

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



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

July 1, 2006 to June 30, 2007

---

**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 2007 Financial Report**  
June 30, 2007

<b>Table of Contents</b>
--------------------------

<b>INTRODUCTION</b> .....	vi
<b>Letter of Transmittal</b> .....	vii
Profile of the Government .....	vii
Financial Information .....	viii
Cash Management .....	viii
Risk Management .....	ix
Pension Trust Fund Operations .....	ix
Acknowledgments .....	ix
<b>Organizational Chart</b> .....	x
<b>List of Selected Officials</b> .....	xi
<b>FINANCIAL SECTION</b> .....	1
<b>Report of Independent Auditors</b> .....	3
<b>Management’s Discussion and Analysis</b> .....	5
Financial Highlights .....	5
Overview of the Financial Statements.....	5
Government-wide Financial Analysis.....	8
Financial Analysis of the State’s Individual Funds .....	15
General Fund Budgetary Highlights .....	15
Capital Assets and Debt Administration.....	16
Economic Factors and Next Year’s Budgets and Rates.....	16
<b>Financial Statements</b> .....	18
Government-wide - Statement of Net Assets.....	19
Government-wide - Statement of Activities .....	20
Balance Sheet - Governmental Funds.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	24
Statement of Net Assets - Proprietary Funds.....	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary.....	27
Statement of Cash Flows - Proprietary Funds .....	28
Statement of Fiduciary Net Assets.....	29
Statement of Changes in Fiduciary Net Assets.....	30
Combining Statement of Net Assets – Component Units.....	31
Combining Statement of Activities – Component Units.....	32

## Table of Contents Continued

### Notes to the Financial Statements:

I.	Summary of Significant Accounting Policies .....	33
A.	Financial Reporting Entity .....	33
B.	Government-wide and Fund Financial Statements .....	36
C.	Measurement Focus of Accounting and Financial Statement Presentation .....	37
D.	Fund Accounting .....	37
E.	Assets, Liabilities, and Net Assets or Equity .....	39
F.	Use of Estimates .....	42
G.	Pending Governmental Accounting Standards Board Statements .....	42
II.	Stewardship Compliance and Accountability.....	44
A.	Excess of Expenditures Over Appropriations.....	44
B.	Deficit Fund Equity .....	44
III.	Detailed Notes on All Funds .....	45
A.	Deposits and Investments .....	45
B.	Investments.....	53
C.	External Investment Pool.....	64
D.	Receivables.....	64
E.	Investment in Direct Financing Leases.....	65
F.	Restricted Assets .....	65
G.	Capital Assets .....	67
H.	Interfund Receivables, Payables, and Transfers .....	71
I.	Short-term Obligations .....	72
J.	Long-term Obligations.....	74
K.	Revisions to Beginning Net Assets.....	86
IV.	Other Information.....	88
A.	Risk Management.....	88
B.	Contingencies and Commitments .....	89
C.	Post Employment Benefits .....	90
D.	Employee Retirement Systems and Pension Plans .....	91
E.	Subsequent Events.....	93
<b>REQUIRED SUPPLEMENTARY INFORMATION.....</b>		<b>95</b>
Budgetary Information.....		96
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
General Fund.....		97
General Fund - Budgetary to GAAP Reconciliation .....		98
Social and Rehabilitation Services Fund.....		99
Social and Rehabilitation Services Fund - Budgetary to GAAP Reconciliation .....		100
Transportation Fund .....		101
Transportation Fund - Budgetary to GAAP Reconciliation .....		102
Health Policy Authority Fund .....		103
Health Policy Authority Fund – Budgetary to GAAP Reconciliation.....		104
Support of Modified Approach for Kansas Department of Transportation Infrastructure Reporting .....		105



# **INTRODUCTION**

December 31, 2007

The Honorable Kathleen Sebelius, 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 54<sup>th</sup> Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2007, 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, 2007, 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.

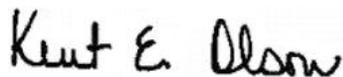
## **PENSION TRUST FUND OPERATIONS**

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**

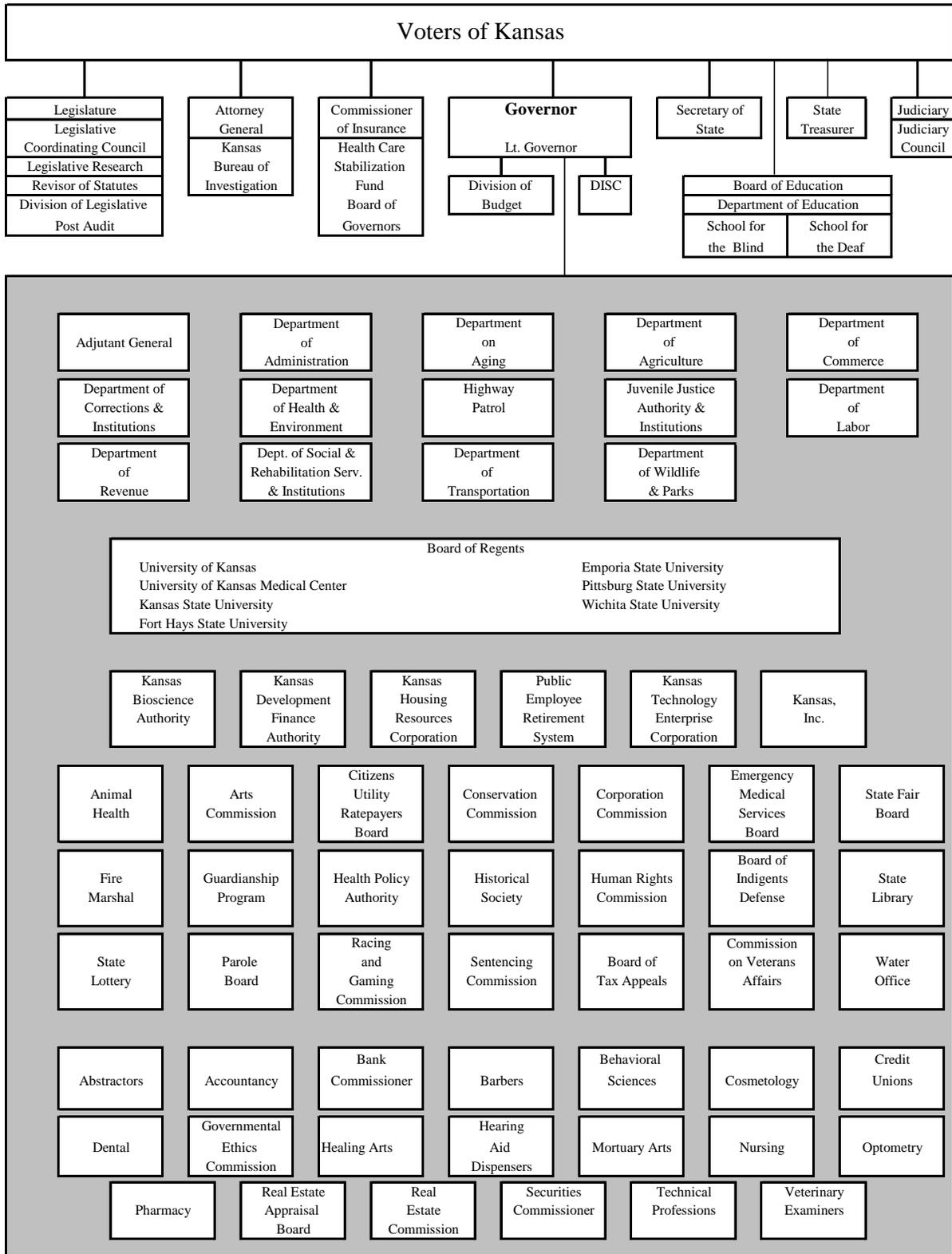
I wish to express my deepest appreciation and thanks to those on my staff responsible for the preparation of this report. It is through their dedicated effort that this report was made possible. I also wish to thank the many other individuals in the State agencies whose contributions made this report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

