	12,150	9,755	0	520	9,235	540
KDFA Series 2003 A-1 & A-2	2003	1.80 - 5.50%	2023	2,610	2,155	0	100	2,055	105
KDFA Series 2003 C	2003	4.67 - 5.00%	2033	72,670	65,035	0	1,740	63,295	1,830
KDFA Series 2003 D-1 & D-2	2003	2.00 - 4.70%	2028	6,470	5,450	0	225	5,225	225
KDFA Series 2003 J	2004	2.00 - 5.25%	2025	34,100	29,555	0	1,160	28,395	1,215
KDFA Series 2004 D	2005	3.00 - 4.75%	2020	1,195	1,140	0	85	1,055	85
KDFA Series 2004 F	2005	2.00 - 5.25%	2012	44,860	40,800	0	9,285	31,515	9,745
KDFA Series 2004 G-1 & G-2	2005	2.50 - 5.13%	2024	19,795	16,635	0	750	15,885	800
KDFA Series 2005 A	2005	3.00 - 5.00%	2035	44,535	42,830	0	895	41,935	920
KDFA Series 2005 D	2005	3.79 - 5.18%	2022	66,530	54,080	0	4,820	49,260	5,035
KDFA Series 2005 E-1 & E-2	2005	3.00 - 5.00%	2030	19,360	18,445	0	525	17,920	545
KDFA Series 2005 F	2006	3.25 - 4.40%	2026	8,930	8,930	0	350	8,580	375
KDFA Series 2005 G	2006	3.30 - 4.60%	2026	7,790	7,505	0	300	7,205	310
KDFA Series 2006 B	2006	3.50 - 4.13%	2021	9,790	9,790	0	140	9,650	140
KDFA Series 2007 A	2007	3.75 - 4.39%	2037	27,750	27,365	0	510	26,855	530
KDFA Series 2007 E	2007	3.75 - 4.30%	2027	6,275	6,075	0	220	5,855	230
KDFA Series 2007 H	2008	3.60 - 4.50%	2037	17,855	17,855	0	335	17,520	350
KDFA Series 2007 M	2008	3.20 - 4.60%	2027	18,220	18,220	0	670	17,550	695
KDFA Series 2008 A	2008	3.00 - 4.00%	2016	20,000	20,000	0	2,500	17,500	2,500
KDFA Series 2008 D	2008	5.10%	2038	1,600	1,600	0	0	1,600	0
KDFA Series 2008 L	2009	2.00 - 5.25%	2029	21,070	0	21,070	0	21,070	720
KDFA Series 2009 C	2009	3.00 - 5.00%	2017	20,000	0	20,000	0	20,000	2,500
KDFA Series 2009 G	2009	2.50 - 4.75%	2023	825	0	825	0	825	50
KDFA Series 2009 H	2009	2.50 - 7.30%	2035	14,630	0	14,630	0	14,630	0
KDFA Series 2009 J	2009	2.50 - 7.00 %	2030	4,545	0	4,545	0	4,545	0
<b>Plus deferred amounts:</b>									
Net unamortized premium (discount)				0	3,768	913	817	3,864	0
Unamortized Deferred Refunding				0	(38)	0	(7)	(31)	0
Total Revenue Bonds Payable				\$ 964,547	692,025	62,049	48,851	705,223	52,683
<b>Notes payable:</b>									
Component units of university system					119,073	34,588	7,144	146,517	7,368
Total notes payable					119,073	34,588	7,144	146,517	7,368
Arbitrage rebate payable					163	38	78	123	0
Capital leases					15,019	308	1,180	14,147	1,293
Compensated absences					58,743	3,200	0	61,943	51,131
Other post employment benefits					11,775	8,313	20	20,068	0
Other					110,071	6,888	5,258	111,701	4,486
Total Component Units					\$ 1,006,869	\$ 115,384	\$ 62,531	\$ 1,059,722	\$ 116,961



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The following table presents annual debt service requirements for those long-term debts outstanding, including bonds payable on demand, at June 30, 2009, which have scheduled debt service amounts (expressed in thousands):

	Governmental		Business-type		Component	
	Activities		Activities		Units	
	Principal	Interest	Principal	Interest	Principal	Interest
<b>Revenue bonds:</b>						
2010	\$ 140,835	\$ 141,249	\$ 44,215	\$ 36,684	\$ 52,683	\$ 31,284
2011	147,150	134,929	48,738	34,405	54,105	29,348
2012	156,055	127,833	50,033	32,193	54,422	27,044
2013	155,315	120,200	51,315	29,876	38,570	25,001
2014	153,245	113,295	52,491	27,367	38,025	23,296
2015-2019	700,410	465,873	233,294	100,782	186,835	90,341
2020-2024	803,650	234,933	180,377	48,337	156,475	47,158
2025-2029	308,990	77,140	97,125	13,933	64,795	21,352
2030-2034	165,585	27,597	1,985	51	41,905	8,465
2035-2039	280	14	0	0	13,575	1,179
Unamortized premium	44,366	0	22,357	0	3,864	0
Unamortized deferred refunding	(31,053)	0	(15,954)	0	(31)	0
Totals	2,744,828	1,443,063	765,976	323,628	705,223	304,468
<b>Sales tax limited obligation bonds:</b>						
2010	1,608	7,639	0	0	0	0
2011	1,963	7,590	0	0	0	0
2012	2,044	7,537	0	0	0	0
2013	2,127	7,481	0	0	0	0
2014	2,213	7,419	0	0	0	0
2015-2019	88,095	28,255	0	0	0	0
2020-2024	51,950	7,152	0	0	0	0
2025-2029	6,196	6,076	0	0	0	0
Totals	156,196	79,149	0	0	0	0
<b>Notes payable:</b>						
2010	864	824	0	0	7,368	6,582
2011	904	779	0	0	7,272	6,243
2012	5,737	1,972	0	0	7,338	5,917
2013	763	4,725	0	0	7,805	5,574
2014	790	698	0	0	7,761	5,234
2015-2019	4,404	3,038	0	0	43,618	23,794
2020-2024	5,269	2,173	0	0	31,899	13,627
2025-2029	4,526	1,156	0	0	21,477	5,441
2030-2034	2,633	356	0	0	11,979	1,507
2035-2039	530	75	0	0	0	0
2040-2044	235	10	0	0	0	0
Totals	26,655	15,806	0	0	146,517	73,919
Capital leases payable	130,533	51,609	0	0	14,147	3,659
Long-term debt without scheduled debt service:						
Arbitrage rebate payable	385	0	2,885	0	123	0
Claims and judgments	85,920	0	218,332	0	0	0
Compensated absences	134,386	0	72	0	61,943	0
Other post employment benefits	26,626	0	155	0	20,068	0
Pollution remediation	81,092	0	0	0	0	0
Other	0	0	17,115	0	111,701	0
Total long-term obligations	\$ 3,386,621	\$ 1,589,627	\$ 1,004,535	\$ 323,628	\$ 1,059,722	\$ 382,046

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### III. Detailed Notes On All Funds

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#### General Obligation Bonds

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

#### Revenue Bonds

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

**Kansas Department of Transportation (KDOT)** has 13 outstanding series of Highway Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of highways in the State as part of the State's Comprehensive Transportation Program. The State's Comprehensive Transportation Program was developed by KDOT after extensive study of the transportation needs in the State and was implemented by the 1999 Kansas Legislature. Principal and interest payments on these bond issues are paid from revenues collected in the State Highway Fund, which include motor fuels taxes, state sales taxes, compensating use taxes, and drivers' license and vehicle registration fees. Please reference Note K. above for KDOT revenue bonds and future principal and interest payments.

The coupon interest rate on outstanding bonds varies from 3.13 percent to 5.50 percent. In addition, various bonds were issued as variable rate instruments whose rates change on a daily, weekly, or 28-day basis depending on their respective individual modes. During the year, interest rates ranged from 0.05 percent to 9.93 percent on the daily adjustable bonds, from 0.08 percent to 9.50 percent on the weekly adjustable bonds, and from 1.70 percent to 3.00 percent on the 28-day adjustable bonds. The Series 2000 B and C, 2002 B, C and D, 2004 C and 2008 A Bonds are subject to tender under certain conditions. If the tendered bonds cannot be remarketed, the liquidity provider has agreed to purchase the bonds and hold them for a maximum of 180 days. Through June 30, 2009, all bonds tendered have been remarketed. However, since there is not a long-term financing option in place at June 30, 2009, for these tendered bonds, these bonds have been recorded as obligations of the Transportation - Capital Project Fund resulting in a deficit fund balance in that fund.

**Board of Regents of the State of Kansas (Regents)** has issued one outstanding series of Revenue Bonds to construct a dormitory at Emporia State University. Principal and interest payments on the bonds are paid from revenues collected from the operation of the dormitory. Please reference Note K. above for KDOT revenue bonds and future principal and interest payments.

#### Sales Tax Limited Obligation Bonds

In March 1998, the Unified Government of Wyandotte County/Kansas City, KS established the Prairie Delaware Redevelopment District. The District was created for development of a major tourism area, including the Kansas International Speedway. In connection with various projects in the District, the Unified Government has issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the Unified Government and the State have entered into a Redevelopment District Tax Distribution Agreement. The agreement provides that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally by the Unified Government and the State, based on each entity's respective share of sales taxes generated within the District. The State's proportional share is approximately 72 percent. Therefore, 72 percent of the outstanding obligation on each STAR bond issue has been recorded with the State's long-term debt. This proportional share may change in the future if the sales taxes assessed by the local or state governments are modified. Further details regarding STAR bonds may be found in the chart at the beginning of Note III, Section K.

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

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

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special limited obligations of KDFA, where neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by KDFA or the State. Accordingly, such special obligation bonds are not included in KDFA's June 30, 2009, balance sheet. KDFA's special obligation bonds at June 30, 2009, total \$2.3 billion.

Private activity bonds are special limited obligations of KDFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on KDFA's June 30, 2009, balance sheet. KDFA's private activity bonds at June 30, 2009, total \$1.1 billion.

#### **Notes Payable**

PMIB is authorized as directed by statute to loan funds from the State treasury to State agencies for various capital projects including the purchase of the State's printing plant and the renovation and purchase of the Landon State Office Building. These internal loans are recorded as loans receivable in the State treasury's cash balance in Note III, Section A, Deposits and Investments, and in corresponding amounts of notes payable in Note III, Section K, Long-term Obligations and Section J, Short-term Obligations.

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal Government over the past 35 years for water supply storage capacity in large Federal multipurpose lakes under the provisions of the 1958 Federal Water Supply Act. Nine of these agreements provide for long-term (fifty-year) repayment with interest of the costs incurred by the Federal Government in construction of the water supply storage space. The Kansas Water Office is authorized by K.S.A. 82a-934 to enter into such agreements, subject to legislative approval through appropriations. Generally, however, receipts from the sale of water to local municipal and industrial water supply users are adequate to make the annual payments due under the long-term contracts with the Federal Government. Portions of the storage in some reservoirs have been designated as "future use" storage, and as such; the State is not required to make payments on that portion of storage until it is needed by users. The State has not recorded a liability at June 30, 2009, for portions of the storage designated as "future use" storage.

#### **Lease Commitments**

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

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### III. Detailed Notes On All Funds

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#### Operating Leases

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2009, are as follows (expressed in thousands):

<u>Fiscal Year</u>	
2010	\$ 11,814
2011	11,283
2012	10,409
2013	9,822
2014	8,441
2015-2019	28,515
2020-2024	14,748
2025-2029	7,420
Total future minimum lease payments	<u>\$ 102,452</u>
Rent expenditures/expenses for operating leases for the year ended June 30, 2009	<u>\$ 11,521</u>

#### Capital Leases

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

The following schedule presents future minimum lease payments as of June 30, 2009 (expressed in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 12,088	\$ 5,456
2011	10,922	4,953
2012	9,822	4,484
2013	9,641	4,900
2014	9,848	5,909
2015-2019	30,393	14,187
2020-2024	23,606	8,141
2025-2029	21,726	3,469
2030-2034	2,487	110
Total	<u>\$ 130,533</u>	<u>\$ 51,609</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2009, include the following (expressed in thousands):

	<u>Governmental Activities</u>
Land (non-depreciable)	\$ 9,664
Buildings	89,113
Equipment	52,848
Less: Accumulated depreciation	(43,227)
Total	<u>\$ 108,398</u>

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### III. Detailed Notes On All Funds

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#### Master Lease Purchase Program

The Master Lease Purchase Program, administered by the Department of Administration, provides low interest, equipment lease purchase financing and energy conservation project financing to State agencies. The Program began in 1985 with the issuance of Certificates of Participation and evolved into the current Program, which utilizes lines of credit. Lease purchase obligations under the Program are not general obligations of the State, but are payable from appropriations of State agencies participating in the Program, subject to annual appropriation. Financing terms of two years through fifteen years are available. The financing term should not exceed the useful life of the purchased item. The interest component of each lease/purchase payment is subject to a separate determination.

#### Defeasance of Debt

##### Primary Government

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2009, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	Balance	Payments	Balance
<b>Governmental Activities</b>			
KDOT Series 1994	\$ 27,915	\$ 8,835	\$ 19,080
KDOT Series 1994 A	6,715	3,235	3,480
KDOT Series 1998	58,190	2,890	55,300
KDOT Series 1999	297,140	2,435	294,705
KDOT Series 2000 A	150,000	5,100	144,900
KDFA Series 2003 J	5,070	375	4,695
KDFA Series 2004 A	4,970	300	4,670
Total governmental activities	<u>\$ 550,000</u>	<u>\$ 23,170</u>	<u>\$ 526,830</u>
<b>Business-type Activities</b>			
KDFA Series 1998 II	\$ 28,670	\$ 28,670	\$ 0
KDFA Series 2000 I	1,965	0	1,965
KDFA Series 2000 II (Nov.)	54,945	0	54,945
KDFA Series 2000 1 & 2	24,635	0	24,635
KDFA Series 2001 II	2,790	0	2,790
KDFA Series 2002 II	26,845	0	26,845
KDFA Series 2002 1 & 2	20,315	0	20,315
Total business-type activities	<u>\$ 160,165</u>	<u>\$ 28,670</u>	<u>\$ 131,495</u>

No bonds were defeased during the current fiscal year.

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### III. Detailed Notes On All Funds

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#### Component Unit

For financial reporting purposes, the Kansas Development Finance Authority has in substance defeased certain lease revenue bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased lease revenue bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2009, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/2008 Beginning Balance	Payments	6/30/2009 Ending Balance
KDFA Series 1999 D	\$ 1,060	\$ 1,060	\$ 0
KDFA Series 1999 H	10,030	0	10,030
KDFA Series 1999 N	19,240	0	19,240
KDFA Series 2000 T	1,285	135	1,150
KDFA Series 2000 V	7,215	0	7,215
KDFA Series 2001 N	600	600	0
KDFA Series 2001 W	1,370	130	1,240
Total component units	<u>\$ 40,800</u>	<u>\$ 1,925</u>	<u>\$ 38,875</u>

No bonds were defeased in the current fiscal year.

#### Arbitrage Rebate Payable

Estimated arbitrage rebate payables have been calculated and liabilities recorded of \$385,000 for Governmental Activities, \$2.9 million for Business-type Activities, and \$123,000 for Component Units.

#### Derivative Instruments

##### *Interest rate swap*

##### **KDFA Series 2002 J-2**

*Objective of the interest rate swap.* As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in August 2002, the Kansas Development Finance Authority entered into an interest rate swap in connection with its 2002 J-2 lease revenue bonds. The intention of the swap was to effectively change the variable interest rate of the bonds to a synthetic fixed rate of 3.39 percent.

*Terms.* The lease revenue bonds mature in December 2034 and the related swap agreement matures in December 2009. The swap's notional amount of \$21.8 million is equal to the par amount of the variable rate bonds. The swap agreement was executed at the same time the bonds were issued. Under the terms of the swap agreement, the KDFA pays the counterparty a fixed rate of 3.39 percent and receives a variable payment computed on the Bond Market Association Municipal Swap Index™ (BMA).

*Fair Value.* Because interest rates declined subsequent to the date of execution, the swap had an indicative value of negative \$318,000 as of June 30, 2009.

##### **Kansas Department of Transportation**

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

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### III. Detailed Notes On All Funds

*Terms, fair values, and credit risk.* The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2009, are included below. KDOT's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable (expressed in thousands).

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating
KDOT Series 2002 D	\$ 86,875	12/17/2002	5.24%	67% of USD-LIBOR	\$ (5,915)	3/1/2012	A2/A
KDOT Series 2002 B & C*	200,000	10/23/2002	3.16%	67% of USD-LIBOR	(13,295)	9/1/2019	Aa3/A
KDOT Series 2002 B & C*	120,005	10/23/2002	3.16%	67% of USD-LIBOR	(7,986)	9/1/2019	A3/A
KDOT Series 2003 C	150,275	12/3/2003	3.36%	71% of USD-LIBOR**	(10,506)	9/1/2015	A2/A
KDOT Series 2004 B & C***	72,000	11/23/2004	3.57%	63.5% of USD-LIBOR + .29%	(6,703)	9/1/2024	Aa3/A
KDOT Series 2004 B & C	75,000	7/1/2007	3.57%	63.329% of 10 Year LIBOR	(4,558)	9/1/2024	Aa3/A
KDOT Series 2004 B	75,000	7/10/2007	67% of USD-Libor	61.56% of 10 Year LIBOR	3,037	9/1/2024	Aa1/AA-
	<u>\$ 779,155</u>				<u>\$ (45,926)</u>		

\*-two counterparties

\*\*--or the lessor of the Actual Bond Rate of USD-LIBOR until September 1, 2010

\*\*\*-reduces from \$147,000 on July 1, 2007

*KDOT Series 2002 D Swap* - In connection with the issuance of \$86.9 million of variable-rate bonds to refund outstanding KDOT Series 1993A Bonds, on August 27, 2002, KDOT competitively bid the sale of an option on a floating-to-fixed 67 percent of LIBOR interest rate swap. Merrill Lynch provided the winning bid with a swaption premium amount of \$11.9 million to be paid to the KDOT in two installments of \$6.5 million on March 1, 2006, and \$5.4 million on March 1, 2007. The swaption allowed the KDOT to effect a synthetic forward refunding of the bonds to lock in savings based on then current market conditions. Under U.S. tax law, the bonds were not eligible for a traditional current refunding until December 1, 2002. The terms of the option were structured to mirror the terms on the optional redemption feature on the Series 1993A Bonds. The swaption generated expected PV savings of \$10.4 million (11.92 percent of the bonds' par amount). Merrill Lynch has since exercised the option resulting in a floating-to-fixed 67 percent of LIBOR interest rate swap, whereby KDOT pays a fixed rate of 5.24 percent.

*KDOT Series 2002 B & C Swap* - In connection with the issuance of \$320 million of variable-rate KDOT Series 2002 B & C Bonds, on October 3, 2002, KDOT competitively bid a floating-to-fixed 67 percent of LIBOR interest rate swap. Goldman Sachs was awarded \$200 million of notional principal and Salomon Smith Barney was awarded \$120 million of notional principal. The executed transaction consisted of a \$320 million 17-year amortizing interest rate swap under which KDOT pays Goldman/Salomon a fixed rate of 3.16 percent and receives 67 percent of LIBOR. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the cash market.

*KDOT Series 2003C Swap* - In connection with the issuance of \$150.3 million of variable-rate KDOT Series 2003 C Bonds, on November 20, 2003, KDOT competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a \$150.3 million 12-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.36 percent and receives the lesser of the Actual Bond Rate and 71 percent of one month LIBOR until September 1, 2010, and 71 percent of LIBOR thereafter. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the cash market.

*KDOT Series 2004 B and C Swaps* - In connection with the issuance of \$147 million of variable-rate Series 2004 B and C Bonds, on November 12, 2004, KDOT competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a \$147 million 20-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.57 percent and receives 63.5 percent of LIBOR plus 29 basis points. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the cash market.

Since many tax-exempt and municipal issuers fund capital projects with long-term traditional or synthetic fixed-rate debt, but are constrained to investing short-term for liquidity reasons, in a normal or upwardly sloped yield curve they incur "negative carry" (cost of borrowing exceeds investment rate). KDOT determined that it could mitigate

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### III. Detailed Notes On All Funds

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this imbalance through the execution of the two Constant Maturity Swaps (CMS). On June 15, 2007, based on the results of a previously distributed competitively bid request for quotes for a swap provider, effective July 1, 2007, KDOT amended the floating index from 63.5 percent plus 29 basis points to 62.33 percent of the ten year LIBOR CMS rate on \$75 million of the existing \$147 million swap. On July 10, 2007, a CMS became effective on the previously unhedged 2004 B series bonds so KDOT pays Bears Stearns Financial Products Inc. ("BSFP") 67 percent of one month LIBOR and receives 61.56 percent of the 10 year LIBOR CMS rate on \$75 million. Following the merger of BSFP with JPMorgan Chase Bank N.A. ("JPM"), and an Assignment Agreement dated as of March 18, 2009, by and among BSFP, KDOT and JPM, the bank counterparty on this swap is now JPM.

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

*Credit risk.* As of June 30, 2009, KDOT has credit risk exposure to JP Morgan Chase Bank N.A. on the swap associated with the KDOT Series 2004 B Bonds. This is because the transaction has a positive fair value, meaning KDOT is exposed to the counterparty in the amount of the derivative's fair value. However, should interest rates change and the fair value of the swap become negative, KDOT would not be exposed to credit risk.

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

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

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

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



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### III. Detailed Notes On All Funds

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#### L. Revisions to Beginning Net Assets

Various adjustments were made to the beginning fund balances to correct errors in the prior year financial statements. The following table summarizes the changes to the fund balances as reported in the prior year financial statements (expressed in thousands):

	Governmental	Business type	Component Units
June 30, 2008 fund balance as previously reported	\$ 9,974,407	\$ 1,085,630	\$ 3,717,528
<i>Revisions</i>			
Pollution remediation adjustment	(79,146)	0	0
Regent component unit beginning balance adjustments	0	0	(1,864)
Change in fund balance from internal service fund to to Administration, governmental fund	(540)	0	0
Imprest fund	4	0	0
Investment correction	1,007	0	0
KTEC	0	0	(12)
June 30, 2008 fund balance as restated	<u>\$ 9,895,732</u>	<u>\$ 1,085,630</u>	<u>\$ 3,715,652</u>

Beginning balances were adjusted in order to comply with GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". This change caused the State to record a liability in Governmental funds. Details regard Pollution obligation liabilities can be found in Note IV.

The State University System decreased fund balance by \$1.9 million. The two items that comprised most of this change are Kansas State University Athletics' change to present value in pledges receivable and Kansas State University Endowment Association line of credit being assumed by grantors.

Beginning fund balance was restated in the Transportation Capital Projects Fund to record a liability for demand bonds that was recorded as other financing source in the prior year. The effect of this restatement on the beginning fund balance was a decrease of \$150,870, while bonds payable on demand increased \$150,870. There was no effect on current year revenues or expenditures as a result of this adjustment.

Other corrections include a correction adjustment changing a fund from internal service fund to a governmental fund, an investment correction, an imprest fund correction, and a change in liabilities of KTEC.

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## IV. Other Information

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### A. Risk Management

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

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

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

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

The Tort Claims Fund (TCF) provides payment of compromises, settlements, and final judgments arising from claims against the State or an employee of the State under the Kansas Tort Claims Act, and costs of defending the State or an employee. When the balance in the TCF is insufficient to pay a claim, a transfer is made from the State General Fund to the TCF. The maximum claim liability allowed under The Kansas Tort Claims Act is \$500,000 per occurrence or accident. At June 30, 2009, there were no material claims incurred but unpaid.

The State's self-insurance program covers all personal property losses and real estate property losses up to \$500,000,000 (except where separate coverage is required by bond covenant). Claims in excess of \$500,000,000 are covered by commercial insurance under a statewide policy. The statewide policy has a limit of \$100,000,000 per occurrence for most buildings except flood and earthquake, which are applied as annual aggregates separately to each peril, and a deductible of \$5,000,000 per occurrence for most buildings. For the four buildings in the Capitol Complex, the limit is \$200,000,000 per occurrence. The self-insurance program for personal and real estate property loss represents an estimate of amounts to be paid from currently expendable available financial resources.

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

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The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2009 (expressed in thousands):

	Claims Liability Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Claims Liability Ending Balance	Non-current Liability	Current Liability
<b><i>Current fiscal year</i></b>						
State Self-insurance Fund	\$ 50,565	\$ 22,536	\$ (21,647)	\$ 51,454	\$ 36,278	\$ 15,176
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund*	28,650	331,240	(327,622)	32,268	307	31,961
Post Employment Health and Dental Care Claims Health and Hospitalization Fund**	3,643	25,121	(26,566)	2,198	20	2,178
Total	<u>\$ 82,858</u>	<u>\$ 378,897</u>	<u>\$ (375,835)</u>	<u>\$ 85,920</u>	<u>\$ 36,605</u>	<u>\$ 49,315</u>
<b><i>Prior fiscal year</i></b>						
State Self-insurance Fund	\$ 41,200	\$ 30,432	\$ (21,067)	\$ 50,565	\$ 33,575	\$ 16,990
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund*	16,984	221,266	(209,600)	28,650	274	28,376
Post Employment Health and Dental Care Claims Health and Hospitalization Fund**	3,409	34,174	(33,940)	3,643	34	3,609
Total	<u>\$ 61,593</u>	<u>\$ 285,872</u>	<u>\$ (264,607)</u>	<u>\$ 82,858</u>	<u>\$ 33,883</u>	<u>\$ 48,975</u>

\* Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the active employee participant component and based on Mercer IBNR modeling estimates using Medstat claims data through June 30, 2009.

\*\* Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the post-employment participant component and based on Mercer IBNR modeling estimates using Medstat claims data through June 30, 2009.

### B. Contingencies and Commitments

#### *Litigation*

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of State and Federal laws. Known claims, asserted and unasserted, have been evaluated for the likelihood of an unfavorable outcome and estimates have been made regarding the amount or range of potential loss in the event of an unfavorable outcome. After review, it is the State's opinion that its ultimate liability in these cases, if any, is not expected to have a material adverse affect on the financial position of the State, except for the litigation involving the Kansas Department of Revenue has potential liabilities of \$6.9 million of sales tax refunds.

#### *Federal Financial Assistance*

The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. Grants are subject to the Federal Single Audit Act or to financial and compliance audits by grantor agencies. Disallowances by Federal officials as a result of these audits may become liabilities of the State. The State does not expect any liabilities for disallowed costs from grantor.

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## IV. Other Information

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### C. Pollution Remediation

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

#### *Topeka Correctional Facility Construction*

The Topeka Correctional Facility has one dorm which requires the removal of asbestos backed floor linoleum. This project is expected to be completed in fiscal year 2010, therefore the State has recorded a liability of \$15,000 for this work.

#### *Oil Well Plugging*

Legislation requires the Kansas Corporation Commission (KCC) to prepare and maintain an inventory of all abandoned wells with a special focus on wells which, (1) the State has assumed the plugging liability because of the lack of a potentially responsible party; and (2) pose either an ongoing or potential threat to the environment. In fiscal year 2009, KCC plugged approximately 503 wells. The number of known wells needing to be plugged in the future is expected to increase as more wells are discovered in remote areas and also as KCC develops a more refined well inventory process. The fiscal year 2009 pollution remediation liability is estimated at \$49.9 million. No recoveries for these pluggings are expected.

#### *Superfund Program Obligations*

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

The NPL sites are addressed through a lengthy process, generally under the direct supervision of the EPA with active State participation. Some of these sites are "orphan" sites, that is, there is not an identified responsible party. Remedial activities at these orphan sites are funded with Federal Superfund monies. Two of the CERCLA requirements have significant impact on the State financial obligations. One is the 10 percent State cost share of remedial design and remedial action at Superfund financed sites. The other is the requirement that the State assume responsibility and financial burden for the long term operation and maintenance (O&M) of the site.

After the formal process to list a site on the NPL is completed, EPA develops a design for remediation of the site that provides the proposed costs of implementation of the remedial action including the long term O&M for the site. The State is required to sign a contract with EPA obligating the State to provide the 10 percent match and perform the long term O&M for the site.

While the actual schedule is somewhat hard to anticipate, a cost schedule is projected with the proposed cost share and O&M estimates. The State has recorded \$9.6 million in liabilities for the Superfund Program.

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## IV. Other Information

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### *State Water Plan Orphan Sites Program*

KDHE also operates an orphan sites program to perform remedial activities at sites where a responsible party cannot be identified and other State or Federal programs are not available to fund those remedial activities. There are approximately 100 contaminated sites across the State included in this orphan sites program. Due to limited funding, KDHE has prioritized the sites that pose the greatest threat to the public health and/or the environment. The State Water Plan – Contamination Remediation fund is the primary source of funding to address environmental contamination issues at these abandoned sites that impact or threaten to impact State water resources and/or public health.

While most of these sites are not Superfund-caliber sites that could be worked by the EPA, many still pose a substantial risk to the water supplies and/or public health of many Kansas communities.

The State Water Plan – Contamination Remediation fund is the primary source of funding to provide the State cost share or State O&M requirements for NPL sites. It is difficult to predict what the future costs for the State Water Plan will be, however, the State has recorded a liability for \$0.57 million which is the amount known to be budgeted in fiscal year 2010 for this program.

### *State Funded Reimbursement Fund Programs*

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

The Storage Tank Act establishes two separate Trust Funds to assist owners and operators of petroleum storage tanks with the cost of remedial actions. Both funds are designed to provide financial assistance to owners and operators of facilities where contamination from petroleum storage tanks has occurred. The Trust Funds are financed from a \$.01 fee placed on each gallon of petroleum (except aviation fuel) product manufactured in or imported into the State. The funds will be abolished on July 1, 2014, by the sunset provision unless reenacted by the Legislature.

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

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

To date, 2100 sites have been approved to receive reimbursement of approved costs under the Underground Storage Tank (UST) fund identified in K.S.A. 65-34,114 if funding is available.

A similar reimbursement fund has been created for Aboveground Petroleum Storage tanks (AST). 172 sites have been approved to receive reimbursement of approved costs under the AST fund identified in K.S.A. 65-34,129 if funding is available.

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## IV. Other Information

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In addition to providing reimbursements of approved cost, the statute contains a provision that allows KDHE's secretary to take whatever emergency action is necessary or appropriate to assure that the public health or safety is not threatened whenever there is a release or potential release from an UST or AST. The statute permits the secretary to take corrective action where the release or potential release presents an actual or potential threat to human health or the environment, if the owner or operator has not been identified or is unable or unwilling to perform corrective action, including but not limited to providing for alternative water supplies.

The exact amount of future costs is unknown. The State has recorded a liability of \$17.79 million for UST Program and \$1.78 million for AST Program.

### *Kansas Drycleaner Environmental Response Act*

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

The corrective action at these sites is performed based on a site prioritization system and KDHE is not liable for costs of corrective action in excess of the \$5 million cap at each site or in excess of the funding available to the program. An estimate of future costs is unknown, however, the State has recorded a liability of \$1.44 million for the Drycleaner Environmental Response Program. This amount represents the amount currently budgeted for future corrective action.

### *Kansas State University*

Site assessments and investigations have been completed at the former Schilling Air Force Base in Salina, KS and settlement negotiations are underway with the Federal Government to correct soil and groundwater contamination resulting primarily from the use of the chemical Trichloroethylene (TCE). No liability is recorded in the financial statements because an estimate of the State's portion of the liability, if any, is unknown at this time.

In addition, Kansas State University has recently been notified of potential remediation activity in Jacksonville, Florida for which Kansas State University is one of over 150 parties who sent waste to the disposal site. The primary source of the soil and groundwater contamination is Polychlorinated biphenyl (PCB) and other chlorinated solvents. No liability is recorded in the financial statements because an estimate of the State's portion of the liability, if any, is unknown at this time.

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

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

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## IV. Other Information

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

The State appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditure on a pay-as-you-go basis through the Self Insurance Fund. In fiscal year 2009, non-Medicare retired plan members receiving benefits contributed \$13.7 million to the plan and the State contributed \$7.4 million to the plan.

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

	Primary Government	Component Units	Pension Trust	Total
Amortization of UAAL	\$ 8,805	\$ 3,333	\$ 24	\$ 12,162
Normal cost (with interest)	8,416	5,035	31	13,482
Interest on amortized liability	339	128	0	467
Annual required contribution	17,560	8,496	55	26,111
Interest on net OPEB obligation	652	452	3	1,107
Adjustment to ARC	(926)	(642)	(4)	(1,572)
Annual OPEB cost	17,286	8,306	54	25,646
Net employer contributions	(7,420)	0	0	(7,420)
Net OPEB obligation July 1, 2008	16,903	11,775	69	28,747
Net OPEB obligation June 30, 2009	\$ 26,769	\$ 20,081	\$ 123	\$ 46,973

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

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2008	\$ 33,852	\$ 5,105	15.08%	\$ 28,747
2009	25,646	7,420	28.93%	46,973

*Funded Status and Funding Progress.* As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$236.9 million. The State's policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$236.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.03 million, and the ratio of the UAAL to the covered payroll was 11.65 percent.

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## IV. Other Information

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

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

In the June 30, 2009, actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 5.05 to 10 percent in the first eighteen years and an ultimate rate of 5.0 percent after eighteen years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period in level dollar amounts.

### **Primary Government**

In addition to the pension benefits described in the Employee Retirement Systems and Pension Plans note, the State provided post-employment health care benefits to retirees who elect the Kansas medical option. This subsidy was ended for post-employment retirees as of December 31, 2006. Retirees that elected the health insurance that the State provides now paid 100 percent of the premium. The monthly amount of premium cost individual ranges from \$418.73 to \$482.94 for early retirees. Early retirees are defined as those retirees not yet Medicare eligible. The employer contribution, according to GASB Statement No. 45, is the aggregate amount of the subsidies, which is calculated into the employer contribution for active employees.

	Eligible State Retiree Participants	Eligible State Retiree and Family Participants	Enabling Legislation
Kansas Major Medical Post-Employment Benefits	9,750	491	K.S.A. 75-6504

The State funds post-employment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit ending on June 30, 2009. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

### **E. Employee Retirement Systems and Pension Plans**

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

The Kansas Public Employees Retirement System (the System) is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74 Article 49: Kansas Public Employees Retirement System (KPERs), Kansas Police and Firemen's Retirement System (KP&F) and Kansas



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## IV. Other Information

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Retirement System for Judges (Judges). All three systems are part of a tax-exempt, defined benefit, contributory plan covering substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer group, while the other two are multi-employer cost-sharing groups. Participation by the State is mandatory, whereas participation by local political subdivisions is an option, but irrevocable once elected. The State Elected Officials Special Members Retirement System is also administered by the System. This System is closed to new members and only a small group is participating.

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

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

The System's total covered salaries and wages paid were approximately \$6.2 billion. The State's total salaries and wages paid were approximately \$3 billion of which approximately \$972.1 million or approximately 28.5 percent relates to employees participating in the System. The remaining approximately 71.5 percent represents salaries and wages paid to employees, such as educational institution employees not participating in the System, employees who have not met the required tenure of employment for participation or those employees who are classified as other than "permanent" and are not eligible for participation. Information on participating employees and retirement system membership at June 30, 2009, unless otherwise noted is as follows:

<u>Participating Employers</u>	<u>Membership</u>
KPERS	1,402
KP&F	89
Judges	1
Total	<u>1,492</u>

### MEMBERSHIP BY RETIREMENT SYSTEMS

	<u>KPERS</u>	<u>KP&amp;F</u>	<u>Judges</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	66,623	3,910	191	70,724
Terminated employees entitled to benefits but not yet receiving them	9,808	149	11	9,968
Inactive members, deferred disabled	2,823	173	0	2,996
Inactive members not entitled to benefits	27,759	1,026	0	28,785
Current employees	<u>148,569</u>	<u>7,242</u>	<u>262</u>	<u>156,073</u>
Total	<u>255,582</u>	<u>12,500</u>	<u>464</u>	<u>268,546</u>

#### ***Other Retirement Plans***

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

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## IV. Other Information

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Employees participating in the Regents' mandatory retirement plan are required to contribute 5.5 percent of their salary, up to the maximum dollar amount permitted by the Internal Revenue Code. During fiscal year 2009, employees contributed approximately \$37.7 million. During fiscal year 2009, the 8.5 percent employer contribution totaled \$59.2 million, representing covered wages of approximately \$699.6 million. These employees, along with employees who participate in the KPERS retirement program, may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the Regents' voluntary retirement plan, which allows the member to purchase a 403(b) contract to supplement the mandatory retirement plan. These employees, along with employees who participate in the KPERS retirement program, may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code in the State's 457 deferred compensation program, to supplement to the mandatory retirement plan.

The retirement plan for the School for the Blind and the School for the Deaf are also covered by KPERS in the 401(a) defined benefit plan. The KPERS employee rate is 4 percent and 7.97 percent employer rate (6.97 percent employer and 1 percent death & disability).

### F. Subsequent Events

#### Bonds and Notes

##### Short-term Debt

*Certificate of Indebtedness* – On July 6, 2009, the Pooled Money Investment Board (PMIB) issued a \$700 million Certificate of Indebtedness per K.S.A. 75- 3725a, subject to redemption not later than June 30, 2010. See Section III-J, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

*Accrued Receivables for Ad Valorem Taxes* – In July 2009, receivables were posted to the State Treasurer's receivables in the amount of \$29.2 million for the Kansas Educational Building Fund and \$14.6 million for the State Institutions Building Fund per K.S.A. 76-6b11. See Section III-J, Short-term Obligations, for additional information.

*Accrued Receivables for Children's Initiatives Fund* – In July 2009, receivables were posted to the State Treasurer's receivables for the Children's Initiatives Fund in the amount of \$33.4 million per House Bill No. 2354, Section 48(f), Session of 2009. See Section III-J, Short-term Obligations, for additional information.

*Accrued Receivables for Economic Development Initiatives Fund* – In July 2009, receivables were posted to the State Treasurer's receivables for the Economic Development Initiatives Fund in the amount of \$20.9 million per House Bill No. 2354, Section 48(g), Session of 2009.

*Accrued Receivables for Correctional Institutions' Building Fund* – In July 2009, receivables were posted to the State Treasurer's receivables for the Correctional Institutions' Building Fund in the amount of \$4.4 million per House Bill No. 2354, Section 48(h), Session of 2009.