Sincerely,



Kent E. Olson, Director  
Division of Accounts and Reports

State of Kansas  
**Organizational Chart**  
 June 30, 2007



State of Kansas  
**List of Selected Officials**  
June 30, 2007

---

**Executive Branch**

*Governor*  
Kathleen Sebelius

*Lieutenant Governor*  
Mark Parkinson

*Secretary of State*  
Ron Thornburgh

*State Treasurer*  
Lynn Jenkins

*Attorney General*  
Paul J. Morrison

*Commissioner of  
Education*  
Alexa Posny

*Commissioner of  
Insurance*  
Sandy Praeger

**Legislative Branch**

*Speaker of the House of  
Representatives*  
Melvin Neufeld

*Speaker Pro Tempore of  
the House of  
Representatives*  
Donald Dahl

*President of the Senate*  
Stephen R. Morris

*Vice President of the  
Senate*  
John Vratil

*Chief Clerk of the House of  
Representatives*  
Janet E. Jones

*Secretary of Senate*  
Pat Saville

*Legislative Coordinating  
Council*  
Stephen R. Morris

*Legislative Research*  
Alan Conroy

**Judicial Branch**

*Supreme Court of Kansas*  
*Chief Justice*  
Kay McFarland

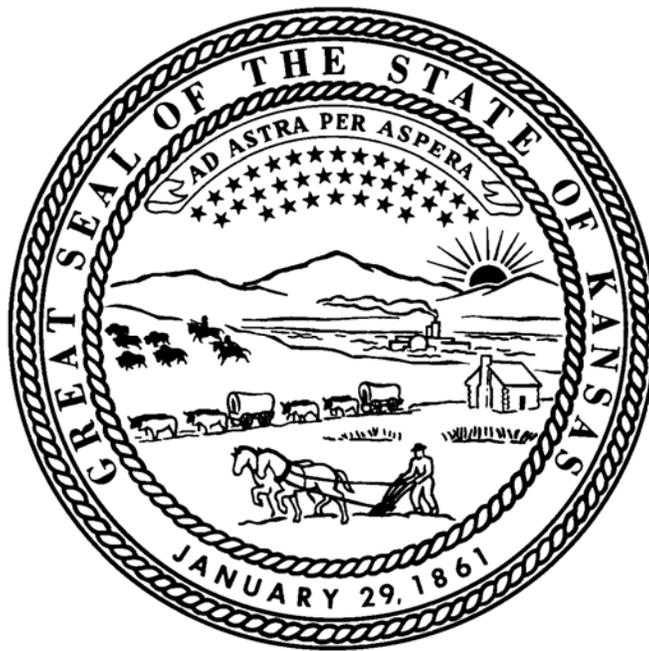
*Justices*  
Lee A. Johnson  
Carol A. Beier  
Robert E. Davis  
Eric S. Rosen  
Marla J. Luckert  
Lawton R. Nuss

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

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

*Judicial Administrator*  
Howard P. Schwartz

**FINANCIAL**  
**SECTION**



THIS PAGE INTENTIONALLY BLANK



## 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, 2007, 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 53 percent and 49 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. 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 in the aggregate discretely presented component units, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the various component units of the six state universities were not audited in accordance with *Government Auditing Standards*. An audit 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, 2007, 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 December 31, 2007 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 17, and the information needed to support the modified approach for infrastructure reporting on pages 105 through 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 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

December 31, 2007  
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, 2007. 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, 2007 by \$11.1 billion (presented as "net assets"). Of this amount, \$338.7 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 increased by \$536.5 million (5.1% increase) in fiscal year 2007. Net assets of governmental activities increased by \$413.4 million (4.3% increase), and net assets of the business-type activities increased \$123.1 million (12.7% increase).

#### Fund highlights:

- For fiscal year 2007, the governmental funds reported a combined ending fund balance of \$1.4 billion, an increase of \$35.8 million in comparison with the prior year. Of the total amount, \$620.5 million represents the fund balance of the Transportation Fund. There is \$120.3 million in the "unreserved fund balances". The reserved balances of \$1.3 billion include the reserve for advances to other funds of \$102.9 million and the reserve for encumbrances of \$1.1 billion.

#### Long-term debt:

- The State's total long-term debt obligation showed a net decrease of \$13.7 million (0.3%) during the current year. This decrease was primarily due to a \$37.8 million decrease in revenue bonds, a \$13.9 million decrease in STAR bonds, and a \$38 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, 2007

---

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

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

The State has five governmental funds considered major funds for presentation purposes. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The five governmental funds are – the General Fund, the Transportation Fund, the Transportation-Capital Projects Fund, the Health Policy Authority Fund, and the Social and Rehabilitation Services 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, which consists of schedules and related notes. Schedules include budgetary comparisons for the major funds and the Kansas Department of Transportation modified approach explanation. Comparisons can be made between the original budget, final budget, and actual revenues and expenditures. This section also includes in the notes reconciliation between budgetary basis and the accrual basis for major funds as presented in the governmental funds financial statements.

**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 \$11.1 billion at the end of 2007, compared to \$10.5 billion at the end of the previous year, an increase of 5.1%

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, 2007

---

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets	\$ 3,042,366	\$ 2,865,345	\$ 2,015,140	\$ 1,894,215	\$ 5,057,506	\$ 4,759,560
Capital assets	11,314,518	10,967,940	256	391	11,314,774	10,968,331
Other assets	15,470	16,292	13,402	18,749	28,872	35,041
Total assets	<u>14,372,354</u>	<u>13,849,577</u>	<u>2,028,798</u>	<u>1,913,355</u>	<u>16,401,152</u>	<u>15,762,932</u>
Non-current liabilities	2,576,518	2,633,452	862,527	876,828	3,439,045	3,510,280
Other liabilities	<u>1,831,313</u>	<u>1,665,047</u>	<u>71,789</u>	<u>65,145</u>	<u>1,903,102</u>	<u>1,730,192</u>
Total liabilities	<u>4,407,831</u>	<u>4,298,499</u>	<u>934,316</u>	<u>941,973</u>	<u>5,342,147</u>	<u>5,240,472</u>
Invested in capital assets, net of related debt	9,538,694	8,144,626	256	388	9,538,950	8,145,014
Restricted	93,923	97,386	1,087,458	950,950	1,181,381	1,048,336
Unrestricted	<u>331,906</u>	<u>1,309,066</u>	<u>6,768</u>	<u>20,044</u>	<u>338,674</u>	<u>1,329,110</u>
Total net assets	<u>\$ 9,964,523</u>	<u>\$ 9,551,078</u>	<u>\$ 1,094,482</u>	<u>\$ 971,382</u>	<u>\$ 11,059,005</u>	<u>\$ 10,522,460</u>