*Accrued Receivables for Kansas Endowment for Youth Fund* – In July 2009, receivables were posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund in the amount of \$207.6 thousand per House Bill No. 2354, Section 48(i), Session of 2009.

*Accrued Receivables for 27<sup>th</sup> Payroll* – In July 2009, receivables were posted to the State Treasurer's receivables for the 27<sup>th</sup> Payroll in the amount of \$7.8 million per Senate Bill No. 2354, Section 48(n), Session of 2009.

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### Long-term Debt

*Revenue Bonds* – In July 2009, the KDFA issued Series 2008K-1 and 2 for Kansas Board of Regents-Kansas State University, a component unit of the State, for Childcare Center Project. The K-1 bond series totaled \$4.6 million with interest rates ranging from 4.0 to 5.0 percent. The bonds final maturity is November 1, 2039. The K-2 bond series totaled \$1.5 million with interest rates ranging from 2.6 to 5.6 percent. The bonds final maturity is November 1, 2022.

*Lease Purchase Agreement* – In August 2009, the State entered a \$20 million lease agreement with Banc of America Public Capital Corp (Lessor) for acquisition of equipment for the new financial management system. Draws were made in August 2009, for \$2.8 million and November 2009, for \$4.3 million. The lease carries an interest rate of 3.46 percent and final payment is scheduled for February 1, 2014.

*Revenue Bonds* – In August 2009, the KDFA issued Series 2009M for various purposes, including continued renovation of the State Capitol, refunding of Series 2002J bonds, State General Fund refunding restructure, the Kansas University School of Pharmacy project, and a Department of Wildlife and Parks project. The bonds totaled \$116.9 million (\$40.4 million taxable Build America Bonds) with interest rates ranging from 3 to 6.3 percent. The bonds final maturity is on November 1, 2034.

*Revenue Bonds* – In August 2009, the KDFA issued Series 2009N for the purpose State General Fund refunding restructure. The bonds totaled \$10.1 million (taxable) with interest rates ranging from 3.9 to 5.8 percent. The bonds final maturity is on November 1, 2024.

*Revenue Bonds* – In September 2009, the KDFA issued the Kansas Public Water Supply Revolving Loan Fund Revenue Bonds Series 2009 DW for the Department of Health and Environment. A portion of these bonds will be used to refund \$36.9 million in prior bonds. The bonds totaled \$73 million (\$31.4 taxable Build America Bonds) with interest rates ranging from 1.5 to 5.2 percent. The bonds final maturity is on April 1, 2026.

### G. Economic Condition

Overall, the Kansas economy entered a significant downturn in 2009, following the global and the U.S. economies. The Kansas economy has slowed due in large part to the overall downturn in manufacturing, which accounted for 12.1percent of total employment in Kansas. After experiencing slowing employment growth through most of 2008, manufacturing experienced significant job losses during 2009. Major job losses were experienced in the aircraft manufacturing sector, which has been hit particularly hard by the aftermath of the 2008 financial crisis. Continuing tight credit markets and negative publicity have had a significant dampening effect on aircraft orders. In addition, consumer spending has slowed significantly in response to stagnant wage growth and limited access to credit, forcing retailers to limit their payrolls. Gross state product (GSP) is forecast to increase by 2.6 percent, and personal income is expected to increase by 0.7 percent in 2010.

Major Kansas Economic Trends

Major Kansas Economic Trends	2009	2010
GSP Growth (\$ Constant)	(1.3) %	2.6 %
Personal Income Growth (\$ Current)	(2.7)	0.7
Employment Growth (Place of Work)	(3.1)	(1.6)
Unemployment Rate (Monthly Average)	7.0	7.3
Source: Kansas Consensus Revenue Estimating Group, Kansas Labor Market Information Services & Moody's Economy.com		

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## IV. Other Information

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### Manufacturing

Significant to Kansas manufacturing is the transportation equipment sector primarily in the Wichita area's aircraft industry and in the Kansas City area's car and truck manufacturing. This sector accounts for 29.1 percent of all the State's manufacturing jobs.

The global credit crisis has had a significant negative impact on the State's durable goods manufacturers. Aerospace and machinery manufacturers, which were responsible for much of the State's growth in manufacturing employment over recent years, have been the hardest hit. Customers in these industries depend heavily on credit to finance purchases. In addition, negative publicity related to the use of corporate aircraft has exacerbated the situation. The Federal Reserve's Senior Loan Officer Opinion Survey found that in the October survey, domestic banks indicated that they continued to tighten standards and terms over the past three months on all major types of loans to businesses and households. However, the net percentages of banks that tightened standards and terms for most loan categories continued to decline from the peaks reached late last year. A stabilizing global economy and a sharply depreciating dollar may have a stimulating effect on the State's exports in the near future.

There have been some positive developments for manufacturing, as Siemens AG announced it will locate a \$50 million production facility for wind turbine components in Hutchinson. The company will construct a 300,000 square-foot production facility and an adjacent 80,000 square-foot building for service and repairs. The plant will produce nacelles, which house the components that generate electricity, including the gearbox, drive trains and electronics. The plant is expected to make 650 nacelles per year. Siemens is based in Germany and is the third-largest provider of wind turbines in the U.S. The company said the plant would allow it to better meet the demand for wind turbines in North and South America. Siemens noted that Kansas was ranked third among states for its wind energy potential. When fully operational, the plant is expected to employ approximately 400 workers.

Unemployment levels in manufacturing and ongoing tight mortgage lending standards will continue to dampen housing demand. However, the relatively low level of speculative residential construction in the State and more stringent credit standards have allowed most of the State to avert a major inventory accumulation. This is a major factor as to why housing prices in most of the State have not fallen precipitously as they have in many other parts of the country. Nevertheless, housing prices are likely to experience some decline and will cause some reduction in consumer spending. The traditionally conservative borrowing habits and practical saving habits of Kansans may not be enough to mediate a sharp decline in consumer spending.

Another indication of the breadth of the impact of the financial crisis is that the Hollywood Casino was the only remaining proposal after the recession forced other developers to drop out of the competition for a facility at the Kansas Speedway. As such, Kansas regulators unanimously approved the \$386 million project. Construction is expected to begin late next year, with an opening set for early 2012. The casino will include 2,300 slot machines, 86 table games and 28,000 square feet of dining and entertainment options. A second phase calls for a 250-room hotel. The project is expected to generate a total investment of more than half a billion dollars. The project is expected to create 2,000 construction jobs and 1,000 permanent jobs in Wyandotte County.

Kansas gained final approval for a \$650 million federal bio-defense laboratory that officials heralded for its potential to protect the food supply and boost the State's economy. Federal officials recommended that the new National Bio and Agro-Defense Facility be located in Manhattan. Federal officials agreed that the Manhattan proposal "best met the purpose and need to site, construct and operate" the laboratory complex. The facility will focus on livestock diseases and other threats to the nation's food supply. Officials estimate construction will bring 1,300 to 1,614 jobs generating \$138.2 million to \$183 million in labor income. Eventual operation is to result in 250 to 350 jobs, with an estimated annual income of \$27 million to \$30 million.

### Agriculture

The Kansas agricultural sector produces a wide array of products, with wheat, corn, sorghum, and soybeans as the main crops. Kansas is perennially the nation's largest wheat producer, harvesting nearly 400.0 million bushels of

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wheat per year, which is approximately 20.0 percent of the total U.S. wheat output. In addition to the significant contribution Kansas makes to the production of row crops, the State is a large producer of livestock. More than 60.0 percent of the State's agricultural receipts are derived from cattle production.

According to the United States Department of Agriculture (USDA) 2009 Small Grains Summary, wheat production in 2009 was estimated at 369.6 million bushels or 3.8 percent above 2008. The final yield was 42 bushels per acre or two bushels above 2008. However, acreage harvested for grain was 8.8 million acres or about 100,000 acres less than 2008. The corn crop is forecasted to be 561.2 million bushels, up 15.0 percent from 2008. If this is realized, this would be a new record exceeding the 2007 crop by 53.3 million bushels. Yield is forecasted to be 145 bushels per acre, 11 bushels above 2008. However, the monthly average prices farmers received for wheat, corn, sorghum, and soybeans were well below 2008 levels. Cattle sales have generally been lower this year, although placements are up from a year ago. Much of the decrease in corn prices and production are resulting from moderating fuel prices and reduced speculation for ethanol as an alternative fuel source. Overall, farm income in 2009 is expected to be significantly lower because of lower crops prices and moderating demand for key crops.

### Unemployment Benefits

Unemployment payments provided to individuals to replace part of their wages lost as a result of involuntary unemployment are expected to be \$1.43 billion for FY 2010. Because of the downturn in the economy, the agency has experienced a sudden and dramatic increase in the demand for unemployment insurance benefits. The agency now estimates \$1.02 billion in unemployment benefits for FY 2011, or 28.5 percent less than the current year.

The agency estimates the number of initial claims filed for benefits to drop from 425,339 in FY 2010 to 382,488 in FY 2011. It is anticipated that the Kansas economy will recover, with fewer individuals requiring unemployment benefit payments. Despite this reduction in estimated benefits, it is anticipated the agency will have to borrow \$961.4 million from the U.S. Department of Labor, including \$418.8 million in FY 2010 and \$542.6 million in FY 2011, in order to keep the agency's trust fund balance from dropping below zero. The agency will draw down loan funding as needed to make benefit payments and will likely make its first draw in January 2010. Kansas will join approximately 35 other states in borrowing for this purpose. Employer taxes that were allowed to be lower than the statutory rate for the past three years will have to revert to the statutory rate for 2010. This rate increase means the estimated employer tax rate on taxable wages for 2010 (4.37percent) is more than double the average 2009 rate (2.02 percent).

### School Finance

Discussion of State aid to the school districts was dominated by litigation filed in 1999 by two school districts and approximately three dozen students. They filed suit in Shawnee County District Court, alleging the financing system established by the Legislature does not meet the Kansas Constitution's requirement that the Legislature "make suitable provision for finance of the educational interests of the State," violating the students' due process rights (*Montoy v. State*). The case progressed from the district court to the State's Supreme Court. In response to various Court opinions, the 2005 and 2006 Legislatures enacted legislation to alter the State's school finance formula and hundreds of millions of additional State aid was appropriated in Fiscal Years 2006, 2007 and 2008. Financial difficulties beginning with FY 2009, however, compelled State aid to be lowered to bring the State's budget into balance. These cuts to State aid are prompting local officials to consider filing the original *Montoy* case with the State Supreme Court to reopen the issue and restore the budget cuts. The Supreme Court could choose to take the case up again, or it could send it all the way back to district court.

Re-opening the case will take a number of months in either case. It is not anticipated that any decision from the courts ordering action by the Legislature on the subject of school finance would be rendered within this fiscal year. It is possible that the 2011 Legislature may have to address the issue of school finance as the 2005 and 2006 Legislatures did. Because the timing of such action will likely coincide, as it did previously, with an economic upturn for State tax revenues, it is possible that the Legislature could have the option of appropriating additional State aid to schools within available tax resources, depending on the size of the restoration.

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## IV. Other Information

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### Management Policies

The General Fund accounts for nearly one half of all budgeted State spending. Various types of special revenue funds dedicated for specific purposes account for the remainder.

Since the General Fund revenue sources (income, sales, and other taxes) have a direct relationship with the Kansas economy it also can serve as a barometer of the economic conditions across Kansas. Both the executive and legislative branches of State government play significant roles in maintaining fiscal controls over the State's budget, the General Fund, and overall State spending through the State's budgeting and appropriation processes.

Steps have been taken to ensure that the General Fund does not drop below zero. From a cashflow standpoint, tax refunds, school aid payments and other payments have been temporarily delayed. However, at no time has any debt service payment been delayed. No Medicaid provider payments have been slowed to ensure federal rules on timely reimbursement are followed. Payrolls have been met in a timely manner in every instance as well. The Division of the Budget monitors payment schedules and available cash on a daily basis to ensure necessary payments can be made.

From a budgetary standpoint, General Fund expenditures have been reduced so that they catch up to available resources. Some cuts have been put in place by the Legislature, others by the Executive Branch through its statutory allotment authority. To see how far Kansas has come in reducing its budget, the FY 2009 budget is shown below. The first column is the budget as it was approved by the 2008 Legislature. The second column is the budget approved by the 2009 Legislature, and the final column shows what actually occurred with revenues and expenditures.

<b>State General Fund Outlook</b>				
<i>(Dollars in Millions)</i>				
	FY 2009		FY 2009	FY 2009
	<u>Orig. Approved</u>		<u>Revised</u>	<u>Actual</u>
Beginning Balance	\$ 532.4	\$	526.6	\$ 526.6
Revenues	<u>5,992.6</u>		<u>5,709.7</u>	<u>5,587.4</u>
Total Available	\$ 6,525.0	\$	6,236.3	\$ 6,114.0
Expenditures	<u>6,404.4</u>		<u>6,163.8</u>	<u>6,064.3</u>
Ending Balance	\$ 120.6	\$	72.5	\$ 49.7
As Percent of Expenditures	1.9%		1.2%	0.8%

So far, FY 2010 has been reduced from the Governor's original budget in January 2009 of \$5.76 billion to the Governor's current recommendation of \$5.45 billion, or additional reduction of \$304.5 million.

In making these reductions, State assistance to individuals, State aid to local governments, and aid to school districts have all been greatly affected. For agency operations, no statewide furlough or mandatory salary cuts have been imposed. Agencies have been directed to manage their way through the cuts to ensure that staffing essential positions is at the necessary functioning levels (such as at the correctional facilities and State hospitals).

### Operating Policies

The State of Kansas observes the following financial policies to manage its fiscal affairs responsibly. The State, through performance budgeting principles, allocates available public resources in keeping with the goals and objectives of State agencies as embodied in their strategic plans.

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## IV. Other Information

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The State emphasizes the preservation of existing capital facilities over the construction of new ones. A major portion of the Educational Building Fund for universities, Correctional Institutions Building Fund for correctional facilities, and State Institutions Building Fund for hospitals and juvenile correctional facilities is dedicated to rehabilitation and repair.

### Revenue Policies

The State maximizes the use of fee funds, federal funds, and other special revenues to preserve the integrity of the General Fund and ensure budgetary flexibility.

The State uses consensus revenue estimates developed by executive and legislative professional staff as well as university economist consultants as the basis for budgetary decisionmaking.

The State collects taxes, penalties and interest, and other revenues. Internally, State collection units make multiple efforts to collect amounts due the State by using administrative procedures and liens against property. Persistent delinquencies are pursued through legal proceedings and, after exhausting all remedies, may be referred to a private collection agency.

### Cash Management Policies

On a daily basis, the State monitors receipts into, and expenditures out of, the State treasury. Ensuring the State has adequate resources at the time obligations occur is the primary goal. Certificates of indebtedness are the first tool used to meet this goal. Managing the timing of expenditures is a secondary tool.

The State invests idle funds to match these anticipated cashflow needs by using commercial paper, repurchase agreements, government securities and collateralized bank deposits to provide safety, liquidity, and yield in that order.

### Debt Service Policies

The State incurs debt through the issuance of revenue bonds mainly to finance capital improvements, equipment, certain grant programs, and reducing the unfunded liability of the KPERS Fund. The use of debt financing for operating expenses in State government is limited.

The constitution allows for the issuance of general obligation bonds subject to certain restrictions. However, the State has not exercised this authority for many years.

The most recent issuer credit ratings for the State of Kansas are AA+ by Standard and Poor's and Aa1 by Moody's Corporation. These ratings indicate that the State has a strong capacity to meet its financial commitments and reflect the following credit factors: a relatively diverse economic base, conservative fiscal management, and a low debt burden.

### Governor's Budget Report

The Governor, by KSA 75-3721, must present spending recommendations to the Legislature. *The Governor's Budget Report* reflects expenditures for both the current and upcoming fiscal years and identifies the sources of financing for them.

The Legislature uses *The Governor's Budget Report* as a guide as it appropriates the money necessary for State agencies to operate. Only the Legislature can authorize expenditures by the State of Kansas. The Governor recommends spending levels, while the Legislature chooses whether to accept or modify those recommendations. The Governor may veto legislative appropriations, although the Legislature may override any veto by a two-thirds majority vote.

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## IV. Other Information

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### Financing of State Spending

Frequent reference is made to *General Fund* expenditures and expenditures from *all funding sources*. Expenditures from all funding sources include both General Fund expenditures and expenditures from special revenue funds. All money spent by the State must first be appropriated by the Legislature, either from the General Fund or from special revenue funds.

The General Fund receives the most attention in the budget because it is the largest source of the “uncommitted” revenue available to the State. It is also the fund to which most general tax receipts are credited. The Legislature may spend General Fund dollars for any governmental purpose. Special revenue funds, by contrast, are dedicated to a specific purpose.

### Revenue Estimates

The tool used by both the Governor and the Legislature to determine General Fund revenue is the “consensus revenue estimate” prepared by the Consensus Revenue Estimating Group.

The consensus revenue estimate is important because both the Governor and the Legislature base their budget decisions on it. The estimate is categorized by major source and covers a two-year period: the current year and the budget year. In addition, KSA 75-6701 requires that the Director of the Budget and the Director of the Legislative Research Department certify a joint estimate of General Fund resources to the Legislature. The revenue estimating process is the source of that estimate.

The Consensus Revenue Estimating Group is composed of representatives of the Division of the Budget, the Department of Revenue, the Legislative Research Department, and one consulting economist each from the University of Kansas, Kansas State University, and Wichita State University. The Director of the Budget serves as unofficial chairperson.

The Consensus Revenue Estimating Group meets each spring and fall. Before December 4 (typically in November) of each year, the group makes its initial estimate for the budget year and revises its estimate for the current year. The results are reported to the Governor, Legislature, and public in a joint memorandum from the Director of Legislative Research and the Director of the Budget. The group meets again before April 20 to review the fall estimate and additional data. The group then publishes a revised estimate which the Legislature may use in adjusting expenditures, if necessary.

The consensus revenue estimate is the official revenue projection for the General Fund. Estimates of revenues to other funds are prepared by individual State agencies, reviewed by the Division of the Budget, and included in *The Governor’s Budget Report*.

The General Fund consensus revenue estimate for FY 2011 is \$5.2 billion, which is subject to revision in April 2010. This estimate and the assumptions upon which it is based are discussed in the General Fund Revenues section of this volume. A complete discussion of the economy is included in *The Governor’s Economic and Demographic Report*. This report is prepared by the Division of the Budget and a Wichita State University economist.

### Budget Balancing Mechanisms

This term refers to KSA 75-6701 to 75-6704. The “spending lid” statute requires *The Governor’s Budget Report* and actions of the Legislature to comply with its provisions. An “Omnibus Reconciliation Spending Limit Bill” must be the last appropriation bill passed by the Legislature. The purpose of the bill is to reconcile General Fund expenditures and revenues by reducing expenditures, if necessary, to meet the provisions of the “spending lid.”



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## **IV. Other Information**

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The final provision of the “spending lid” act allows the Governor to reduce General Fund expenditures in the current fiscal year, when the Legislature is not in session, by an amount not to exceed that necessary to retain an ending balance in the General Fund of \$100.0 million. The Governor must make the reductions “across the board” by reducing each line item of expenditure by a fixed percentage. The only exceptions are debt service obligations, State retirement contributions for school employees, and transfers to the School District Capital Improvements Fund. The reductions must be approved by the State Finance Council.

In addition to the “spending lid” act, the Governor has the authority under a statutory allotment system to limit expenditures of the General Fund and special revenue funds when it appears that available moneys are not sufficient to satisfy expenditure obligations. This authority applies to agencies of the Executive Branch but not the Legislature or the Judiciary. Allotments can be made on a case-by-case basis and do not have to be across the board. Agencies have the right to appeal any allotment amount and the Governor makes the final determination.

Prior to FY 2003, the allotment system had not been used for 30 years; however, the Governor imposed two rounds of allotments that year. In FY 2009, the Governor imposed two allotments as well of a limited scope. The current Governor imposed two comprehensive allotments for FY 2010 to bring General Fund expenditures in balance with anticipated revenues.

### **Economic Summary**

The State of Kansas, like many states, has experienced significant economic challenges over recent years. Despite tremendous financial challenges with the most recent global and national economic downturns, the State of Kansas continues to uphold its fiduciary responsibility to Kansas citizens to provide for public services in a fiscally responsible manner through the prudent use of taxing and borrowing authorities, the legislative appropriation process and controls over State spending, consensus revenue estimating, the executive branch budgeting process, and budget balancing mechanisms. By doing so it has managed its way through and ensured its finances remain in good standing.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**Budgetary information**

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

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

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

State of Kansas  
**Required Supplementary Information**  
June 30, 2009

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

**For the Fiscal Year Ended June 30, 2009**

*(expressed in thousands)*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and other financing sources:</b>				
Property tax	\$ 29,500	\$ 29,500	\$ 29,267	\$ (233)
Income and inheritance tax	3,468,000	3,081,000	2,970,980	(110,020)
State sales tax	1,726,000	1,705,000	1,689,516	(15,484)
Consumer's and retailer's compensating use tax	268,000	235,000	235,026	26
Tobacco and liquor taxes	195,100	195,800	196,182	382
Severance taxes	151,300	129,100	124,249	(4,851)
Insurance premiums taxes	119,000	119,700	119,590	(110)
Other taxes	35,500	37,000	38,038	1,038
Investment earnings	61,000	56,000	34,733	(21,267)
Transfers	(86,000)	40,222	65,049	24,827
Charges for services, other revenues and financing sources	53,500	81,400	86,338	4,938
Total revenues and other financing sources	<u>6,020,900</u>	<u>5,709,722</u>	<u>5,588,968</u>	<u>(120,754)</u>
<b>Expenditures and other financing uses:</b>				
Current:				
General government	815,852	728,164	653,372	74,792
Human resources	982,078	899,317	897,573	1,744
Education	4,106,403	4,052,380	3,968,750	83,630
Public safety	445,455	420,553	412,993	7,560
Agriculture and natural resources	28,489	25,322	23,276	2,046
Health and environment	36,664	33,986	33,950	36
Total expenditures and other financing uses	<u>6,414,941</u>	<u>6,159,722</u>	<u>5,989,914</u>	<u>169,808</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(394,041)</u>	<u>(450,000)</u>	<u>(400,946)</u>	<u>\$ 49,054</u>
Fund balances, beginning of year	<u>543,482</u>	<u>494,726</u>	<u>504,985</u>	
Fund balances, end of year	<u>\$ 149,441</u>	<u>\$ 44,726</u>	<u>\$ 104,039</u>	

State of Kansas  
**Required Supplementary Information**  
June 30, 2009

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Governmental Funds for the *General Fund*  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

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	General Fund
Excess of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$ (400,946)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	23,169
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	23,493
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(719,470)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>479,221</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ (594,533)</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2009

**Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
*Transportation Fund*  
**For the Year Ended June 30, 2009**  
*(expressed in thousands)***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues:				
Motor fuel taxes	\$ 292,561	\$ 292,561	\$ 277,140	\$ (15,421)
Vehicle registrations and permits	177,484	177,484	170,701	(6,783)
Intergovernmental	405,973	405,973	492,858	86,885
Sales and use taxes	278,842	278,842	268,877	(9,965)
Investment earnings	10,678	10,678	13,325	2,647
Other	6,476	6,476	4,510	(1,966)
Transfers from other state funds	40,043	9,147	5,019	(4,128)
Total revenues	1,212,057	1,181,161	1,232,430	51,269
Expenditures, with legal limits:				
Current operating:				
Maintenance	147,020	141,706	132,836	8,870
Construction	57,635	54,639	53,837	802
Local support	7,796	7,844	6,975	869
Management	61,792	59,990	56,957	3,033
Capital improvements	14,457	14,407	11,117	3,290
Transfers to other state funds	123,179	122,055	119,715	2,340
Expenditures with legal limits	411,879	400,641	381,437	19,204
Expenditures, without legal limits:				
Current operating:				
Maintenance	192,410	192,410	155,093	37,317
Local support	23,056	23,106	16,897	6,209
Management	6,635	6,581	6,289	292
Capital improvements	973,091	696,791	849,506	(152,715)
Transfers to other state funds	1,889	1,889	2,087	(198)
Expenditures without legal limits	1,197,081	920,777	1,029,872	(109,095)
Total expenditures	1,608,960	1,321,418	1,411,309	(89,891)
Excess (deficiency) of revenues over expenditures	(396,903)	(140,257)	(178,879)	(38,622)
Other financing sources (uses):				
Transfers-in	0	0	0	0
Transfers-out	(175,014)	(175,014)	(168,956)	6,058
Total other financing sources (uses)	(175,014)	(175,014)	(168,956)	6,058
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (571,917)	\$ (315,271)	\$ (347,835)	\$ (32,564)

State of Kansas  
**Required Supplementary Information**  
June 30, 2009

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Governmental Funds for the *Transportation Fund*  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

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	<u>Transportation Fund</u>
Excess of revenues and other financing sources over (under) ex other uses - budgetary basis	\$ (347,835)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	(106,299)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	787,371
Expenditures on prior year encumbrances are not reported for budgetary reporting	(502,584)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	<u>(14,768)</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u>\$ (184,115)</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2009

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual**  
**Health Policy Authority**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues and Other Financing Sources:</b>				
Operating grants	\$1,541,212	\$1,541,212	\$1,663,204	\$ 121,992
Investment earnings	465	465	321	(144)
Transfers	(765,525)	(765,525)	(808,836)	(43,311)
Charges for services, other revenues & financing sources	534,229	540,063	159,938	(380,125)
Total revenues and other financing sources	<u>1,310,381</u>	<u>1,316,215</u>	<u>1,014,627</u>	<u>(301,588)</u>
<b>Expenditures and Other Financing Uses:</b>				
Current:				
Human resources	1,053,262	1,055,756	1,014,702	(41,054)
Total expenditures and other financing uses	<u>1,053,262</u>	<u>1,055,756</u>	<u>1,014,702</u>	<u>(41,054)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 257,119</u>	<u>\$ 260,459</u>	<u>\$ (75)</u>	<u>\$ (260,534)</u>



State of Kansas  
**Required Supplementary Information**  
June 30, 2009

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**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the Health Policy Authority**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

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	<u>Health Policy Authority</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$ (75)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	7,928
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	6,202
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(60,451)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>61,618</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 15,222</u></u>

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

### Roadways

The highways in the State are made up of two systems: interstate highways and non-interstate highways. The condition of these systems is assessed annually using a pavement management system that measures the condition of the pavement surface to classify the roads into the following three performance levels:

PL-1 Roadway surface is in good condition and needs only routine or light preventative maintenance.

PL-2 Roadway surface needs at least routine maintenance.

PL-3 Roadway surface is in poor condition and needs significant work.

While KDOT has goals to maintain these systems at higher levels, minimum acceptable condition levels have been defined as having at least 80 percent of the interstate miles in PL-1 and at least 75 percent of the non-interstate miles in PL-1. The following table compares the minimum acceptable condition level with the actual condition for the current and prior years.

Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum	Actual	Minimum	Actual
	Acceptable	Condition	Acceptable	Condition
	Condition	Level*	Condition	Level*
2007	80%	97%	75%	90%
2008	80%	96%	75%	85%
2009	80%	97%	75%	86%

\*Percent of miles in PL-1

KDOT's goal is to continually improve the condition of the State highway system. To achieve this goal it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. To maintain the interstate highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$110 million annually. To maintain the non-interstate highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$260 million. The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years (expressed in thousands).

Fiscal Year	Interstate Highways		Non-interstate Highways	
	Minimum	Actual	Minimum	Actual
	Acceptable	Condition	Acceptable	Condition
	Condition	Level	Condition	Level
2004	\$ 110,000	\$ 155,711	\$ 260,000	\$ 348,849
2005	110,000	144,603	260,000	348,629
2006	110,000	115,820	260,000	380,988
2007	110,000	62,935	260,000	384,627
2008	110,000	68,654	260,000	363,582
2009	110,000	67,603	260,000	392,237

KDOT is in the process of reviewing and updating the methodology used in estimating required funding and related asset allocation to appropriately maintain its infrastructure assets.

State of Kansas  
**Required Supplementary Information**  
June 30, 2009

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**Bridges**

The condition of the bridge system in the state is assessed annually using the Pontis Bridge Management System. This system evaluates the condition of several elements (decks, girders, floor beams, columns, etc.) within each bridge using a rating scale of 1 to 5. These element ratings are weighted and aggregated to establish a health index of 0 to 100 for each bridge which, in turn, are aggregated to establish a health index for the entire system.

The goal of KDOT is to maintain the bridge system at a higher level, but has defined an overall statewide health index of 80 as the minimum acceptable condition level. This table compares the minimum acceptable health index with the actual health index for the current and prior years.

<u>Fiscal Year</u>	<u>Minimum Acceptable Health Index</u>	<u>Actual Health Index</u>
2007	80	94
2008	80	94
2009	80	94

KDOT's goal is to continually improve the condition of the State's bridge system. To achieve this goal it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. To maintain the State's bridges at or above the stated minimum acceptable health index it is estimated that annual preservation and replacement expenditures must be approximately \$75 million. The following table compares the estimated annual expenditures needed to maintain the bridges system with the actual expenditures for the current and prior years (expressed in thousands).

<u>Fiscal Year</u>	<u>Minimum Acceptable Health Index</u>	<u>Actual Expenses</u>
2004	\$ 75,000	\$ 117,671
2005	75,000	106,593
2006	75,000	90,908
2007	75,000	76,536
2008	75,000	72,941
2009	75,000	50,992

KDOT is in the process of reviewing and updating the methodology used in estimating required funding and related asset allocation to appropriately maintain its infrastructure assets.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets ( a )</u>	<u>Accrued Liability (AAL) ( b )</u>	<u>Unfunded AAL ( b-a )</u>	<u>Funded Ratio ( a/b )</u>	<u>Covered Payroll ( c )</u>	<u>Percent of Covered Payroll ((b-a)/c)</u>
6/30/2008	\$0	\$ 316,640	\$ 316,640	0%	\$ 1,969,392	16.08%
6/30/2009	0	236,910	236,910	0%	2,033,724	11.65%

**OTHER  
SUPPLEMENTARY  
INFORMATION**

## **Listing of Non-Major Governmental Funds**

### **Special Revenue Funds**

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

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

### **Capital Projects Funds**

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

State Buildings (Appropriated)  
Capitol Complex Buildings  
Master Lease Program  
Corrections  
State Library  
Pooled Funds  
Armories  
Public Broadcasting Digital  
Vital Statistics Project  
Highway Patrol  
Labor  
Social and Rehabilitation Services

### **Debt Service Funds**

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

Bond and Interest

Highway Debt Service

STAR bond liability fund for GAAP purposes

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds**

**June 30, 2009**

*(expressed in thousands)*

	Special Revenue Funds			
	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Social and Rehabili- tation Services
<b>ASSETS</b>				
Cash and cash equivalents	\$ 41,846	\$ 8,166	\$ 34,621	\$ 62,740
Investments	0	0	0	0
Receivables, net	0	708	0	98,026
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	1,118	0	0
<b>Total assets</b>	<b>\$ 41,846</b>	<b>\$ 9,992</b>	<b>\$ 34,621</b>	<b>\$ 160,766</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 5,499	\$ 4,062	\$ 6,046	\$ 113,134
Due to other funds	0	44	0	188
Deferred revenue	0	0	0	46
Advances from other funds	0	185	0	1,784
Total liabilities	5,499	4,291	6,046	115,152
Fund balances:				
Reserved for debt service	0	1,118	0	0
Reserved for encumbrances	3,698	1,214	11,751	14,470
Reserved for advances to other funds	0	0	0	0
Unreserved	32,649	3,369	16,824	31,144
Total fund balance	36,347	5,701	28,575	45,614
<b>Total liabilities and fund balance</b>	<b>\$ 41,846</b>	<b>\$ 9,992</b>	<b>\$ 34,621</b>	<b>\$ 160,766</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Continued**

**June 30, 2009**

*(expressed in thousands)*

	Special Revenue Funds			
	Adjutant General	Aging	Agriculture	Attorney General
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,987	\$ 3,723	\$ 5,145	\$ 17,187
Investments	0	0	0	0
Receivables, net	0	51,816	0	0
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
<b>Total assets</b>	<b>\$ 12,987</b>	<b>\$ 55,539</b>	<b>\$ 5,145</b>	<b>\$ 17,187</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 10,045	\$ 53,660	\$ 1,044	\$ 1,587
Due to other funds	0	0	0	0
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
<b>Total liabilities</b>	<b>10,045</b>	<b>53,660</b>	<b>1,044</b>	<b>1,587</b>
Fund balances:				
Reserved for debt service	0	0	0	0
Reserved for encumbrances	9,422	787	1,548	513
Reserved for advances to other funds	0	0	0	0
Unreserved	(6,480)	1,092	2,553	15,087
<b>Total fund balance</b>	<b>2,942</b>	<b>1,879</b>	<b>4,101</b>	<b>15,600</b>
<b>Total liabilities and fund balance</b>	<b>\$ 12,987</b>	<b>\$ 55,539</b>	<b>\$ 5,145</b>	<b>\$ 17,187</b>



State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2009**

*(expressed in thousands)*

	Special Revenue Funds			
	Administration	Health and Environment	Highway Patrol	Historical Society
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,308	\$ 59,074	\$ 15,733	\$ 5,343
Investments	0	0	0	0
Receivables, net	0	193	0	0
Due from other funds	0	0	0	0
Advances to other funds	0	2,750	0	0
Restricted cash and cash equivalents	14	0	0	0
<b>Total assets</b>	<b>\$ 23,322</b>	<b>\$ 62,017</b>	<b>\$ 15,733</b>	<b>\$ 5,343</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 1,045	\$ 13,439	\$ 2,825	\$ 76
Due to other funds	0	102	1,061	0
Deferred revenue	0	13	0	0
Advances from other funds	0	331	533	0
Total liabilities	1,045	13,885	4,419	76
Fund balances:				
Reserved for debt service	14	0	0	0
Reserved for encumbrances	12,914	32,655	686	52
Reserved for advances to other funds	0	2,750	0	0
Unreserved	9,349	12,727	10,628	5,215
Total fund balance	22,277	48,132	11,314	5,267
<b>Total liabilities and fund balance</b>	<b>\$ 23,322</b>	<b>\$ 62,017</b>	<b>\$ 15,733</b>	<b>\$ 5,343</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2009**

*(expressed in thousands)*

	Special Revenue Funds			
	Labor	Commerce	Insurance	Judicial
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,334	\$ 78,092	\$ 23,073	\$ 11,272
Investments	0	9,506	0	0
Receivables, net	0	8,985	0	0
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	84	0	0
<b>Total assets</b>	<b>\$ 5,334</b>	<b>\$ 96,667</b>	<b>\$ 23,073</b>	<b>\$ 11,272</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 2,033	\$ 5,569	\$ 9,391	\$ 1,080
Due to other funds	100	0	83	0
Deferred revenue	0	0	0	0
Advances from other funds	218	0	498	0
<b>Total liabilities</b>	<b>2,351</b>	<b>5,569</b>	<b>9,972</b>	<b>1,080</b>
Fund balances:				
Reserved for debt service	0	0	0	0
Reserved for encumbrances	13,168	22,860	733	5
Reserved for advances to other funds	0	0	0	0
Unreserved	(10,185)	68,238	12,368	10,187
<b>Total fund balance</b>	<b>2,983</b>	<b>91,098</b>	<b>13,101</b>	<b>10,192</b>
<b>Total liabilities and fund balance</b>	<b>\$ 5,334</b>	<b>\$ 96,667</b>	<b>\$ 23,073</b>	<b>\$ 11,272</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Continued**

**June 30, 2009**

*(expressed in thousands)*

	Special Revenue Funds			
	State Library	Revenue	Education	Secretary of State
<b>ASSETS</b>				
Cash and cash equivalents	\$ 99	\$ 16,929	\$ 6,211	\$ 15,497
Investments	0	0	0	0
Receivables, net	0	13	0	0
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0
<b>Total assets</b>	<u>\$ 99</u>	<u>\$ 16,942</u>	<u>\$ 6,211</u>	<u>\$ 15,497</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 43	\$ 2,603	\$ 2,217	\$ 533
Due to other funds	0	0	0	0
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
Total liabilities	<u>43</u>	<u>2,603</u>	<u>2,217</u>	<u>533</u>
Fund balances:				
Reserved for debt service	0	0	0	0
Reserved for encumbrances	0	859	3,903	2,850
Reserved for advances to other funds	0	0	0	0
Unreserved	56	13,480	91	12,114
Total fund balance	<u>56</u>	<u>14,339</u>	<u>3,994</u>	<u>14,964</u>
<b>Total liabilities and fund balance</b>	<u>\$ 99</u>	<u>\$ 16,942</u>	<u>\$ 6,211</u>	<u>\$ 15,497</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2009**

*(expressed in thousands)*

	Special Revenue Funds			
	State Treasurer	Wildlife and Parks	Executive	Legislative
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,731	\$ 28,690	\$ 15,155	\$ 100
Investments	0	0	0	0
Receivables, net	0	0	0	0
Due from other funds	13,000	0	0	0
Advances to other funds	55,624	0	0	0
Restricted cash and cash equivalents	0	0	0	0
<b>Total assets</b>	<b>\$ 71,355</b>	<b>\$ 28,690</b>	<b>\$ 15,155</b>	<b>\$ 100</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 69,374	\$ 4,874	\$ 720	\$ 0
Due to other funds	0	0	0	0
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
Total liabilities	69,374	4,874	720	0
Fund balances:				
Reserved for debt service	0	0	0	0
Reserved for encumbrances	23	4,333	0	0
Reserved for advances to other funds	55,624	0	0	0
Unreserved	(53,666)	19,483	14,435	100
Total fund balance	1,981	23,816	14,435	100
<b>Total liabilities and fund balance</b>	<b>\$ 71,355</b>	<b>\$ 28,690</b>	<b>\$ 15,155</b>	<b>\$ 100</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Continued**