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	
	2007	2006
Current assets	\$ 2,405,143	\$ 2,986,330
Capital assets	1,546,814	1,452,047
Other assets	<u>1,139,648</u>	<u>63,466</u>
Total assets	<u>5,091,605</u>	<u>4,501,843</u>
Non-current liabilities	897,220	857,248
Other liabilities	<u>631,162</u>	<u>484,980</u>
Total liabilities	<u>1,528,382</u>	<u>1,342,228</u>
Invested in capital assets, net of related debt	1,024,004	949,929
Restricted	1,060,882	1,854,593
Unrestricted	<u>1,478,337</u>	<u>355,093</u>
Total net assets	<u>\$ 3,563,223</u>	<u>\$ 3,159,615</u>

State of Kansas  
**Management's Discussion and Analysis**  
June 30, 2007

**Changes in Net Assets – Primary Government**

Net assets increased by \$536.5 million or 5.1%. Approximately 58.5% of the total revenue came from taxes, while 26.7% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 11.3% of the total revenues. Expenses cover a range of services. The largest expenses of total expenses were for education (42.6%), human resources (27.9%), and general government (9.7%).

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 735,690	\$ 646,238	\$ 580,302	\$ 633,742	\$ 1,315,992	\$ 1,279,980
Operating grants and contributions	2,777,991	2,791,988	4,101	4,427	2,782,092	2,796,415
Capital grants and contributions	314,463	246,517	12,638	20,799	327,101	267,316
General revenues:						
Taxes						
Property taxes	593,229	548,725	0	0	593,229	548,725
Income and inheritance taxes	3,210,696	2,866,019	0	0	3,210,696	2,866,019
Sales and excise taxes	2,863,794	2,789,933	0	0	2,863,794	2,789,933
Gross receipts taxes	134,872	132,928	0	0	134,872	132,928
Investment earnings	106,727	61,617	45,914	37,446	152,641	99,063
Other revenue	218,482	244,009	31,624	35,972	250,106	279,981
Total revenues	10,955,944	10,327,974	674,579	732,386	11,630,523	11,060,360
<b>Expenses:</b>						
General government	1,074,391	975,416	0	0	1,074,391	975,416
Human resources	3,080,465	2,979,056	0	0	3,080,465	2,979,056
Education	4,696,343	4,378,010	0	0	4,696,343	4,378,010
Public safety	607,343	583,340	0	0	607,343	583,340
Agriculture and natural resources	102,471	98,116	0	0	102,471	98,116
Highways and other transportation	639,384	893,582	0	0	639,384	893,582
Health and environment	199,996	197,884	0	0	199,996	197,884
Economic development	3,125	3,780	0	0	3,125	3,780
Interest expense	149,550	0	0	0	149,550	0
Water pollution and safety	0	0	33,845	33,995	33,845	33,995
Health care stabilization	0	0	24,013	32,500	24,013	32,500
Employment security	0	0	245,910	253,055	245,910	253,055
Workers' compensation	0	0	4,342	4,888	4,342	4,888
Lottery	0	0	170,928	167,623	170,928	167,623
Intergovernmental transfer program	0	0	583	1,084	583	1,084
Transportation revolving fund	0	0	1,977	1,145	1,977	1,145
Total expenses	10,553,068	10,109,184	481,598	494,290	11,034,666	10,603,474
Increase (decrease) in net assets before						
transfers	402,876	218,790	192,981	238,096	595,857	456,886
Transfers	69,881	66,868	(69,881)	(66,868)	0	0
Change in net assets	472,757	285,658	123,100	171,228	595,857	456,886
Net assets, beginning of year	9,551,078	9,287,022	971,382	772,123	10,522,460	10,059,145
Revisions to beginning net assets	(59,312)	(21,602)	0	28,031	(59,312)	6,429
Net assets, beginning of year (restated)	9,491,766	9,265,420	971,382	800,154	10,463,148	10,065,574
Net assets, end of year	\$ 9,964,523	\$ 9,551,078	\$ 1,094,482	\$ 971,382	\$ 11,059,005	\$ 10,522,460

State of Kansas  
**Management's Discussion and Analysis**  
June 30, 2007

---

**Changes in Net Assets – Component Units**

Component unit net assets increased by \$403.6 million or 12.8%. Charges for various goods and services provided 53.0% of the total revenues. Approximately 16.2% of the total revenue came from investment earnings, while 14.3% resulted from grants and contributions (including federal aid). Expenses cover a range of services and are shown below by component unit below.

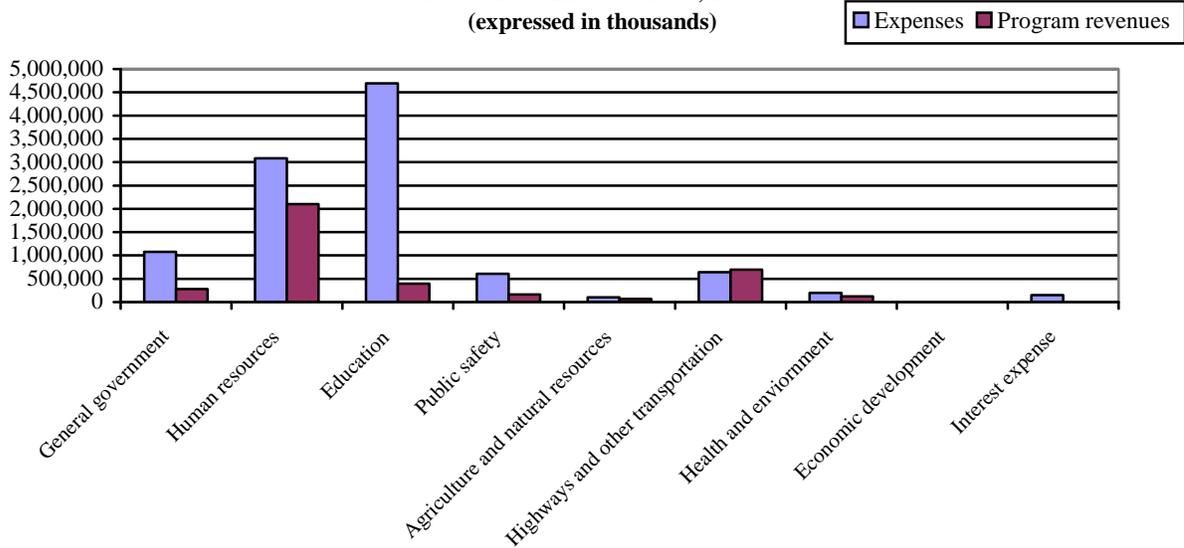
**State of Kansas Changes in Net Assets – Component Unit**  
(expressed in thousands)

	Component Units	
	2007	2006
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,071,678	\$ 1,205,503
Operating grants and contributions	289,062	333,621
Capital grants and contributions	696	368
General revenues:		
Taxes		
Sales and excise taxes	0	1
Gross receipts taxes	934	907
Investment earnings	327,128	76,801
Other revenue	331,666	450,027
Total revenues	2,021,164	2,067,228
<b>Expenses:</b>		
Kansas Development Finance Authority	1,280	1,325
Kansas Technology Enterprise Corp.	13,670	13,845
Kansas Bioscience Authority	3,737	0
State University System	1,521,080	1,647,723
Kansas Housing Resources Corp.	64,321	67,890
Total expenses	1,604,088	1,730,783
Change in net assets	417,076	336,445
Net assets, beginning of year	3,159,615	2,875,754
Revisions to beginning net assets	(13,468)	(52,584)
Net assets, beginning of year (restated)	3,146,147	2,823,170
Net assets, end of year	\$ 3,563,223	\$ 3,159,615

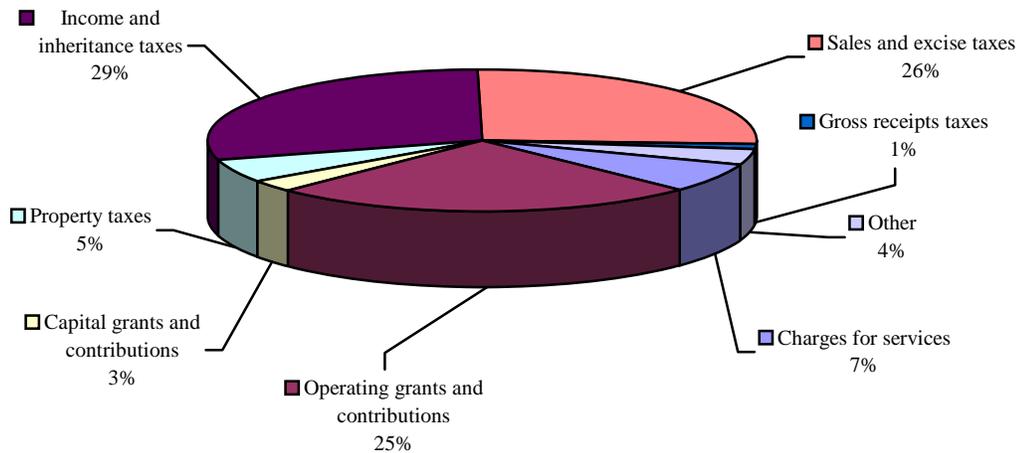
**Governmental Activities**

Governmental activities increased net assets by \$413.4 million in fiscal year 2007. 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, 2007**  
 (expressed in thousands)

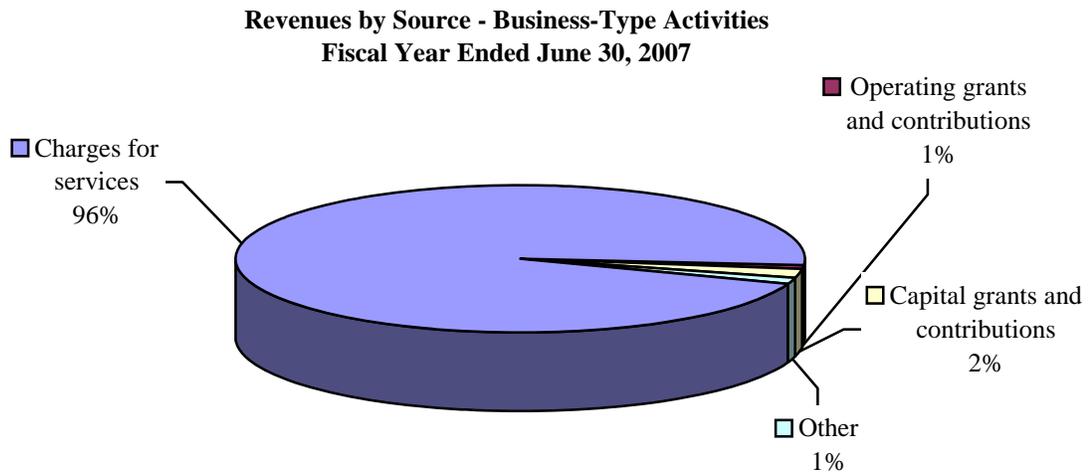
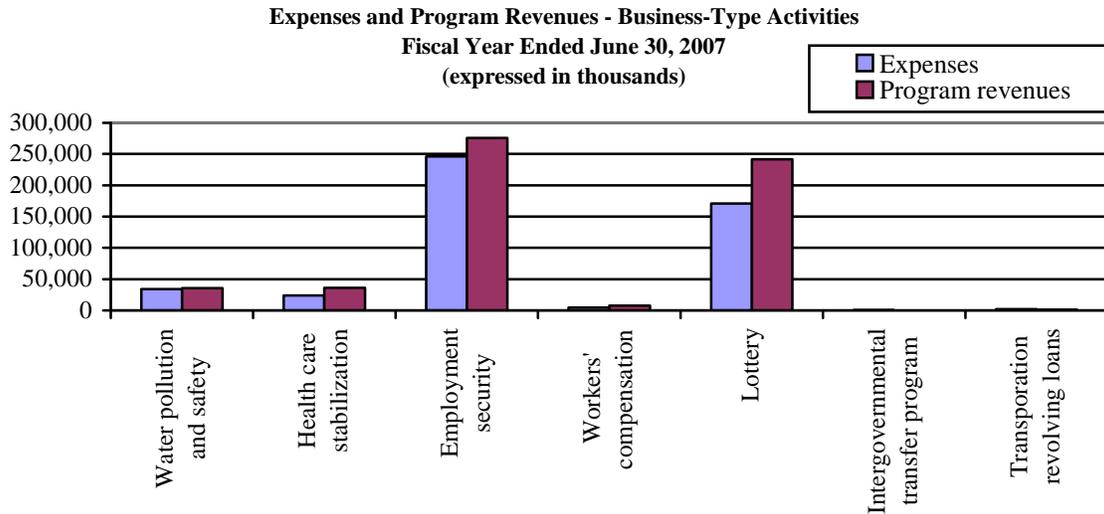