**June 30, 2009**

*(expressed in thousands)*

	Special Revenue Funds		
	Transportation Special Revenue	State Water Plan	Peace Officer Training
<b>ASSETS</b>			
Cash and cash equivalents	\$ 26,231	\$ 17,028	\$ 648
Investments	0	0	0
Receivables, net	4,862	3,144	0
Due from other funds	0	0	0
Advances to other funds	0	0	0
Restricted cash and cash equivalents	0	0	0
<b>Total assets</b>	<b>\$ 31,093</b>	<b>\$ 20,172</b>	<b>\$ 648</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other liabilities	\$ 1,182	\$ 2,418	\$ 57
Due to other funds	0	0	0
Deferred revenue	0	1,718	0
Advances from other funds	0	0	0
Total liabilities	1,182	4,136	57
Fund balances:			
Reserved for debt service	0	0	0
Reserved for encumbrances	14,394	13,470	4
Reserved for advances to other funds	3,931	0	0
Unreserved	11,586	2,566	587
Total fund balance	29,911	16,036	591
<b>Total liabilities and fund balance</b>	<b>\$ 31,093</b>	<b>\$ 20,172</b>	<b>\$ 648</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Continued**

**June 30, 2009**

*(expressed in thousands)*

	Capital Projects Funds			
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program	Corrections
<b>ASSETS</b>				
Cash and cash equivalents	\$ 46,682	\$ 4	\$ 3,269	\$ 0
Investments	0	0	0	2,029
Receivables, net	0	0	37,473	49
Due from other funds	0	0	5,815	0
Advances to other funds	0	0	16,594	0
Restricted cash and cash equivalents	0	7,916	0	6,508
<b>Total assets</b>	<b>\$ 46,682</b>	<b>\$ 7,920</b>	<b>\$ 63,151</b>	<b>\$ 8,586</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 5,570	\$ 5,882	\$ 43	\$ 1,615
Due to other funds	0	0	0	0
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
Total liabilities	5,570	5,882	43	1,615
Fund balances:				
Reserved for debt service	0	7,791	0	6,471
Reserved for encumbrances	11,634	50,980	501	2,768
Reserved for advances to other funds	0	0	16,412	0
Unreserved	29,478	(56,733)	46,195	(2,268)
Total fund balance	41,112	2,038	63,108	6,971
<b>Total liabilities and fund balance</b>	<b>\$ 46,682</b>	<b>\$ 7,920</b>	<b>\$ 63,151</b>	<b>\$ 8,586</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2009**

*(expressed in thousands)*

Capital Projects Funds				
	State Library	Armories	Public Broadcasting Digital	Vital Statistics Project
<b>ASSETS</b>				
Cash and cash equivalents	\$ 48	\$ 270	\$ 11	\$ 0
Investments	0	0	0	0
Receivables, net	0	0	0	0
Due from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Restricted cash and cash equivalents	0	3,610	435	370
<b>Total assets</b>	<b>\$ 48</b>	<b>\$ 3,880</b>	<b>\$ 446</b>	<b>\$ 370</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 36	\$ 234	\$ 161	\$ 157
Due to other funds	0	0	0	0
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
Total liabilities	36	234	161	157
Fund balances:				
Reserved for debt service	0	3,603	435	370
Reserved for encumbrances	0	391	0	188
Reserved for advances to other funds	0	0	0	0
Unreserved	12	(348)	(150)	(345)
Total fund balance	12	3,646	285	213
<b>Total liabilities and fund balance</b>	<b>\$ 48</b>	<b>\$ 3,880</b>	<b>\$ 446</b>	<b>\$ 370</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Continued**

**June 30, 2009**

*(expressed in thousands)*

Capital Projects Funds			
	Highway Patrol	Labor	Social and Rehabilitation Services
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1	\$ 3,861	\$ 0
Investments	0	0	0
Receivables, net	0	0	0
Due from other funds	0	0	0
Advances to other funds	0	0	0
Restricted cash and cash equivalents	0	119	1,854
<b>Total assets</b>	<b>\$ 1</b>	<b>\$ 3,980</b>	<b>\$ 1,854</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other liabilities	\$ 0	\$ 647	\$ 942
Due to other funds	0	0	0
Deferred revenue	0	0	0
Advances from other funds	0	0	0
Total liabilities	0	647	942
Fund balances:			
Reserved for debt service	0	0	1,850
Reserved for encumbrances	0	1,113	863
Reserved for advances to other funds	0	0	0
Unreserved	1	2,220	(1,801)
Total fund balance	1	3,333	912
<b>Total liabilities and fund balance</b>	<b>\$ 1</b>	<b>\$ 3,980</b>	<b>\$ 1,854</b>



State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Balance Sheet - Governmental Funds - Concluded**  
**June 30, 2009**

*(expressed in thousands)*

	Debt Service Funds			
	Bond and Interest	Highway Debt Service	STAR Bonds Debt Service	Total Nonmajor Governmental
<b>ASSETS</b>				
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 591,109
Investments	0	0	0	11,535
Receivables, net	0	94	0	205,363
Due from other funds	0	0	0	18,815
Advances to other funds	0	0	0	74,968
Restricted cash and cash equivalents	5,760	97,995	43,835	169,618
<b>Total assets</b>	<b>\$ 5,760</b>	<b>\$ 98,089</b>	<b>\$ 43,835</b>	<b>\$ 1,071,408</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 884	\$ 0	\$ 0	\$ 330,727
Due to other funds	0	0	0	1,578
Deferred revenue	0	0	0	1,777
Advances from other funds	0	0	0	3,549
Total liabilities	884	0	0	337,631
Fund balances:				
Reserved for debt service	3,131	96,980	43,835	165,598
Reserved for encumbrances	1,745	1,109	0	237,604
Reserved for advances to other funds	0	0	0	78,717
Unreserved	0	0	0	251,858
Total fund balance	4,876	98,089	43,835	733,777
<b>Total liabilities and fund balance</b>	<b>\$ 5,760</b>	<b>\$ 98,089</b>	<b>\$ 43,835</b>	<b>\$ 1,071,408</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Social and Rehabilitation Services
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	3	0	0	2,745
Gross receipts tax	5,263	0	0	0
Charges for services	79,739	14,731	72,019	149,435
Operating grants	8,044	2,669	0	617,444
Capital grants	50	0	0	0
Investment earnings	271	28	932	356
Other revenues	5,591	2,888	85	14,950
<b>Total revenues</b>	<b>98,961</b>	<b>20,316</b>	<b>73,036</b>	<b>784,930</b>
<b>Expenditures:</b>				
Current:				
General government	53,303	0	0	0
Human resources	13,701	0	39,336	1,261,034
Education	768	0	12,881	0
Public safety	6,921	35,856	9,000	0
Agriculture and natural resources	18,842	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	9,450	0
Debt service:				
Principal	2,080	505	0	0
Interest	1,884	91	0	0
<b>Total expenditures</b>	<b>97,499</b>	<b>36,452</b>	<b>70,667</b>	<b>1,261,034</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,462</b>	<b>(16,136)</b>	<b>2,369</b>	<b>(476,104)</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	2,368	0	0	0
Transfers, net	(14,073)	10,285	(4)	490,505
<b>Total other financing sources (uses)</b>	<b>(11,705)</b>	<b>10,285</b>	<b>(4)</b>	<b>490,505</b>
<b>Net change in fund balances</b>	<b>(10,243)</b>	<b>(5,851)</b>	<b>2,365</b>	<b>14,401</b>
<b>Fund balances, beginning of year</b>	<b>46,590</b>	<b>11,552</b>	<b>26,210</b>	<b>31,213</b>
Revisions to beginning fund balances	0	0	0	0
<b>Fund balances, beginning of year (restated)</b>	<b>46,590</b>	<b>11,552</b>	<b>26,210</b>	<b>31,213</b>
<b>Fund balances, end of year</b>	<b>\$ 36,347</b>	<b>\$ 5,701</b>	<b>\$ 28,575</b>	<b>\$ 45,614</b>

State of Kansas  
Other Supplementary Information  
June 30, 2009

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Special Revenue Funds			
	Adjutant General	Aging	Agriculture	Attorney General
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	2	28,042	10,056	16,047
Operating grants	202,988	16,894	4,361	7,809
Capital grants	0	0	0	16
Investment earnings	1	0	35	24
Other revenues	741	48	518	3,270
<b>Total revenues</b>	<u>203,732</u>	<u>44,984</u>	<u>14,970</u>	<u>27,166</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	0	13,559
Human resources	0	347,517	0	0
Education	0	0	0	0
Public safety	210,782	0	0	12,462
Agriculture and natural resources	0	0	15,403	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<u>210,782</u>	<u>347,517</u>	<u>15,403</u>	<u>26,021</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(7,050)</u>	<u>(302,533)</u>	<u>(433)</u>	<u>1,145</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	0	0	0	0
Transfers, net	3,663	301,807	(348)	(107)
<b>Total other financing sources (uses)</b>	<u>3,663</u>	<u>301,807</u>	<u>(348)</u>	<u>(107)</u>
<b>Net change in fund balances</b>	<u>(3,387)</u>	<u>(726)</u>	<u>(781)</u>	<u>1,038</u>
<b>Fund balances, beginning of year</b>	6,329	2,605	4,882	14,562
Revisions to beginning fund balances	0	0	0	0
<b>Fund balances, beginning of year (restated)</b>	<u>6,329</u>	<u>2,605</u>	<u>4,882</u>	<u>14,562</u>
<b>Fund balances, end of year</b>	<u>\$ 2,942</u>	<u>\$ 1,879</u>	<u>\$ 4,101</u>	<u>\$ 15,600</u>

State of Kansas  
Other Supplementary Information  
June 30, 2009

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds-Continued  
For the Fiscal Year Ended June 30, 2009**  
(expressed in thousands)

	Special Revenue Funds			
	Administration	Health and Environment	Highway Patrol	Historical Society
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	677	2,416	1,008
Gross receipts tax	0	1,037	0	0
Charges for services	9,263	23,440	9,458	1,024
Operating grants	328	111,679	27,408	761
Capital grants	0	0	0	0
Investment earnings	309	917	105	88
Other revenues	11,737	43,686	1,018	103
<b>Total revenues</b>	<b>21,637</b>	<b>181,436</b>	<b>40,405</b>	<b>2,984</b>
<b>Expenditures:</b>				
Current:				
General government	24,888	0	0	0
Human resources	0	0	0	0
Education	0	0	0	2,873
Public safety	0	0	52,742	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	179,975	0	0
Debt service:				
Principal	10,330	0	0	0
Interest	26,253	0	0	0
<b>Total expenditures</b>	<b>61,471</b>	<b>179,975</b>	<b>52,742</b>	<b>2,873</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(39,834)</b>	<b>1,461</b>	<b>(12,337)</b>	<b>111</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	0	0	0	0
Transfers, net	40,993	(2,711)	14,769	485
<b>Total other financing sources (uses)</b>	<b>40,993</b>	<b>(2,711)</b>	<b>14,769</b>	<b>485</b>
<b>Net change in fund balances</b>	<b>1,159</b>	<b>(1,250)</b>	<b>2,432</b>	<b>596</b>
<b>Fund balances, beginning of year</b>	<b>20,578</b>	<b>49,382</b>	<b>8,882</b>	<b>4,671</b>
Revisions to beginning fund balances	540	0	0	0
Fund balances, beginning of year (restated)	21,118	49,382	8,882	4,671
<b>Fund balances, end of year</b>	<b>\$ 22,277</b>	<b>\$ 48,132</b>	<b>\$ 11,314</b>	<b>\$ 5,267</b>

State of Kansas  
Other Supplementary Information  
June 30, 2009

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Special Revenue Funds			
	Labor	Commerce	Insurance	Judicial
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	16,741	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	35	10,953	0
Charges for services	1,588	6,431	10,795	14,249
Operating grants	22,815	51,269	0	461
Capital grants	0	0	0	0
Investment earnings	0	967	0	81
Other revenues	12,388	3,178	245	1,979
<b>Total revenues</b>	<b>36,791</b>	<b>78,621</b>	<b>21,993</b>	<b>16,770</b>
<b>Expenditures:</b>				
Current:				
General government	0	160,122	17,997	16,232
Human resources	39,369	0	0	0
Education	0	2,630	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	13,450	0	0
Interest	0	3,150	0	0
<b>Total expenditures</b>	<b>39,369</b>	<b>179,352</b>	<b>17,997</b>	<b>16,232</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,578)</b>	<b>(100,731)</b>	<b>3,996</b>	<b>538</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	0	52,577	0	0
Transfers, net	2,535	41,616	(4,719)	(324)
<b>Total other financing sources (uses)</b>	<b>2,535</b>	<b>94,193</b>	<b>(4,719)</b>	<b>(324)</b>
<b>Net change in fund balances</b>	<b>(43)</b>	<b>(6,538)</b>	<b>(723)</b>	<b>214</b>
<b>Fund balances, beginning of year</b>	<b>3,026</b>	<b>97,636</b>	<b>13,824</b>	<b>9,978</b>
Revisions to beginning fund balances	0	0	0	0
<b>Fund balances, beginning of year (restated)</b>	<b>3,026</b>	<b>97,636</b>	<b>13,824</b>	<b>9,978</b>
<b>Fund balances, end of year</b>	<b>\$ 2,983</b>	<b>\$ 91,098</b>	<b>\$ 13,101</b>	<b>\$ 10,192</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Special Revenue Funds			
	State Library	Revenue	Education	Secretary of State
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	11,921	0	0
Gross receipts tax	0	166	0	0
Charges for services	6	14,331	3,489	4,238
Operating grants	1,671	783	416,812	36
Capital grants	0	0	0	0
Investment earnings	0	0	2	334
Other revenues	(1)	(7)	28,900	0
<b>Total revenues</b>	<u>1,676</u>	<u>27,194</u>	<u>449,203</u>	<u>4,608</u>
<b>Expenditures:</b>				
Current:				
General government	0	63,424	0	5,840
Human resources	0	0	0	0
Education	1,683	0	521,612	0
Public safety	0	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<u>1,683</u>	<u>63,424</u>	<u>521,612</u>	<u>5,840</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(7)</u>	<u>(36,230)</u>	<u>(72,409)</u>	<u>(1,232)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	0	0	0	0
Transfers, net	0	41,263	(50,007)	(13)
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>41,263</u>	<u>(50,007)</u>	<u>(13)</u>
<b>Net change in fund balances</b>	(7)	5,033	(122,416)	(1,245)
<b>Fund balances, beginning of year</b>	63	9,306	126,410	16,209
Revisions to beginning fund balances	0	0	0	0
<b>Fund balances, beginning of year (restated)</b>	<u>63</u>	<u>9,306</u>	<u>126,410</u>	<u>16,209</u>
<b>Fund balances, end of year</b>	<u>\$ 56</u>	<u>\$ 14,339</u>	<u>\$ 3,994</u>	<u>\$ 14,964</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds - Continued**

**For the Fiscal Year Ended June 30, 2009**

*(expressed in thousands)*

	Special Revenue Funds			
	State Treasurer	Wildlife and Parks	Executive	Legislative
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	1,078	0	0
Gross receipts tax	0	0	0	0
Charges for services	1,158	31,614	91	59
Operating grants	0	12,960	24,624	0
Capital grants	0	0	0	0
Investment earnings	3,227	382	60	0
Other revenues	13,293	54	169	33
<b>Total revenues</b>	<b>17,678</b>	<b>46,088</b>	<b>24,944</b>	<b>92</b>
<b>Expenditures:</b>				
Current:				
General government	14,405	0	11,937	177
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	0	0	0
Agriculture and natural resources	0	49,668	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<b>14,405</b>	<b>49,668</b>	<b>11,937</b>	<b>177</b>
<b>Excess of revenues over (under) expenditures</b>	<b>3,273</b>	<b>(3,580)</b>	<b>13,007</b>	<b>(85)</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	0	0	0	0
Transfers, net	(3,170)	2,956	(1,000)	0
<b>Total other financing sources (uses)</b>	<b>(3,170)</b>	<b>2,956</b>	<b>(1,000)</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>103</b>	<b>(624)</b>	<b>12,007</b>	<b>(85)</b>
<b>Fund balances, beginning of year</b>	<b>1,878</b>	<b>24,440</b>	<b>2,428</b>	<b>185</b>
Revisions to beginning fund balances	0	0	0	0
<b>Fund balances, beginning of year (restated)</b>	<b>1,878</b>	<b>24,440</b>	<b>2,428</b>	<b>185</b>
<b>Fund balances, end of year</b>	<b>\$ 1,981</b>	<b>\$ 23,816</b>	<b>\$ 14,435</b>	<b>\$ 100</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Special Revenue Funds		
	Transportation Speical Revenue	State Water Plan	Peace Officer Training
<b>Revenues:</b>			
Property tax	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0
Sales and excise tax	0	2,768	0
Gross receipts tax	0	0	0
Charges for services	384	4,071	690
Operating grants	7,279	0	0
Capital grants	0	0	0
Investment earnings	0	0	0
Other revenues	1,959	5,131	0
<b>Total revenues</b>	<b>9,622</b>	<b>11,970</b>	<b>690</b>
<b>Expenditures:</b>			
Current:			
General government	0	0	0
Human resources	0	0	0
Education	0	32	0
Public safety	0	0	477
Agriculture and natural resources	0	18,678	0
Highways and other transportation	19,473	0	0
Health and environment	0	3,708	0
Debt service:			
Principal	0	0	0
Interest	0	0	0
<b>Total expenditures</b>	<b>19,473</b>	<b>22,418</b>	<b>477</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(9,851)</b>	<b>(10,448)</b>	<b>213</b>
<b>Other financing sources (uses):</b>			
Proceeds from sale of debt	0	0	0
Transfers, net	10,940	4,644	(404)
<b>Total other financing sources (uses)</b>	<b>10,940</b>	<b>4,644</b>	<b>(404)</b>
<b>Net change in fund balances</b>	<b>1,089</b>	<b>(5,804)</b>	<b>(191)</b>
<b>Fund balances, beginning of year</b>	<b>28,822</b>	<b>21,840</b>	<b>782</b>
Revisions to beginning fund balances	0	0	0
<b>Fund balances, beginning of year (restated)</b>	<b>28,822</b>	<b>21,840</b>	<b>782</b>
<b>Fund balances, end of year</b>	<b>\$ 29,911</b>	<b>\$ 16,036</b>	<b>\$ 591</b>



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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds-Continued  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Capital Projects Funds				
	State Buildings (Appropriated)	Capital Complex Buildings	Master Lease Program	Corrections	State Library
<b>Revenues:</b>					
Property tax	\$ 50,880	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0	0
Sales and excise tax	0	0	0	0	0
Gross receipts tax	0	0	0	0	0
Charges for services	0	70	0	252	0
Operating grants	0	0	0	0	209
Capital grants	0	0	0	0	0
Investment earnings	0	506	150	82	0
Other revenues	17	0	(2)	3	0
<b>Total revenues</b>	<u>50,897</u>	<u>576</u>	<u>148</u>	<u>337</u>	<u>209</u>
<b>Expenditures:</b>					
Current:					
General government	155	43,811	538	0	0
Human resources	6,436	0	0	0	0
Education	32,059	0	0	0	268
Public safety	5,170	0	0	5,530	0
Agriculture and natural resources	0	0	0	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	0	0	0
Debt service:					
Principal	0	6,050	9,524	5,060	0
Interest	0	8,006	2,423	3,047	0
<b>Total expenditures</b>	<u>43,820</u>	<u>57,867</u>	<u>12,485</u>	<u>13,637</u>	<u>268</u>
<b>Excess of revenues over (under) expenditures</b>	<u>7,077</u>	<u>(57,291)</u>	<u>(12,337)</u>	<u>(13,300)</u>	<u>(59)</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of debt	0	39,119	3,168	0	0
Transfers, net	(7,289)	12,146	(3)	8,606	0
<b>Total other financing sources (uses)</b>	<u>(7,289)</u>	<u>51,265</u>	<u>3,165</u>	<u>8,606</u>	<u>0</u>
<b>Net change in fund balances</b>	(212)	(6,026)	(9,172)	(4,694)	(59)
<b>Fund balances, beginning of year</b>	41,324	8,064	72,280	11,665	71
Revisions to beginning fund balances	0	0	0	0	0
<b>Fund balances, beginning of year (restated)</b>	<u>41,324</u>	<u>8,064</u>	<u>72,280</u>	<u>11,665</u>	<u>71</u>
<b>Fund balances, end of year</b>	<u>\$ 41,112</u>	<u>\$ 2,038</u>	<u>\$ 63,108</u>	<u>\$ 6,971</u>	<u>\$ 12</u>