**Revenues by Source - Governmental Activities**  
**Fiscal Year Ended June 30, 2007**



**Business-Type Activities**

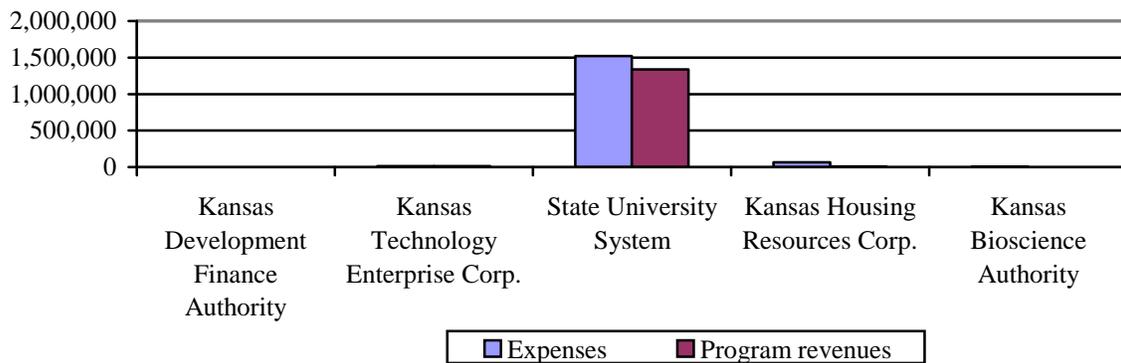
The State's business-type activities increased the net assets of the State by \$123.1 million. For the State's business-type activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:



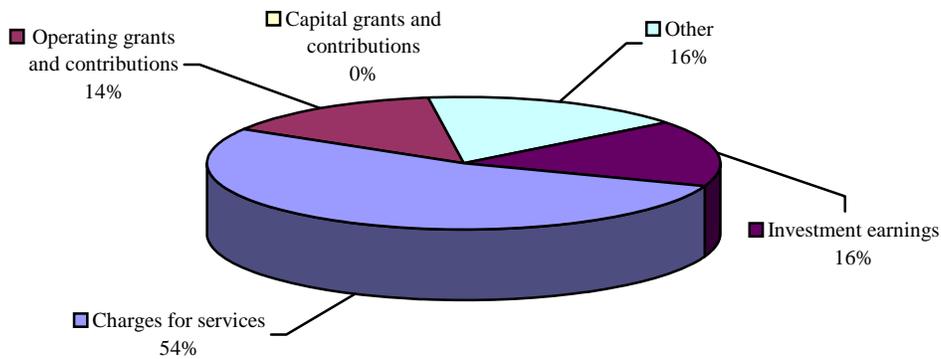
**Component Units**

The State's component units increased the net assets of the State by \$403.6 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, 2007**  
 (expressed in thousands)



**Revenues by Source - Component Units**  
**Fiscal Year Ended June 30, 2007**



## **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 2007, the governmental funds reported a combined ending fund balance of \$1.4 billion, an increase of \$35.8 million 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 \$1.1 billion and for advances in the amount of \$144.3 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 \$792 million, while the total fund balance reached \$820.9 million. 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 12.8% of total General Fund expenditures, while total fund balance represents 13.3% of that same amount. The fund balance in the General Fund increased by \$148.9 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 increased by \$123.1 million as a result of operations in the proprietary funds. This resulted from a \$81.2 million increase in net assets by the Unemployment Insurance Fund, an increase of net assets of \$19.7 million by the State's program for making loans to local government units for water pollution and public water supply projects and \$16.8 million increase in the Health Care Stabilization Fund.

### **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 increased by \$403.6 million. Most of this increase resulted from the State University System with an increase of \$349 million and the addition of the Kansas Bioscience Authority with \$47.7 million in net assets. The other three component units accounted for \$6.8 million increase in net assets.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences existed between the original budget and the final budget. Revenue estimates were raised by approximately \$140.1 million and expenditure estimates were raised by approximately \$132.4 million. The original estimates provided for an excess of revenues over expenditures of \$73.5 million. The final budget provided for an excess of \$81.2 million of revenues over expenditures. Subsequently, fiscal year 2007 was closed with an excess of revenues over expenditures of \$198.9 million.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

State investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$11.3 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 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 the Department'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 about 3.1% 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 \$73.2 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.

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 decreased by \$51.7 million during the current fiscal year. The key factor in this decrease was the scheduled and early principal paid on bonds exceeded the bonds issued during the year. Bonds issued during the year include \$13.2 million for State of Kansas Projects, KDFA Series 2006L, \$24.8 million for Transportation Revolving Funds, KDFA Series 2006 TR, \$27.8 million for KSU Housing System, KDFA Series 2007A, \$6.3 million for KU Recreation Center Expansion, KFDA 2007E, and \$34.5 million for the IMPACT program, KDFA Series 2007F.

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**

According to the Kansas Department of Labor *Kansas Labor Market Information News Release* for July 2007, employment for nonfarm jobs in the State of Kansas for June 2007 is improving. Compared to June 2006, employment increased by 32,800 jobs for a total of 1.4 million nonfarm jobs. Kansas has had 12 consecutive months of over-the-year job growth. The unemployment rate was 4.8% for June 2007, compared to 4.7% in June 2006.

**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**  
June 30, 2007

---

*State of Kansas*  
**Government Wide - Statement of Net Assets**  
**June 30, 2007**  
*(expressed in thousands)*

---

ASSETS	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Cash and cash equivalents	\$ 1,674,965	\$ 179,923	\$ 1,854,888	\$ 423,791
Investments	436,597	251,193	687,790	2,125,143
Receivables (net)	777,147	802,241	1,579,388	276,032
Due from primary government:				
Investment in direct financing leases, due within one year	0	0	0	16,115
Investment in direct financing leases, due in more than one year	0	0	0	217,075
Internal balances	1,749	(1,749)	0	0
Inventories	24,906	1,751	26,657	13,273
Other current assets	0	0	0	70,816
Restricted cash and cash equivalents	127,002	703,747	830,749	82,094
Restricted investments	0	78,034	78,034	112,070
Capital assets (net of accumulated depreciation)	2,151,509	256	2,151,765	1,546,814
Infrastructure	9,163,009	0	9,163,009	0
Other non-current assets	15,470	13,402	28,872	208,382
<b>Total assets</b>	14,372,354	2,028,798	16,401,152	5,091,605
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	847,773	23,504	871,277	424,781
Due to component unit:				
Lease revenue bonds payable, due within one year	16,115	0	16,115	0
Lease revenue bonds payable, due in more than one year	217,075	0	217,075	0
Deferred revenue	21,219	25	21,244	102,209
Bonds payable on demand	755,115	0	755,115	0
Short-term notes payable	3,000	0	3,000	0
Noncurrent liabilities:				
Due within one year	188,091	48,260	236,351	104,172
Due in more than one year	2,331,843	693,764	3,025,607	897,220
Claims and judgements	27,600	168,763	196,363	0
<b>Total liabilities</b>	4,407,831	934,316	5,342,147	1,528,382
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,538,694	256	9,538,950	1,024,004
Restricted for:				
Capital projects	0	0	0	39,850
Debt service	93,923	30,977	124,900	22,920
Other purposes	0	1,056,481	1,056,481	998,112
Unrestricted	331,906	6,768	338,674	1,478,337
<b>Total net assets</b>	\$ 9,964,523	\$ 1,094,482	\$ 11,059,005	\$ 3,563,223