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Capital Projects Funds			
	Pooled Funds	Armories	Public Broadcasting Digital	Vital Statistics Project
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales and excise tax	0	0	0	0
Gross receipts tax	0	0	0	0
Charges for services	0	0	0	0
Operating grants	0	0	0	0
Capital grants	0	0	0	0
Investment earnings	0	128	13	13
Other revenues	0	(2)	0	0
<b>Total revenues</b>	<u>0</u>	<u>126</u>	<u>13</u>	<u>13</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	192	0
Human resources	0	0	0	0
Education	0	0	0	0
Public safety	0	1,956	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	350
Debt service:				
Principal	130	4,290	315	470
Interest	5	1,165	296	32
<b>Total expenditures</b>	<u>135</u>	<u>7,411</u>	<u>803</u>	<u>852</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(135)</u>	<u>(7,285)</u>	<u>(790)</u>	<u>(839)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	0	3,205	0	0
Transfers, net	135	2,066	596	486
<b>Total other financing sources (uses)</b>	<u>135</u>	<u>5,271</u>	<u>596</u>	<u>486</u>
<b>Net change in fund balances</b>	0	(2,014)	(194)	(353)
<b>Fund balances, beginning of year</b>	0	5,660	479	566
Revisions to beginning fund balances	0	0	0	0
Fund balances, beginning of year (restated)	<u>0</u>	<u>5,660</u>	<u>479</u>	<u>566</u>
<b>Fund balances, end of year</b>	<u>\$ 0</u>	<u>\$ 3,646</u>	<u>\$ 285</u>	<u>\$ 213</u>

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds -Continued  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Capital Projects Fund		
	Highway Patrol	Labor	Social and Rehabilitation Services
<b>Revenues:</b>			
Property tax	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0
Sales and excise tax	0	0	0
Gross receipts tax	0	0	0
Charges for services	0	0	0
Operating grants	0	0	0
Capital grants	0	0	0
Investment earnings	0	37	71
Other revenues	0	4,000	0
<b>Total revenues</b>	<u>0</u>	<u>4,037</u>	<u>71</u>
<b>Expenditures:</b>			
Current:			
General government	0	0	0
Human resources	0	1,350	2,008
Education	0	0	0
Public safety	0	0	0
Agriculture and natural resources	0	0	0
Highways and other transportation	0	0	0
Health and environment	0	0	0
Debt service:			
Principal	230	2,035	3,115
Interest	142	881	3,377
<b>Total expenditures</b>	<u>372</u>	<u>4,266</u>	<u>8,500</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(372)</u>	<u>(229)</u>	<u>(8,429)</u>
<b>Other financing sources (uses):</b>			
Proceeds from sale of debt	0	0	0
Transfers, net	372	2,860	6,404
<b>Total other financing sources (uses)</b>	<u>372</u>	<u>2,860</u>	<u>6,404</u>
<b>Net change in fund balances</b>	0	2,631	(2,025)
<b>Fund balances, beginning of year</b>	1	702	2,937
Revisions to beginning fund balances	0	0	0
<b>Fund balances, beginning of year (restated)</b>	<u>1</u>	<u>702</u>	<u>2,937</u>
<b>Fund balances, end of year</b>	<u>\$ 1</u>	<u>\$ 3,333</u>	<u>\$ 912</u>

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds - Concluded  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Debt Service Funds			
	Bond and Interest	Highway Debt Service	STAR Bonds Debt Service	Total Nonmajor Governmental
<b>Revenues:</b>				
Property tax	\$ 0	\$ 0	\$ 0	\$ 50,880
Income and inheritance tax	0	0	0	16,741
Sales and excise tax	0	0	31,348	53,964
Gross receipts tax	0	0	0	17,454
Charges for services	7	1,506	0	508,285
Operating grants	0	0	0	1,539,304
Capital grants	0	0	0	66
Investment earnings	403	9	0	9,531
Other revenues	1,893	0	0	157,865
<b>Total revenues</b>	<b>2,303</b>	<b>1,515</b>	<b>31,348</b>	<b>2,354,090</b>
<b>Expenditures:</b>				
Current:				
General government	107	0	(2,211)	424,476
Human resources	0	0	0	1,710,751
Education	0	0	0	574,806
Public safety	4,159	0	0	345,055
Agriculture and natural resources	0	0	0	102,591
Highways and other transportation	0	0	0	19,473
Health and environment	0	0	0	193,483
Debt service:				
Principal	7,325	39,730	29,728	134,367
Interest	2,925	83,971	8,437	146,085
<b>Total expenditures</b>	<b>14,516</b>	<b>123,701</b>	<b>35,954</b>	<b>3,651,087</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(12,213)</b>	<b>(122,186)</b>	<b>(4,606)</b>	<b>(1,296,997)</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	5,401	11,410	0	117,248
Transfers, net	(199)	152,722	0	1,068,483
<b>Total other financing sources (uses)</b>	<b>5,202</b>	<b>164,132</b>	<b>0</b>	<b>1,185,731</b>
<b>Net change in fund balances</b>	<b>(7,011)</b>	<b>41,946</b>	<b>(4,606)</b>	<b>(111,266)</b>
<b>Fund balances, beginning of year</b>	<b>11,857</b>	<b>56,143</b>	<b>48,441</b>	<b>844,473</b>
Revisions to beginning fund balances	30	0	0	570
<b>Fund balances, beginning of year (restated)</b>	<b>11,887</b>	<b>56,143</b>	<b>48,441</b>	<b>845,043</b>
<b>Fund balances, end of year</b>	<b>\$ 4,876</b>	<b>\$ 98,089</b>	<b>\$ 43,835</b>	<b>\$ 733,777</b>

**Listing of Non-Major Proprietary Funds**

**Enterprise Funds**

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

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

State of Kansas  
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**Combining Statement of Net Assets - Nonmajor Proprietary Funds**

**June 30, 2009**

(expressed in thousands)

	Business-Type Activities					Total
	Workers Compensa- tion	Lottery	Intergover- mental Transfer Program	Transporta- tion Revolving Fund	Communica- tion Systems Revolving Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 6,774	\$ 4,936	\$ 304	\$ 5,981	\$ 5,350	\$ 23,345
Receivables,net	0	8,873	0	7,210	1,855	17,938
Inventories	0	2,008	0	0	775	2,783
Total current assets	6,774	15,817	304	13,191	7,980	44,066
Noncurrent assets:						
Investments	0	0	0	15,277	0	15,277
Receivables, net	0	0	0	66,649	14,928	81,577
Restricted cash and cash equivalents	0	0	0	17,442	126	17,568
Advances to other funds	2,000	0	0	0	0	2,000
Capital assets (net of accumulated depreciation)	0	465	0	0	0	465
Other noncurrent assets	0	0	0	821	96	917
Total noncurrent assets	2,000	465	0	100,189	15,150	117,804
Total assets	\$ 8,774	\$ 16,282	\$ 304	\$ 113,380	\$ 23,130	\$ 161,870
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 376	\$ 7,260	\$ 0	\$ 957	\$ 2,552	\$ 11,145
Deferred revenue	0	0	0	0	4,067	4,067
Due to other funds	0	5,750	0	0	29	5,779
Short-term compensated absences	10	0	0	0	0	10
Short-term portion of long-term liabilities	4,805	0	0	5,065	1,145	11,015
Total current liabilities	5,191	13,010	0	6,022	7,793	32,016
Noncurrent liabilities:						
Compensated absences	2	0	0	0	0	2
Claims and judgements	26,577	0	0	0	0	26,577
Bonds, notes and loans payable	0	0	0	77,154	11,613	88,767
Arbitrage rebate payable	0	0	0	300	0	300
Other post employment benefits	0	141	0	0	0	141
Total noncurrent liabilities	26,579	141	0	77,454	11,613	115,787
Total liabilities	31,770	13,151	0	83,476	19,406	147,803
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	0	465	0	0	0	465
Restricted for:						
Debt service	0	0	0	19,870	126	19,996
Unrestricted	(22,996)	2,666	304	10,034	3,598	(6,394)
Total net assets	(22,996)	3,131	304	29,904	3,724	14,067
Total liabilities and net assets	\$ 8,774	\$ 16,282	\$ 304	\$ 113,380	\$ 23,130	\$ 161,870

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**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Business-Type Activities					Total
	Workers Compensa- tion	Lottery	Intergover- mental Transfer Program	Transporta- tion Revolving Fund	Communica- tion Systems Revolving Fund	
<b>Operating revenues:</b>						
Charges for services	\$ 4,048	\$ 232,140	\$ 197	\$ 195	\$ 706	\$ 237,286
Other revenue	29	0	153	2,264	0	2,446
<b>Total operating revenues</b>	<u>4,077</u>	<u>232,140</u>	<u>350</u>	<u>2,459</u>	<u>706</u>	<u>239,732</u>
<b>Operating expenses:</b>						
Personal services	247	4,228	0	0	0	4,475
Supplies and services	1,932	29,777	0	58	247	32,014
Lottery prize awards	0	130,911	0	0	0	130,911
Depreciation	0	132	0	0	0	132
Insurance claims and expenses	1,513	0	0	0	0	1,513
Other expenses	818	0	102	0	0	920
<b>Total operating expenses</b>	<u>4,510</u>	<u>165,048</u>	<u>102</u>	<u>58</u>	<u>247</u>	<u>169,965</u>
<b>Operating income (loss)</b>	<u>(433)</u>	<u>67,092</u>	<u>248</u>	<u>2,401</u>	<u>459</u>	<u>69,767</u>
<b>Nonoperating revenues (expenses):</b>						
Investment earnings	0	0	0	1,067	165	1,232
Interest expense	0	0	0	(2,620)	(459)	(3,079)
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,553)</u>	<u>(294)</u>	<u>(1847)</u>
<b>Net income (loss)</b>	<u>(433)</u>	<u>67,092</u>	<u>248</u>	<u>848</u>	<u>165</u>	<u>67,920</u>
Transfers in	(2,364)	(68,188)	(805)	0	(127)	(71,484)
Transfers out	(6)	0	0	0	0	(6)
<b>Net change in net assets</b>	<u>(2,803)</u>	<u>(1,096)</u>	<u>(557)</u>	<u>848</u>	<u>38</u>	<u>(3,570)</u>
Total net assets - beginning	(20,193)	4,227	861	29,056	3,686	17,637
<b>Total net assets - ending</b>	<u>\$ (22,996)</u>	<u>\$ 3,131</u>	<u>\$ 304</u>	<u>\$ 29,904</u>	<u>\$ 3,724</u>	<u>\$ 14,067</u>

### **Internal Service Funds**

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

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



State of Kansas  
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**Combining Statement of Net Assets - Internal Service Funds**

**June 30, 2009**

*(expressed in thousands)*

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2,372	\$ 5,369	\$ 979	\$ 7,116	\$ 70	\$ 13,115
Receivables, net	0	0	0	0	0	202
Inventories	0	0	0	582	0	0
Total current assets	2,372	5,369	979	7,698	70	13,317
Noncurrent assets:						
Receivables, net:	0	0	0	0	0	1,889
Capital assets (net of accumulated depreciation)	1,015	4	445	13,261	0	69,262
Total noncurrent assets	1,015	4	445	13,261	0	71,151
<b>Total assets</b>	<b>\$ 3,387</b>	<b>\$ 5,373</b>	<b>\$ 1,424</b>	<b>\$ 20,959</b>	<b>\$ 70</b>	<b>\$ 84,468</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 721	\$ 1,077	\$ 14	\$ 2,558	\$ 12	\$ 1,889
Due to other funds	0	0	541	1,296	0	60
Short-term compensated absences	131	402	1	679	0	360
Short-term portion of long-term liabilities	187	34,139	0	0	0	1,868
Total current liabilities	1,039	35,618	556	4,533	12	4,177
Noncurrent liabilities:						
Compensated absences	26	78	0	132	0	70
Claims and judgements	0	327	0	0	0	0
Bonds, notes and loans payable	193	0	0	0	0	58,366
Advances from other funds	0	0	1,326	1,314	0	48
Total noncurrent liabilities	219	405	1,326	1,446	0	58,484
<b>Total liabilities</b>	<b>1,258</b>	<b>36,023</b>	<b>1,882</b>	<b>5,979</b>	<b>12</b>	<b>62,661</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	1,015	4	445	13,261	0	69,262
Unrestricted	1,114	(30,654)	(903)	1,719	58	(47,455)
<b>Total net assets</b>	<b>2,129</b>	<b>(30,650)</b>	<b>(458)</b>	<b>14,980</b>	<b>58</b>	<b>21,807</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,387</b>	<b>\$ 5,373</b>	<b>\$ 1,424</b>	<b>\$ 20,959</b>	<b>\$ 70</b>	<b>\$ 84,468</b>

State of Kansas  
**Other Supplementary Information**  
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**Combining Statement of Net Assets - Internal Service Funds - Concluded**

**June 30, 2009**

*(expressed in thousands)*

	Architectural Service	State Workers Compensation	Capitol Security	Osawatimie Motor Pool	Wildlife Aircraft	Personnel Services	Total
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 60	\$ 4,201	\$ 206	\$ 28	\$ 146	\$ 520	\$ 34,182
Receivables, net	0	0	0	0	0	0	202
Inventories	0	0	0	0	0	0	582
Total current assets	60	4,201	206	28	146	520	34,966
Noncurrent assets:							
Receivables, net:	0	0	0	0	0	0	1,889
Capital assets (net of accumulated depreciation)	19	2	0	0	0	0	84,008
Total noncurrent assets	19	2	0	0	0	0	85,897
<b>Total assets</b>	<b>\$ 79</b>	<b>\$ 4,203</b>	<b>\$ 206</b>	<b>\$ 28</b>	<b>\$ 146</b>	<b>\$ 520</b>	<b>\$ 120,863</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and other liabilities	\$ 58	\$ 482	\$ 11	\$ 28	\$ 0	\$ 0	\$ 6,850
Due to other funds	0	0	0	0	0	0	1,897
Short-term compensated absences	64	45	0	0	0	0	1,682
Short-term portion of long-term liabilities	0	15,176	0	0	0	0	51,370
Total current liabilities	122	15,703	11	28	0	0	61,799
Noncurrent liabilities:							
Compensated absences	13	9	0	0	0	0	328
Claims and judgements	0	36,278	0	0	0	0	36,605
Bonds, notes and loans payable	0	0	0	0	0	0	58,559
Advances from other funds	0	0	0	0	0	0	2,688
Total noncurrent liabilities	13	36,287	0	0	0	0	98,180
<b>Total liabilities</b>	<b>135</b>	<b>51,990</b>	<b>11</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>159,979</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	19	2	0	0	0	0	84,008
Unrestricted	(75)	(47,789)	195	0	146	520	(123,124)
<b>Total net assets</b>	<b>(56)</b>	<b>(47,787)</b>	<b>195</b>	<b>0</b>	<b>146</b>	<b>520</b>	<b>(39,116)</b>
<b>Total liabilities and net assets</b>	<b>\$ 79</b>	<b>\$ 4,203</b>	<b>\$ 206</b>	<b>\$ 28</b>	<b>\$ 146</b>	<b>\$ 520</b>	<b>\$ 120,863</b>

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**Other Supplementary Information**  
June 30, 2009

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Internal Service Funds  
For the Fiscal Year Ended June 30, 2009  
(expressed in thousands)**

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
<b>Operating revenues:</b>						
Charges for services	\$ 5,370	\$ 7,611	\$ 875	\$ 41,273	\$ 150	\$ 30,330
Other revenue	0	(1,677)	1,857	3	0	2,539
<b>Total operating revenues</b>	<u>5,370</u>	<u>5,934</u>	<u>2,732</u>	<u>41,276</u>	<u>150</u>	<u>32,869</u>
<b>Operating expenses:</b>						
Salaries and wages	2,425	4,749	43	12,398	0	7,821
Supplies and services	3,433	6,037	230	23,504	122	11,611
Depreciation	114	1	128	2,671	0	2,823
Insurance claims and expenses	0	0	0	0	0	0
Other expenses	0	0	0	0	0	1
<b>Total operating expenses</b>	<u>5,972</u>	<u>10,787</u>	<u>401</u>	<u>38,573</u>	<u>122</u>	<u>22,256</u>
<b>Operating income (loss)</b>	<u>(602)</u>	<u>(4,853)</u>	<u>2,331</u>	<u>2,703</u>	<u>28</u>	<u>10,613</u>
<b>Nonoperating revenues (expenses):</b>						
Interest expense	(12)	0	0	0	0	(2,717)
<b>Total nonoperating revenues (expenses)</b>	<u>(12)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,717)</u>
<b>Net income (loss)</b>	<u>(614)</u>	<u>(4,853)</u>	<u>2,331</u>	<u>2,703</u>	<u>28</u>	<u>7,896</u>
Transfers in	(112)	489	(1,463)	(377)	0	(589)
Transfers out	(116)	0	0	(295)	0	(3,550)
<b>Net change in net assets</b>	<u>(842)</u>	<u>(4,364)</u>	<u>868</u>	<u>2,031</u>	<u>28</u>	<u>3,757</u>
Total net assets - beginning	2,971	(26,286)	(1,326)	12,949	30	18,591
Revisions to beginning net assets	0	0	0	0	0	(541)
Total net assets - beginning (restated)	<u>2,971</u>	<u>(26,286)</u>	<u>(1,326)</u>	<u>12,949</u>	<u>30</u>	<u>18,050</u>
<b>Total net assets - ending</b>	<u>\$ 2,129</u>	<u>\$ (30,650)</u>	<u>\$ (458)</u>	<u>\$ 14,980</u>	<u>\$ 58</u>	<u>\$ 21,807</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2009

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Internal Service Funds - Concluded  
For the Fiscal Year Ended June 30, 2009**  
*(expressed in thousands)*

	Architectural Service	State Workers Compensation	Capitol Security	Osawatomie Motor Pool	Wildlife Aircraft	Personnel Services	Total
<b>Operating revenues:</b>							
Charges for services	\$ 1,171	\$ 25,060	\$ 89	\$ 44	\$ 56	\$ 224	\$ 112,253
Other revenue	68	(732)	77	0	0	0	2,135
<b>Total operating revenues</b>	<u>1,239</u>	<u>24,328</u>	<u>166</u>	<u>44</u>	<u>56</u>	<u>224</u>	<u>114,388</u>
<b>Operating expenses:</b>							
Salaries and wages	1,159	950	133	0	0	0	29,678
Supplies and services	29	2,529	14	63	84	56	47,712
Depreciation	4	1	0	0	0	0	5,742
Insurance claims and expenses	0	21,642	0	0	0	0	21,642
Other expenses	0	0	0	0	0	0	1
<b>Total operating expenses</b>	<u>1,192</u>	<u>25,122</u>	<u>147</u>	<u>63</u>	<u>84</u>	<u>56</u>	<u>104,775</u>
<b>Operating income (loss)</b>	<u>47</u>	<u>(794)</u>	<u>19</u>	<u>(19)</u>	<u>(28)</u>	<u>168</u>	<u>9,613</u>
<b>Nonoperating revenues (expenses):</b>							
Interest expense	0	0	0	0	0	0	(2,729)
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,729)</u>
<b>Net income (loss)</b>	<u>47</u>	<u>(794)</u>	<u>19</u>	<u>(19)</u>	<u>(28)</u>	<u>168</u>	<u>6,884</u>
Transfers in	(48)	0	0	0	0	(1)	(2,101)
Transfers out	0	0	0	0	0	0	(3,961)
<b>Net change in net assets</b>	<u>(1)</u>	<u>(794)</u>	<u>19</u>	<u>(19)</u>	<u>(28)</u>	<u>167</u>	<u>822</u>
Total net assets - beginning	(55)	(46,993)	176	19	174	353	(39,397)
Revisions to beginning net assets	0	0	0	0	0	0	(541)
Total net assets - beginning (restated)	<u>(55)</u>	<u>(46,993)</u>	<u>176</u>	<u>19</u>	<u>174</u>	<u>353</u>	<u>(39,938)</u>
<b>Total net assets - ending</b>	<u>\$ (56)</u>	<u>\$ (47,787)</u>	<u>\$ 195</u>	<u>\$ 0</u>	<u>\$ 146</u>	<u>\$ 520</u>	<u>\$ (39,116)</u>

**STATISTICAL  
SECTION**

State of Kansas  
**Statistical Section**  
June 30, 2009

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	148
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	158
These schedules contain information to help the reader assess the state's most significant revenue source, the income and sales taxes.	
<b>Debt Capacity</b>	160
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	162
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	
<b>Operating Information</b>	164
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The State implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning that year.