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

State of Kansas  
**Financial Statements**  
June 30, 2007

*State of Kansas*

**Government Wide - Statement of Activities**

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Functions/Programs	Expenses	Program Revenues		
			Charges for Services	Operating Grants	Capital Grants
1	<b>Primary government:</b>				
2	Governmental activities:				
3	General government	\$ 1,074,391	\$ 208,834	\$ 72,193	\$ 0
4	Human resources	3,080,465	221,025	1,878,039	0
5	Education	4,696,343	6,096	388,954	0
6	Public safety	607,343	25,636	139,973	0
7	Agriculture and natural resources	102,471	47,695	18,782	0
8	Highways and other transportation	639,384	199,432	184,084	314,463
9	Health and environment	199,996	26,972	95,966	0
10	Economic development	3,125	0	0	0
11	Interest expense	149,550	0	0	0
12	<b>Total governmental activities</b>	<u>10,553,068</u>	<u>735,690</u>	<u>2,777,991</u>	<u>314,463</u>
13	Business-type activities:				
14	Water pollution and safety	33,845	22,755	0	12,638
15	Health care stabilization	24,013	36,010	0	0
16	Employment security	245,910	271,632	4,101	0
17	Workers' compensation	4,342	7,395	0	0
18	Lottery	170,928	241,441	0	0
19	Intergovernmental transfer program	583	157	0	0
20	Transportation revolving loans	1,977	912	0	0
21	<b>Total business-type activities</b>	<u>481,598</u>	<u>580,302</u>	<u>4,101</u>	<u>12,638</u>
22	<b>Total primary government</b>	<u>\$ 11,034,666</u>	<u>\$ 1,315,992</u>	<u>\$ 2,782,092</u>	<u>\$ 327,101</u>
23					
24	<b>Component units:</b>				
25	Kansas Development Finance Authority	\$ 1,280	\$ 1,347	\$ 0	\$ 0
26	Kansas Technology Enterprise Corporation	13,670	1,065	13,866	0
27	Kansas Bioscience Authority	3,737	0	0	0
28	State University System	1,521,080	1,063,902	273,810	696
29	Kansas Housing Resources Corporation	64,321	5,364	1,386	0
30	<b>Total component units</b>	<u>\$ 1,604,088</u>	<u>\$ 1,071,678</u>	<u>\$ 289,062</u>	<u>\$ 696</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
			1
			2
\$ (793,364)	\$ 0	\$ (793,364)	\$ 0 3
(981,401)	0	(981,401)	0 4
(4,301,293)	0	(4,301,293)	0 5
(441,734)	0	(441,734)	0 6
(35,994)	0	(35,994)	0 7
58,595	0	58,595	0 8
(77,058)	0	(77,058)	0 9
(3,125)	0	(3,125)	0 10
(149,550)	0	(149,550)	0 11
(6,724,924)	0	(6,724,924)	0 12
			13
0	1,548	1,548	0 14
0	11,997	11,997	0 15
0	29,823	29,823	0 16
0	3,053	3,053	0 17
0	70,513	70,513	0 18
0	(426)	(426)	0 19
0	(1,065)	(1,065)	0 20
0	115,443	115,443	0 21
\$ (6,724,924)	\$ 115,443	\$ (6,609,481)	\$ 0 22
			23
			24
\$ 0	\$ 0	\$ 0	\$ 67 25
0	0	0	1,261 26
0	0	0	(3,737) 27
0	0	0	(182,672) 28
0	0	0	(57,571) 29
\$ 0	\$ 0	\$ 0	\$ (242,652) 30

**General revenues:**

Taxes:			
Property tax	\$ 593,229	\$ 0	\$ 593,229 \$ 0
Income and inheritance tax	3,210,696	0	3,210,696 0
Sales and excise tax	2,863,794	0	2,863,794 0
Gross receipts tax	134,872	0	134,872 934
Investment earnings	106,727	45,914	152,641 327,128
Other revenue	218,482	31,624	250,106 331,666
Transfers	69,881	(69,881)	0 0
<b>Total general revenues</b>	<b>7,197,681</b>	<b>7,657</b>	<b>7,205,338 659,728</b>
Change in net assets	472,757	123,100	595,857 417,076
Net assets - beginning	9,551,078	971,382	10,522,460 3,159,615
Revisions to beginning net assets	(59,312)	0	(59,312) (13,468)
Net assets - beginning (restated)	9,491,766	971,382	10,463,148 3,146,147
Net assets - ending	\$ 9,964,523	\$ 1,094,482	\$ 11,059,005 \$ 3,563,223

State of Kansas  
**Financial Statements**  
June 30, 2007

*State of Kansas*  
**Balance Sheet - Governmental Funds**  
**June 30, 2007**  
*(expressed in thousands)*

ASSETS	General	Social and Rehabilitation	Transporta- tion	Health Policy Authority	Transporta- tion-Capital Projects	Other Governmental	Total Governmental
Cash and cash equivalents	\$ 1,034,455	\$ 42,354	\$ 80,294	\$ 40,077	\$ 0	\$ 450,859	\$ 1,648,039
Investments	0	0	369,073	0	0	67,525	436,598
Receivables, net	345,758	63,460	156,580	103,658	0	107,691	777,147
Due from other funds	9,750	0	30,896	0	0	17,918	58,564
Inventories	6,955	0	17,480	0	0	0	24,435
Advances to other funds	0	80	61,793	0	0	82,468	144,341
Restricted cash and cash equivalents	0	0	0	0	0	126,991	126,991
<b>Total assets</b>	<b>\$ 1,396,918</b>	<b>\$ 105,894</b>	<b>\$ 716,116</b>	<b>\$ 143,735</b>	<b>\$ 0</b>	<b>\$ 853,452</b>	<b>\$ 3,216,115</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and other current liabilities	\$ 369,667	\$ 78,285	\$ 59,816	\$ 119,545	\$ 0	\$ 183,452	\$ 810,765
Due to other funds	46,145	188	0	0	0	4,775	51,108
Deferred revenue	19,651	743	35,842	0	0	1,487	57,723
Advances from other funds	140,604	2,160	0	0	0	2,802	145,566
Bonds payable on demand	0	0	0	0	755,115	0	755,115
Total liabilities	576,067	81,376	95,658	119,545	755,115	192,516	1,820,277
Fund balances:							
Reserved for:							
Debt service	0	0	0	0	0	13,767	13,767
Inventory	6,955	0	17,480	0	0	0	24,435
Encumbrances	21,916	16,628	897,881	8,405	0	189,578	1,134,408
Advances to other funds	0	80	61,793	0	0	82,468	144,341
Unreserved, reported in:							
General Fund	791,980	0	0	0	0	0	791,980
Social and Rehabilitation	0	7,810	0	0	0	0	7,810
Transportation	0	0	(356,696)	0	0	0	(356,696)
Health Policy Authority	0	0	0	15,785	0	0	15,785
Transportation - Capital Projects	0	0	0	0	(755,115)	0	(755,115)
Special Revenue Funds	0	0	0	0	0	191,836	191,836
Capital Project Funds	0	0	0	0	0	69,994	69,994
Debt service	0	0	0	0	0	113,293	113,293
Total fund balance	820,851	24,518	620,458	24,190	(755,115)	660,936	1,395,838
<b>Total liabilities and fund balance</b>	<b>\$ 1,396,918</b>	<b>\$ 105,894</b>	<b>\$ 716,116</b>	<b>\$ 143,735</b>	<b>\$ 0</b>	<b>\$ 853,452</b>	<b>\$ 3,216,115</b>