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

State of Kansas  
**Statistical Section**  
June 30, 2009

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**Financial Trends**

**Net Assets by Fund Type**

**Last Eight Fiscal Years**

*(expressed in thousands)*

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		<u>2002</u>	<u>2003</u>	<u>2004</u>
1	Governmental activities			
2	Invested in capital assets, net of related debt	\$ 7,494,576	\$ 7,758,504	\$ 7,855,107
3	Restricted	60,207	118,013	142,188
4	Unrestricted	1,583,141	1,194,510	831,722
5	Total governmental activities net assets	<u>\$ 9,137,924</u>	<u>\$ 9,071,027</u>	<u>\$ 8,829,017</u>
6				
7	Business-type activities <sup>1</sup>			
8	Invested in capital assets, net of related debt	\$ 714,933	\$ 844,948	\$ 479
9	Restricted	513,119	844,360	589,332
10	Unrestricted	406,782	(10,780)	57,317
11	Total business-type activities net assets	<u>\$ 1,634,834</u>	<u>\$ 1,678,528</u>	<u>\$ 647,128</u>
12				
13	Primary government			
14	Invested in capital assets net of related debt	\$ 8,209,509	\$ 8,603,452	\$ 7,855,586
15	Restricted	573,326	962,373	731,520
16	Unrestricted	1,989,923	1,183,730	889,039
17	Total primary government net assets	<u>\$ 10,772,758</u>	<u>\$ 10,749,555</u>	<u>\$ 9,476,145</u>

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

State of Kansas  
Statistical Section  
June 30, 2009

**Financial Trends**

**Net Assets by Fund Type**

**Last Eight Fiscal Years**

*(expressed in thousands)*

2005	2006	2007	2008	2009	
					1
\$ 435,125	\$ 8,144,626	\$ 9,538,694	\$ 9,800,244	\$ 9,509,615	2
89,640	97,386	93,923	87,640	143,946	3
762,257	1,309,066	331,906	86,523	105,512	4
<u>\$ 9,287,022</u>	<u>\$ 9,551,078</u>	<u>\$ 9,964,523</u>	<u>\$ 9,974,407</u>	<u>\$ 9,759,073</u>	5
					6
					7
\$ 247	\$ 388	\$ 256	\$ 364	\$ 478	8
766,234	950,950	1,087,458	1,066,936	779,479	9
5,642	20,004	6,768	18,330	(6,394)	10
<u>\$ 772,123</u>	<u>\$ 971,342</u>	<u>\$ 1,094,482</u>	<u>\$ 1,085,630</u>	<u>\$ 773,563</u>	11
					12
					13
\$ 8,435,372	\$ 8,145,014	\$ 9,538,950	\$ 9,800,608	\$ 9,510,093	14
855,874	1,048,336	1,181,381	1,154,576	923,425	15
767,899	1,329,110	338,674	104,853	99,118	16
<u>\$ 10,059,145</u>	<u>\$ 10,522,460</u>	<u>\$ 11,059,005</u>	<u>\$ 11,060,037</u>	<u>\$ 10,532,636</u>	17



State of Kansas  
Statistical Section  
June 30, 2009

**Financial Trends**

**Changes in Net Assets, Last Eight Fiscal Years**

*(expressed in thousands)*

	2002	2003	2004
<b>Expenses</b>			
Governmental activities:			
General government	\$ 561,006	\$ 419,040	\$ 1,615,560
Human resources	2,723,207	2,804,932	3,106,382
Education	2,662,380	3,125,520	3,201,981
Public safety	476,638	446,867	438,540
Agriculture and natural resources	90,948	92,466	88,870
Highways and other transportation	860,035	798,083	777,697
Health and environment	166,038	174,249	176,436
Economic development	0	0	0
Interest expense	0	0	0
Total governmental activities expenses	7,540,252	7,861,157	9,405,466
Business-type activities:			
Water pollution and safety	42,370	22,489	28,975
Health care stabilization	27,588	34,955	33,874
Employment security	341,587	487,610	468,413
Workers' compensation	(856)	(38,177)	2,842
Lottery	132,284	140,103	154,774
Universities	1,857,220	1,749,824	0
Intergovernmental transfer program	94,823	35,953	1,210
Transportation revolving loans	0	0	0
Total business-type activities expenses	2,495,016	2,432,757	690,088
Total primary government expenses	\$ 10,035,268	\$ 10,293,914	\$ 10,095,554
<b>Program Revenues</b>			
Governmental activities:			
General government	\$ 225,970	\$ 283,224	\$ 298,640
Human resources	1,723,828	1,782,338	1,982,802
Education	295,077	322,565	359,415
Public safety	111,009	85,705	79,468
Agriculture and natural resources	52,315	55,648	58,116
Highways and other transportation	583,663	588,536	493,479
Health and environment	99,249	119,147	130,810
Total governmental activities revenues	3,091,111	3,237,163	3,402,730
Business-type activities: <sup>1</sup>			
Water pollution and safety	35,799	23,769	50,634
Health care stabilization	27,684	26,201	22,236
Employment security	318,187	352,282	370,895
Workers' compensation	468	871	3,859
Lottery	191,064	203,939	225,457
Universities	800,899	1,026,479	0
Intergovernmental transfer program	0	67	191
Transportation revolving fund	0	0	0
Total business-type activities revenues	1,374,101	1,633,608	673,272
Total primary government revenues	\$ 4,465,212	\$ 4,870,771	\$ 4,076,002
<b>Net (Expense) Revenue</b>			
Government activities	\$ (4,449,141)	\$ (4,623,994)	\$ (6,002,736)
Business-type activities	(1,120,915)	(799,149)	(16,816)
Total primary net (expense) revenue	\$ (5,570,056)	\$ (5,423,143)	\$ (6,019,552)

State of Kansas  
Statistical Section  
June 30, 2009

**Financial Trends**

**Changes in Net Assets, Last Eight Fiscal Years**

*(expressed in thousands)*

2005	2006	2007	2008	2009	
					1
					2
\$ 1,215,280	\$ 975,416	\$ 1,074,391	\$ 1,002,719	\$ 955,701	3
3,124,978	2,979,056	3,080,465	3,279,850	3,691,535	4
3,393,376	4,378,010	4,696,343	5,011,242	5,183,287	5
514,904	583,340	607,343	742,254	754,869	6
93,528	98,116	102,471	111,445	126,940	7
679,952	893,582	639,384	848,375	437,099	8
189,908	197,884	199,996	225,740	229,198	9
3,293	3,780	3,125	251	0	10
0	0	149,550	145,246	151,702	11
9,215,219	10,109,184	10,553,068	11,367,122	11,530,331	12
					13
30,499	33,995	33,845	33,794	35,479	14
39,897	32,500	24,013	56,030	45,641	15
280,644	253,055	245,910	277,545	735,844	16
2,273	4,888	4,342	5,050	4,511	17
145,496	167,623	170,928	171,216	165,048	18
0	0	0	0	0	19
9,287	1,084	583	470	102	20
0	1,145	1,977	2,681	3,384	21
508,096	494,290	481,598	546,786	990,009	22
\$ 9,723,315	\$ 10,603,474	\$ 11,034,666	\$ 11,913,908	\$ 12,520,340	23
					24
					25
					26
\$ 320,129	\$ 274,969	\$ 281,027	\$ 308,030	\$ 322,789	27
1,861,855	2,090,961	2,099,064	2,163,300	2,609,468	28
386,369	390,180	395,050	407,737	425,331	29
126,632	149,638	165,609	255,683	266,768	30
65,012	63,533	66,477	68,020	72,042	31
563,126	586,235	697,979	697,233	579,323	32
131,568	129,227	122,938	139,367	138,245	33
3,454,691	3,684,743	3,828,144	4,039,370	4,413,966	34
					35
44,542	42,992	35,393	32,139	34,029	36
21,244	27,402	36,010	38,079	43,108	37
348,021	349,919	275,733	224,745	220,886	38
3,464	1,182	7,395	5,508	4,049	39
207,772	237,270	241,441	238,349	232,139	40
0	0	0	0	0	41
167	133	157	191	197	42
0	70	912	127	901	43
625,210	658,968	597,041	539,138	535,309	44
\$ 4,079,901	\$ 4,343,711	\$ 4,425,185	\$ 4,578,508	\$ 4,949,275	45
					46
					47
\$ (5,760,528)	\$ (6,424,441)	\$ (6,724,924)	\$ (7,327,752)	\$ (7,116,365)	48
117,114	164,678	115,443	(7,648)	(454,700)	49
\$ (5,643,414)	\$ (6,259,763)	\$ (6,609,481)	\$ (7,335,400)	\$ (7,571,065)	50

State of Kansas  
**Statistical Section**  
June 30, 2009

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**Financial Trends**

**Revenues and Other Changes in Net Assets**

**Last Eight Fiscal Years**

*(Expressed in thousands)*

---

	<u>2002</u>	<u>2003</u>	<u>2004</u>
51    Governmental activities:			
52        Taxes			
53            Property tax	\$     54,535	\$    446,611	\$    648,604
54            Income and inheritance tax	2,010,550	1,936,916	2,104,072
55            Sales and excise tax	2,248,760	2,496,744	2,510,227
56            Gross receipts tax	103,825	115,282	127,953
57            Investment earnings	37,369	13,422	11,437
58            Other revenue	208,732	150,857	232,168
59            Extraordinary items	(570,470)	45,710	68,294
60            Transfers	0	(606,944)	0
61            Total governmental activities revenues	<u>4,093,301</u>	<u>4,598,598</u>	<u>5,702,755</u>
62    Business-type activities: <sup>1</sup>			
63            Investment earnings	(159)	(636)	28,290
64            Other revenue	582,437	204,634	28,024
65            Transfers	570,470	606,944	(68,294)
66            Total business-type activities revenues	<u>1,152,748</u>	<u>810,942</u>	<u>(11,980)</u>
67            Total primary government revenues	<u>\$   5,246,049</u>	<u>\$   5,409,540</u>	<u>\$   5,690,775</u>
68			
69 <b>Change in Net Assets</b>			
70            Governmental activities	\$   (355,840)	\$   (25,396)	\$   (299,981)
71            Business-type activities	<u>13,833</u>	<u>11,793</u>	<u>(28,796)</u>
72            Total primary government	<u>\$   (342,007)</u>	<u>\$   (13,603)</u>	<u>\$   (328,777)</u>

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

State of Kansas  
Statistical Section  
June 30, 2009

**Financial Trends**

**Revenues and Other Changes in Net Assets**

**Last Eight Fiscal Years**

*(Expressed in thousands)*

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
					51
					52
\$ 666,698	\$ 548,725	\$ 593,229	\$ 613,222	\$ 631,800	53
2,385,369	2,866,019	3,210,696	3,431,970	2,997,595	54
2,660,026	2,789,933	2,863,794	2,949,551	2,883,012	55
127,336	132,928	134,872	138,094	138,532	56
26,401	61,617	106,727	35,563	17,811	57
275,320	244,009	218,482	106,339	232,779	58
77,383	0	0	0	0	59
0	66,868	69,881	78,160	78,177	60
<u>6,218,533</u>	<u>6,710,099</u>	<u>7,197,681</u>	<u>7,352,899</u>	<u>6,979,706</u>	61
					62
29,507	37,446	45,914	44,956	37,890	63
55,757	35,972	31,624	33,014	182,920	64
(77,383)	(66,868)	(69,881)	(78,160)	(78,177)	65
<u>7,881</u>	<u>6,550</u>	<u>7,657</u>	<u>(190)</u>	<u>142,633</u>	66
<u>\$ 6,226,414</u>	<u>\$ 6,716,649</u>	<u>\$ 7,205,338</u>	<u>\$ 7,352,709</u>	<u>\$ 7,122,339</u>	67
					68
					69
\$ 458,005	\$ 285,658	\$ 472,757	\$ 25,147	\$ (136,659)	70
124,995	171,228	123,100	(7,838)	(312,067)	71
<u>\$ 583,000</u>	<u>\$ 456,886</u>	<u>\$ 595,857</u>	<u>\$ 17,309</u>	<u>\$ (448,726)</u>	72

State of Kansas  
**Statistical Section**  
June 30, 2009

**Financial Trends**

**Fund Balances, Governmental Funds**

**Last Eight Fiscal Years**

*(expressed in thousands)*

		<b>2002</b>	<b>2003</b>	<b>2004</b>
1	General Fund			
2	Reserved	\$ 22,837	\$ 19,255	\$ 18,789
3	Unreserved	60,595	(53,782)	115,150
4	Total general fund	<u>\$ 83,432</u>	<u>\$ (34,527)</u>	<u>\$ 133,939</u>
5				
6	Social and Rehabilitation Fund <sup>1</sup>			
7	Reserved	\$ 20,445	\$ 15,762	\$ 15,763
8	Unreserved	(3,628)	4,961	45,747
9	Total social and rehabilitation fund	<u>\$ 16,817</u>	<u>\$ 20,723</u>	<u>\$ 61,510</u>
10				
11	Transportation Fund			
12	Reserved	\$ 732,505	\$ 971,806	\$ 1,011,621
13	Unreserved	183,896	(178,882)	(295,037)
14	Total Transportation Fund	<u>\$ 916,401</u>	<u>\$ 792,924</u>	<u>\$ 716,584</u>
15				
16	Transportation - Capital Projects Fund			
17	Reserved	\$ 0	\$ 0	\$ 0
18	Unreserved	(200,000)	(608,115)	(608,115)
19	Total Transportation - Capital Projects Fund	<u>\$ (200,000)</u>	<u>\$ (608,115)</u>	<u>\$ (608,115)</u>
20				
21	Health Policy Authority			
22	Reserved	\$ 0	\$ 0	\$ 0
23	Unreserved	0	0	0
24	Total Health Policy Authority Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
25				
26	All Other Governmental Funds			
27	Reserved reported in:			
28	Reserved for debt service	\$ 46,819	\$ 74,631	\$ 112,572
30	Reserved for encumbrances	147,834	163,830	167,582
31	Reserved for advances to other funds	0	60,164	79,888
32	Unreserved	285,994	204,844	324,311
33	Total all other governmental funds	<u>\$ 480,647</u>	<u>\$ 503,469</u>	<u>\$ 684,353</u>

<sup>1</sup> In fiscal year 2008 the Social and Rehabilitation Fund was no longer a major fund.

State of Kansas  
Statistical Section  
June 30, 2009

**Financial Trends**

**Fund Balances, Governmental Funds**

**Last Eight Fiscal Years**

*(expressed in thousands)*

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
					1
\$ 15,674	\$ 22,386	\$ 28,871	\$ 7,324	\$ 24,663	2
297,059	649,526	791,980	414,713	(201,007)	3
<u>\$ 312,733</u>	<u>\$ 671,912</u>	<u>\$ 820,851</u>	<u>\$ 422,037</u>	<u>\$ (176,344)</u>	4
					5
					6
\$ 19,413	\$ 18,125	\$ 16,708	\$ 0	\$ 0	7
70,426	45,558	7,810	0	0	8
<u>\$ 89,839</u>	<u>\$ 63,683</u>	<u>\$ 24,518</u>	<u>\$ 0</u>	<u>\$ 0</u>	9
					10
					11
\$ 942,114	\$ 962,147	\$ 977,154	\$ 735,930	\$ 1,022,259	12
(168,173)	(243,585)	(356,696)	(94,692)	(562,388)	13
<u>\$ 773,941</u>	<u>\$ 718,562</u>	<u>\$ 620,458</u>	<u>\$ 641,238</u>	<u>\$ 459,871</u>	14
					15
					16
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	17
(755,115)	(755,115)	(755,115)	(755,115)	(885,715)	18
<u>\$ (755,115)</u>	<u>\$ (755,115)</u>	<u>\$ (755,115)</u>	<u>\$ (755,115)</u>	<u>\$ (885,715)</u>	19
					20
					21
\$ 0	\$ 4,152	\$ 8,405	\$ 0	\$ 7,964	22
0	4,917	15,785	1,464	8,722	23
<u>\$ 0</u>	<u>\$ 9,069</u>	<u>\$ 24,190</u>	<u>\$ 1,464</u>	<u>\$ 16,686</u>	24
					25
					26
					27
\$ 76,143	\$ 13,489	\$ 13,767	\$ 32,224	\$ 165,598	28
155,113	149,569	189,578	11,575	237,604	30
79,215	86,002	41,023	78,530	78,717	31
353,789	402,889	416,568	722,144	251,858	32
<u>\$ 664,260</u>	<u>\$ 651,949</u>	<u>\$ 660,936</u>	<u>\$ 844,473</u>	<u>\$ 733,777</u>	33