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

*(Continued)*

State of Kansas  
**Financial Statements**  
June 30, 2007

---

*State of Kansas*  
**Balance Sheet - Governmental Funds - Continued**  
**June 30, 2007**  
*(expressed in thousands)*

---

	<u>Total Governmental</u>
<b>Reconciliation to the Statement of Net Assets:</b>	
Total fund balance from previous page	\$ 1,395,838
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Infrastructure	9,163,009
Capital assets	2,069,010
Other non-current assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	15,470
Deferred revenue (not on statement of net assets)	36,503
Accrued Interest	(31,559)
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	(2,306,503)
Compensated absences	(117,041)
Due to component unit (lease revenue bonds payable)	(233,190)
Internal Service Funds: the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(27,014)
Net assets of governmental activities as reported on the Statement of Net Assets.	<u>\$ 9,964,523</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2007

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds**  
**For the Fiscal Year Ended June 30, 2007**  
*(expressed in thousands)*

	General	Social and Rehabilitation	Transporta- tion	Health Policy Authority	Transporta- tion-Capital Projects	Other Governmental	Total Governmental
<b>Revenues:</b>							
Property tax	\$ 551,145	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,571	\$ 598,716
Income and inheritance tax	3,196,972	0	0	0	0	14,364	3,211,336
Sales and excise tax	2,390,845	2,572	447,243	0	0	42,788	2,883,448
Gross receipts tax	115,649	0	0	0	0	19,280	134,929
Charges for services	49,321	58,784	196,651	138,478	0	301,189	744,423
Operating grants	0	479,802	187,837	1,361,171	0	753,467	2,782,277
Capital grants	0	0	306,293	0	0	2,775	309,068
Investment earnings	93,146	839	0	845	0	11,903	106,733
Other revenues	732	7,982	8,419	114,976	0	141,768	273,877
<b>Total revenues</b>	<u>6,397,810</u>	<u>549,979</u>	<u>1,146,443</u>	<u>1,615,470</u>	<u>0</u>	<u>1,335,105</u>	<u>11,044,807</u>
<b>Expenditures:</b>							
Current:							
General government	739,005	0	0	0	0	362,735	1,101,740
Human resources	798,082	999,640	0	916,748	0	375,437	3,089,907
Education	4,205,767	0	0	0	0	493,071	4,698,838
Public safety	377,723	0	0	0	0	233,748	611,471
Agriculture and natural resources	25,170	0	0	0	0	77,217	102,387
Highways and other transportation	0	0	1,016,435	0	0	17,333	1,033,768
Health and environment	33,820	0	0	0	0	167,086	200,906
Economic development	0	0	0	0	0	3,125	3,125
Debt service:							
Principal	0	0	0	0	0	112,398	112,398
Interest	0	0	0	0	0	147,770	147,770
<b>Total expenditures</b>	<u>6,179,567</u>	<u>999,640</u>	<u>1,016,435</u>	<u>916,748</u>	<u>0</u>	<u>1,989,920</u>	<u>11,102,310</u>
<b>Excess of revenues over (under) expenditures</b>	<u>218,243</u>	<u>(449,661)</u>	<u>130,008</u>	<u>698,722</u>	<u>0</u>	<u>(654,815)</u>	<u>(57,503)</u>
<b>Other financing sources (uses):</b>							
Proceeds from sale of debt	0	0	0	0	0	54,188	54,188
Transfers, net	(70,385)	410,471	(227,991)	(683,601)	0	609,608	38,102
<b>Total other financing sources (uses)</b>	<u>(70,385)</u>	<u>410,471</u>	<u>(227,991)</u>	<u>(683,601)</u>	<u>0</u>	<u>663,796</u>	<u>92,290</u>
<b>Net change in fund balances</b>	<u>147,858</u>	<u>(39,190)</u>	<u>(97,983)</u>	<u>15,121</u>	<u>0</u>	<u>8,981</u>	<u>34,787</u>
Fund balances, beginning of year	671,912	63,683	718,562	9,069	(755,115)	651,950	1,360,061
Revisions to beginning fund balances	358	25	0	0	0	5	388
Fund balances, beginning of year (restated)	<u>672,270</u>	<u>63,708</u>	<u>718,562</u>	<u>9,069</u>	<u>(755,115)</u>	<u>651,955</u>	<u>1,360,449</u>
Change in reserves for inventory	723	0	(121)	0	0	0	602
<b>Fund balances, end of year</b>	<u>\$ 820,851</u>	<u>\$ 24,518</u>	<u>\$ 620,458</u>	<u>\$ 24,190</u>	<u>\$ (755,115)</u>	<u>\$ 660,936</u>	<u>\$ 1,395,838</u>

*(Continued)*

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

State of Kansas  
**Financial Statements**  
June 30, 2007

---

***State of Kansas***  
**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2007**  
*(expressed in thousands)*

---

	<u>Total Governmental</u>
<b>Reconciliation to the Statement of Activities:</b>	
Total net change in fund balance from previous page	\$ 34,787
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	(40,916)
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	(43,500)
Bond premiums and discounts	(1,789)
Loan proceeds	(3,000)
Other borrowings	(5,899)
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.	112,398
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	482,935
Depreciation expense	(73,044)
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	(9,582)
Accrued Interest	(1,777)
Other expenses	(5,830)
Gain (Loss) on asset disposal and other items	24,718
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	3,256
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities	\$ 472,757