State of Kansas  
Statistical Section  
June 30, 2009

**Financial Trends**

**Changes in Fund Balances, Governmental Funds**

**Last Eight Fiscal Years**

*(expressed in thousands)*

	2002	2003	2004
<b>1 Revenues</b>			
2 Taxes	\$ 4,392,768	\$ 4,988,981	\$ 5,455,211
3 Charges for services	449,109	531,949	746,995
4 Intergovernmental (operating and capital grants)	2,657,395	2,730,334	2,697,149
5 Investment earnings	37,442	13,636	11,473
6 Other revenues (includes extraordinary items)	177,028	161,081	309,115
7 Total revenues	7,713,742	8,425,981	9,219,943
8			
9			
<b>10 Expenditures</b>			
11 General government	582,613	542,359	1,699,154
12 Human resources	2,727,508	2,805,640	3,111,624
13 Education	2,664,448	3,128,229	3,206,817
14 Public safety	482,523	467,663	451,511
15 Agriculture and natural resources	91,302	91,034	89,161
16 Highways and other transportation	920,930	898,645	1,018,471
17 Health and environment	166,504	175,636	186,653
18 Economic Development	0	0	0
19 Debt service:			
20 Principal	73,861	92,026	73,448
21 Interest	83,511	82,351	82,589
22 Total expenditures	7,793,200	8,283,583	9,919,428
23			
24 Excess of revenues over (under) expenditures	(79,458)	142,398	(699,485)
25			
26			
<b>27 Other Financing Sources (Uses)</b>			
28 Proceeds from sale of debt	164,740	383,863	1,321,417
29 Transfers, net	(573,043)	(612,542)	77,220
30 Other financing sources (uses)	(33,202)	(646,970)	(442,781)
31 Extraordinary items	0	45,710	0
32 Total other financing sources (uses)	(441,505)	(829,939)	955,856
33			
34 Net change in fund balances	\$ (520,963)	\$ (687,541)	\$ 256,371
35			
36 Debt service as a percentage of noncapital			
37 expenditures	2.02%	2.11%	1.57%

State of Kansas  
Statistical Section  
June 30, 2009

**Financial Trends**

**Changes in Fund Balances, Governmental Funds**

**Last Eight Fiscal Years**

*(expressed in thousands)*

2005	2006	2007	2008	2009	
					1
\$ 5,827,740	\$ 6,378,200	\$ 6,828,429	\$ 7,138,723	\$ 6,625,408	2
554,851	655,564	744,423	654,744	845,364	3
2,910,532	3,042,060	3,091,345	3,391,868	3,580,727	4
26,411	61,625	106,733	35,573	17,821	5
283,470	263,737	290,090	127,260	240,323	6
9,603,004	10,401,186	11,061,020	11,348,168	11,309,643	7
					8
					9
					10
1,274,908	999,533	1,101,740	1,044,775	1,082,627	11
3,125,941	2,982,450	3,089,907	3,289,095	3,697,593	12
3,396,304	4,380,427	3,879,673	5,014,160	5,185,294	13
507,215	577,042	611,471	749,165	755,762	14
91,512	96,026	102,387	111,419	126,182	15
1,026,447	1,027,094	1,033,768	1,033,419	1,010,200	16
190,761	199,016	200,906	227,102	227,159	17
3,293	3,780	3,125	251	0	18
					19
85,347	93,570	112,398	135,524	134,367	20
139,062	142,316	147,770	145,694	146,375	21
9,840,790	10,501,254	10,283,145	11,750,604	12,365,559	22
					23
(237,786)	(100,068)	777,875	(402,436)	(1,055,916)	24
					25
					26
					27
257,125	532,422	54,188	225,171	117,248	28
84,732	37,830	(797,276)	83,167	84,246	29
(1,956)	(177,402)	0	(150,275)	0	30
0	0	0	0	0	31
339,901	392,850	(743,088)	158,063	201,494	32
					33
\$ 102,115	\$ 292,782	\$ 34,787	\$ (244,373)	\$ (854,422)	34
					35
					36
2.28%	2.25%	2.53%	2.39%	2.27%	37



State of Kansas  
**Statistical Section**  
June 30, 2009

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**Revenue Capacity**

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

*(expressed in thousands)*

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		<u>2002</u>	<u>2003</u>	<u>2004</u>
1	Private earnings			
2	Agricultural, Forestry, Fishing and Hunting	\$ 206,149	\$ 214,456	\$ 210,382
3	Mining	690,752	882,024	1,116,737
4	Utilities	651,345	617,946	657,098
5	Construction	3,268,284	3,328,533	3,484,446
6	Manufacturing	10,374,912	10,273,532	11,051,694
7	Wholesale trade	3,310,915	3,342,670	3,545,216
8	Retail trade	4,141,184	4,205,076	4,288,788
9	Transportation and warehousing	2,255,983	2,322,320	2,410,973
10	Information	3,228,551	3,337,931	3,467,343
11	Finance and insurance	3,251,123	3,443,020	3,538,324
12	Real estate and rental and leasing	944,983	1,030,623	1,084,156
13	Professional and technical services	3,805,827	3,636,298	4,119,366
14	Management of companies and enterprises	657,341	642,242	646,177
15	Administrative and waste services	1,884,145	1,912,856	2,047,391
16	Educational services	437,349	454,982	484,165
17	Health care and social assistance	5,504,250	5,737,227	6,121,229
18	Arts, entertainment and recreation	295,488	262,264	275,033
19	Accommodation and food services	1,414,505	1,529,046	1,620,859
20	Other services except public administration	1,819,250	1,923,437	1,933,757
21				
22	Government			
23	Federal, civilian	1,829,087	1,871,954	2,052,479
24	Military	1,359,767	1,611,419	1,732,548
25	State and local	7,627,869	8,376,916	9,482,014

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

State of Kansas  
**Statistical Section**  
June 30, 2009

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**Revenue Capacity**

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

*(expressed in thousands)*

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2005		2006		2007		2008		
								1
\$	228,199	\$	234,407	\$	280,613	\$	285,723	2
	1,328,010		1,589,409		1,569,892		1,288,477	3
	690,152		722,574		792,169		795,278	4
	3,776,521		4,094,066		4,071,929		4,413,807	5
	1,661,073		12,504,265		13,461,380		12,736,605	6
	3,772,210		3,991,402		4,241,222		4,657,163	7
	4,362,037		4,582,546		4,678,343		4,920,439	8
	2,489,576		2,611,443		2,767,873		2,970,686	9
	3,344,081		3,521,742		3,716,215		3,479,790	10
	3,684,245		3,883,858		4,188,156		4,361,995	11
	1,167,144		1,171,789		1,042,920		911,215	12
	4,494,448		4,875,571		5,190,583		5,215,212	13
	684,829		879,612		1,116,081		1,325,278	14
	2,469,462		2,847,681		2,855,338		3,098,871	15
	507,546		541,281		527,279		617,913	16
	6,444,008		6,819,398		7,198,640		8,139,847	17
	274,399		295,266		312,531		326,814	18
	1,655,420		1,759,646		1,793,797		2,102,920	19
	1,984,554		2,059,524		2,230,187		3,084,342	20
								21
								22
	2,054,583		2,145,533		2,140,546		2,197,668	23
	1,889,902		2,096,824		2,544,087		2,844,514	24
	9,889,548		10,239,615		9,703,924		10,333,042	25

State of Kansas  
**Statistical Section**  
June 30, 2009

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**Debt Capacity**

**Long Term Obligations**

**Last Eight Years**

*(Expressed in thousands)*

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	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>1 Government Activities</b>			
2 Revenue bonds payable (includes demand bonds)	\$ 1,448,399	\$ 1,374,622	\$ 2,164,339
3 Sales tax limited obligation	0	136,292	160,830
4 Note payable	24,249	25,899	22,549
5 Capital leases payable	122,121	152,539	161,801
6 Arbitrage rebate payable	93	677	385
7 Claims and judgements	40,310	42,816	49,396
8 Compensated absences	96,303	95,456	94,726
9 Other post employment benefits	0	0	0
10 Pollution remediation	0	0	0
11 Total Governmental Activities	<u>1,731,475</u>	<u>1,828,301</u>	<u>2,654,026</u>
12			
<b>13 Business-Type Activities</b>			
14 Revenue bonds payable	713,110	878,605	584,824
15 Note payable	58,052	56,163	0
16 Arbitrage rebate payable	5,342	4,538	3,123
17 Claims and judgements	337,200	297,372	185,909
18 Compensated absences	41,900	43,858	54
19 Other post employment benefits	0	0	0
20 Other	2,800	0	(930)
21 Total business-type activities	<u>1,158,404</u>	<u>1,280,536</u>	<u>772,980</u>
22			
<b>23 Component Units</b>			
24 Revenue bonds payable	253,975	306,540	619,409
25 Note payable	0	0	82,316
26 Capital leases payable	0	0	0
27 Arbitrage rebate payable	0	0	16
28 Compensated absences	0	0	44,887
29 Other post employment benefits	0	0	0
30 Other	0	0	17,129
31 Total component units	<u>253,975</u>	<u>306,540</u>	<u>763,757</u>
32 Total	<u><u>\$ 3,143,854</u></u>	<u><u>\$ 3,415,377</u></u>	<u><u>\$ 4,190,763</u></u>

State of Kansas  
Statistical Section  
June 30, 2009

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

2005	2006	2007	2008	2009	
					1
\$ 1,748,407	\$ 2,764,949	\$ 2,740,099	\$ 2,726,970	\$ 2,744,828	2
173,239	232,322	218,420	185,924	156,196	3
22,391	20,448	18,278	17,597	26,655	4
159,781	152,483	145,366	140,106	130,533	5
388	93	97	481	385	6
54,642	68,033	61,593	82,858	85,920	7
100,030	109,214	118,795	121,255	134,386	8
0	0	0	16,813	26,626	9
0	0	0	0	81,092	10
2,258,878	3,347,542	3,302,648	3,292,004	3,386,621	11
					12
					13
650,193	720,978	714,857	677,472	765,976	14
0	0	0	0	0	15
2,003	963	1,340	1,755	2,885	16
187,474	186,871	180,802	205,766	218,332	17
49	47	59	56	72	18
0	0	0	89	155	19
11,392	12,961	13,730	14,703	17,115	20
851,111	921,820	910,788	899,841	1,004,535	21
					22
					23
726,535	691,253	684,398	692,025	705,223	24
68,351	109,783	20,443	119,073	146,517	25
0	4,666	16,143	15,019	14,147	26
62	80	69	163	123	27
47,919	49,655	52,503	58,743	61,943	28
0	0	0	11,775	20,068	29
106,726	103,761	127,836	110,071	111,701	30
949,593	959,198	1,001,392	1,006,869	1,059,722	31
\$ 4,059,582	\$ 5,228,560	\$ 5,214,828	\$ 5,198,714	\$ 5,450,878	32

State of Kansas  
Statistical Section  
June 30, 2009

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**Demographic and Economic Information**  
**Kansas Demographic Statistics**  
**Last Ten Fiscal Years**

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<b>Year</b>	<b>Population</b> (1)	<b>Per Capita Personal Income</b> (2)	<b>Median Age</b> (3)	<b>Education Level in Years of Formal Schooling</b> (4)	<b>K to 12 Public School Enrollment</b> (4)	<b>Unemployment Rate</b> (5)
2000	2,688,000	27,439	35.25	-	468,347	3.7%
2001	2,694,641	28,432	35.25	13.28	468,171	4.3%
2002	2,715,884	29,141	35.40	-	468,173	5.1%
2003	2,723,507	29,545	35.50	-	467,326	5.4%
2004	2,735,502	31,003	36.10	-	484,262	4.8%
2005	2,744,687	32,948	36.10	-	466,037	5.3%
2006	2,764,075	34,743	36.00	-	465,374	4.7%
2007	2,775,997	36,483	36.70	-	465,135	4.8%
2008	2,802,134	37,978	36.20	-	471,263	4.4%
2009	2,818,747	(6)	(6)	-	503,229	7.1%

**Data Sources:**

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

State of Kansas  
Statistical Section  
June 30, 2009

**Demographic and Economic Information**

**Principal Employers in Kansas**

**Current Year and Nine Years Ago**

Employer	2009					2000		
	Local/Total Employees		Rank	Percentage of Total Employment		Employees	Rank	Percentage of Total Employment
State Government (excludes Regents)	22,375 / 22,375		1	1.57%		30,164	1	2.26%
KU and KUMC	12,125 / 12,125		2	0.85%		-	-	-
Sprint Nextel	9,000 / 48,000		3	0.63%		23,197	2	1.74%
Spirit Aerosystems Inc.	8,000 / 237,000		4	0.56%		-	-	-
Embarq Corp.	5,000 / 22,500		5	0.35%		-	-	-
Royal Caribbean Cruises Ltd.	4,900 / 49,650		6	0.34%		-	-	-
Via Christi Regional Med. Ctr.	4,000 / 11,000		7	0.28%		-	-	-
Hawker Beechcraft Corp.	3,000 / 8,000		8	0.21%		4,678	8	0.35%
Performance Contracting Inc	2,900 / 4,000		9	0.20%		-	-	-
Stormont-Vail Healthcare Inc	2,871 / 3,557		10	0.20%		-	-	-
Boeing Company	- / -		-	-		15,300	3	1.14%
Cessna Aircraft Corporation	- / -		-	-		10,100	4	0.76%
Raytheon Aircraft Company	- / -		-	-		8,100	5	0.61%
IBP, Inc.	- / -		-	-		6,000	6	0.45%
Farmland Industries	- / -		-	-		5,850	7	0.44%
University of Kansas Hospital	- / -		-	-		4,540	9	0.34%
Southwestern Bell Telephone	- / -		-	-		4,500	10	0.34%
<b>Total</b>	<b>74,171 / 418,207</b>			<b>5.21%</b>		<b>112,429</b>		<b>8.43%</b>

Source: Dun & Bradstreet Corporation, Million Dollar Databases 2009 for current fiscal year and Marketplace Directory April - June 1999 for fiscal year 2000 annual financial report (\*earliest information reported). The base used to calculate the percentage is the average number of the total employment in FY09 from the Department of Labor website at <http://www.dol.ks.gov>.

State of Kansas  
**Statistical Section**  
June 30, 2009

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**Operating Information**  
**Full-time Equivalent State Government Employees by Function/Program**  
**Last Ten Fiscal Years**

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	<b>Function/Program</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
1	General Government	5,429	5,494	5,465	5,541	5,551
2	Public Safety	4,896	4,957	5,045	5,064	5,083
3	Education	18,288	16,421	16,406	16,305	16,452
4	Transportation	3,112	3,220	3,248	3,248	3,248
5	Agriculture and Natural	1,199	1,211	1,194	1,278	1,286
6	Resources					
7	Human Resources	8,609	8,675	8,472	8,730	8,729
8	Total	41,533	39,978	39,830	40,166	40,349

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

State of Kansas  
**Statistical Section**  
June 30, 2009

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**Operating Information**  
**Full-time Equivalent State Government Employees by Function/Program**  
**Last Ten Fiscal Years**

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<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	
5,518	5,745	5,843	5,659	5,799	1
5,083	5,114	5,102	5,111	5,131	2
15,901	15,562	16,770	17,076	17,714	3
3,248	3,252	3,238	3,238	3,202	4
1,281	1,287	1,266	1,271	1,243	5
					6
8,426	8,189	8,191	8,160	8,337	7
<u>39,457</u>	<u>39,149</u>	<u>40,410</u>	<u>40,515</u>	<u>41,426</u>	8



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

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Legislative Post Audit Committee  
Kansas State Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (State) as of and for the year ended June 30, 2009, and have issued our report thereon dated January 8, 2010. We did not audit the financial statements of the various component units of the six state universities which represent 47 percent and 36 percent, respectively, of the assets and revenues of the aggregate discretely presented component units, the Kansas Technology Enterprise Corporation (KTEC) which represents less than 1 percent of the assets and revenues of the aggregate discretely presented component units, and the College Savings Program (a State Fiduciary Fund) which represents 10 percent and 4 percent, respectively of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities and the KTEC in the aggregate discretely presented component units, and the College Savings Program in the aggregate remaining fund information, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits of the various component units of the six state universities and the College Savings Program were not conducted in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency (Finding 2009-1) described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

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

The State's response to the findings identified in the audit are described in the accompanying schedule of findings and responses. We did not audit the state's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit committee, management, federal awarding agencies, pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

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

*Berberich Trahan & Co., P.A.*  
CERTIFIED PUBLIC ACCOUNTANTS

January 8, 2010  
Wichita, KS

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **Finding 2009-1: The State does not have an adequate system over the recording and reporting of specific balance sheet accounts. (Significant Deficiency)**

**Criteria or Specific Requirement:** The process used in the preparation of the audited financial statements should include internal controls over the summarization of financial data that would detect material misstatements in the financial statements.

**Condition:** The current accounting system utilized by the State was designed to provide information primarily related to budget compliance. Consequently, the system is designed to record cash transactions and un-liquidated encumbrances and generally omits noncash assets and liabilities. As a result, the noncash assets and liabilities are accounted for separately with the use of various shadow systems.

**Cause:** The current centralized accounting system was not designed to account for all assets and liabilities necessary for financial statements prepared in conformity with generally accepted accounting principles.

**Effect:** The State is not able to report all transactions of the entity without the use of surveys and shadow systems. Transactions could occur and not be reported timely.

**Recommendation:** The current SMART project to design and implement a new financial management system should be analyzed to make certain the system will include data for all assets, liabilities and operating accounts necessary for the preparation of financial statements in accordance with generally accepted accounting principles.

#### **Management Response (unaudited):**

The State of Kansas is currently implementing an integrated financial management system, with go-live scheduled for July 1, 2010. This system, which will be known as the Statewide Management, Accounting and Reporting Tool (SMART), will allow the State to decommission the current Statewide Accounting and Reporting System (STARS) and over sixty agency administrative systems that were developed because the limited functionality of STARS couldn't meet the business requirements of agencies.

The software product being implemented is PeopleSoft Financials (version 9.0). The modules included in the project scope are General Ledger, Purchasing, Accounts Payable, Accounts Receivable/Billing, Projects and Grants, Asset Management and Time & Labor. All state agencies will use SMART to process transactions either by direct entry or interface.

The State of Kansas does not currently have a centralized asset management repository, so agencies have developed and maintained different solutions for managing assets (properties, land, equipment, machinery, etc). To obtain asset information for comprehensive annual financial reporting and other purposes, the Department of Administration requires that state agencies certify asset information annually.

As a task required for go-live, each state agency will be required to convert its asset information into the SMART Asset Management module. This module will integrate with other SMART modules including Purchasing, Accounts Payable, Project Costing, Accounts Receivable/Billing and General Ledger. Additionally, the SMART system will provide for location management,

reporting and query capabilities and consistent asset data structures for creating parent/child relationships and property associations.

Because the STARS system does not provide Accounts Receivable functionality, state agencies with Accounts Receivable must report information to the Department of Administration annually. This information is then used to prepare the Comprehensive Annual Financial Report. Over forty agencies have indicated an interest in using the SMART Accounts Receivable module to manage either some or all of their receivables. Because there are many different types of receivables and because many receivables are managed in agency programmatic systems (as may be required by federal granting agencies), some agencies are expected to continue using these specialized systems as the primary application for recording and reporting receivables. The State does expect the use of the module to increase as agencies learn how to apply the functionality to their business requirements and practices.

Because the STARS system also does not provide a centralized Accounts Payable solution, agencies have needed develop their own programmatic systems and/or manual processes. Since SMART will have an Accounts Payable module, agencies will be able to record liabilities, as appropriate, to known vendors. Additionally, agencies will also be able to process General Ledger transactions to record other types of obligations. As is the case with Accounts Receivable, there are many different types of payables that may be primarily managed in specialized agency programmatic systems. As applicable, federal grant requirements may require that these specialized systems be the systems of source for recording and reporting liabilities. The State does expect the use of the module to increase as agencies learn how to apply the functionality to its business requirements and practices.