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

State of Kansas  
**Financial Statements**  
June 30, 2007

*State of Kansas*

**Statement of Net Assets - Proprietary Funds**

**June 30, 2007**

*(expressed in thousands)*

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor funds	Totals	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 133,746	\$ 11,710	\$ 4,277	\$ 30,190	\$ 179,923	\$ 26,937
Investments	0	0	47,725	13,800	61,525	0
Receivables, net	42,508	2,429	5,588	13,704	64,229	0
Inventories	0	0	0	1,751	1,751	471
<b>Total current assets</b>	<u>176,254</u>	<u>14,139</u>	<u>57,590</u>	<u>59,445</u>	<u>307,428</u>	<u>27,408</u>
Noncurrent assets:						
Investments	20,730	0	152,615	16,323	189,668	0
Receivables, net	700,616	0	0	37,396	738,012	0
Restricted cash and cash equivalents	39,988	659,836	0	3,923	703,747	0
Restricted investments	78,034	0	0	0	78,034	0
Advances to other funds	0	0	1	4,000	4,001	29
Capital assets (net of accumulated depreciation)	0	0	5	251	256	82,500
Other noncurrent assets	12,821	0	0	581	13,402	0
<b>Total noncurrent assets</b>	<u>852,189</u>	<u>659,836</u>	<u>152,621</u>	<u>62,474</u>	<u>1,727,120</u>	<u>82,529</u>
<b>Total assets</b>	<u>\$ 1,028,443</u>	<u>\$ 673,975</u>	<u>\$ 210,211</u>	<u>\$ 121,919</u>	<u>\$ 2,034,548</u>	<u>\$ 109,937</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other current liabilities	\$ 7,009	\$ 8,177	\$ 241	\$ 8,077	\$ 23,504	\$ 5,448
Deferred revenue	0	0	0	25	25	0
Due to other funds	0	0	0	5,750	5,750	1,706
Short-term compensated absences	0	0	37	12	49	1,467
Short-term portion of long-term liabilities	32,722	0	7,357	8,132	48,211	35,485
<b>Total current liabilities</b>	<u>39,731</u>	<u>8,177</u>	<u>7,635</u>	<u>21,996</u>	<u>77,539</u>	<u>44,106</u>
Noncurrent liabilities:						
Compensated absences	0	0	7	2	9	286
Claims and judgements	0	0	142,243	26,520	168,763	27,600
Bonds, notes and loans payable	642,914	0	0	55,176	698,090	62,150
Arbitrage Rebate Payable	987	0	0	0	987	0
Advances from other funds	0	0	0	0	0	2,808
Other noncurrent liabilities	(5,322)	0	0	0	(5,322)	0
<b>Total noncurrent liabilities</b>	<u>638,579</u>	<u>0</u>	<u>142,250</u>	<u>81,698</u>	<u>862,527</u>	<u>92,844</u>
<b>Total liabilities</b>	<u>678,310</u>	<u>8,177</u>	<u>149,885</u>	<u>103,694</u>	<u>940,066</u>	<u>136,950</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	0	0	5	251	256	82,500
Restricted for:						
Debt service	0	0	0	30,977	30,977	0
Other purposes	350,133	665,798	60,321	(19,771)	1,056,481	0
Unrestricted	0	0	0	6,768	6,768	(109,513)
<b>Total net assets</b>	<u>350,133</u>	<u>665,798</u>	<u>60,326</u>	<u>18,225</u>	<u>1,094,482</u>	<u>(27,013)</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,028,443</u>	<u>\$ 673,975</u>	<u>\$ 210,211</u>	<u>\$ 121,919</u>	<u>\$ 2,034,548</u>	<u>\$ 109,937</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2007

*State of Kansas*

**Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Proprietary Funds**

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemploy- ment Insurance	Health Care Stabilization	Nonmajor Funds	Totals	
<b>Operating revenues:</b>						
Charges for services	\$ 22,755	\$ 271,632	\$ 36,010	\$ 249,904	\$ 580,301	\$ 95,950
Other revenue	3,319	25,182	1,800	1,322	31,623	9,108
<b>Total operating revenues</b>	<u>26,074</u>	<u>296,814</u>	<u>37,810</u>	<u>251,226</u>	<u>611,924</u>	<u>105,058</u>
<b>Operating expenses:</b>						
Salaries and wages	0	0	858	4,671	5,529	27,042
Supplies and services	0	0	4,986	33,830	38,816	42,138
Lottery prize awards	0	0	0	134,207	134,207	0
Depreciation	0	0	1	141	142	5,744
Insurance claims and expenses	0	245,911	0	1,766	247,677	18,650
Program administration - Water Funds	1,827	0	0	0	1,827	0
Other expenses	426	(1)	16,167	862	17,454	0
<b>Total operating expenses</b>	<u>2,253</u>	<u>245,910</u>	<u>22,012</u>	<u>175,477</u>	<u>445,652</u>	<u>93,574</u>
<b>Operating income (loss)</b>	<u>23,821</u>	<u>50,904</u>	<u>15,798</u>	<u>75,749</u>	<u>166,272</u>	<u>11,484</u>
<b>Nonoperating revenues (expenses):</b>						
Operating grants	0	4,101	0	0	4,101	0
Capital grants	12,638	0	0	0	12,638	0
Investment earnings	14,785	29,048	0	2,081	45,914	0
Interest expense	(31,592)	0	0	(1,850)	(33,442)	(3,179)
Other expenses	0	0	(2,000)	(502)	(2,502)	0
<b>Total nonoperating revenues (expenses)</b>	<u>(4,169)</u>	<u>33,149</u>	<u>(2,000)</u>	<u>(271)</u>	<u>26,709</u>	<u>(3,179)</u>
<b>Net income (loss)</b>	<u>19,652</u>	<u>84,053</u>	<u>13,798</u>	<u>75,478</u>	<u>192,981</u>	<u>8,305</u>
Transfers in	0	(2,220)	3,032	(70,016)	(69,204)	(615)
Transfers out	0	(675)	0	(2)	(677)	(4,434)
<b>Net change in net assets</b>	<u>19,652</u>	<u>81,158</u>	<u>16,830</u>	<u>5,460</u>	<u>123,100</u>	<u>3,256</u>
Total net assets - beginning	330,481	584,640	43,496	12,765	971,382	(25,755)
Revisions to beginning net assets	0	0	0	0	0	(4,514)
Net assets - beginning (restated)	<u>330,481</u>	<u>584,640</u>	<u>43,496</u>	<u>12,765</u>	<u>971,382</u>	<u>(30,269)</u>
<b>Total net assets - ending</b>	<u>\$ 350,133</u>	<u>\$ 665,798</u>	<u>\$ 60,326</u>	<u>\$ 18,225</u>	<u>\$ 1,094,482</u>	<u>\$ (27,013)</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2007

*State of Kansas*  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2007**  
*(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	\$ 22,553	\$ 296,515	\$ 36,832	\$ 251,704	\$ 607,604	\$ 105,058
Cash payments to suppliers for goods and services	(1,495)	2,672	(21,257)	(34,669)	(54,749)	(41,877)
Cash payments to employees for services	0	0	(850)	(4,661)	(5,511)	(28,081)
Cash payments for lottery prizes	0	0	0	(133,672)	(133,672)	0
Claims paid	0	(245,911)	(6,301)	(1,535)	(253,747)	(25,092)
Other operating revenues	46,371	0	0	2,511	48,882	0
Other operating expenses	(59,016)	0	0	(19,528)	(78,544)	0
<b>Net cash provided (used) by operating activities</b>	<u>8,413</u>	<u>53,276</u>	<u>8,424</u>	<u>60,150</u>	<u>130,263</u>	<u>10,008</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating grants receipts	0	4,101	0	0	4,101	0
Other non-operating expenses	0	0	(2,000)	(502)	(2,502)	0
Net transfers to other funds	0	(2,831)	3,033	(70,023)	(69,821)	(3,777)
Other cash inflows from noncapital financing activities	12,638	0	0	0	12,638	0
Other cash outflows from noncapital financing activities	(62,589)	0	0	0	(62,589)	0
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(49,951)</u>	<u>1,270</u>	<u>1,033</u>	<u>(70,525)</u>	<u>(118,173)</u>	<u>(3,777)</u>
<b>Cash flows from capital and related financing activities:</b>						
Proceeds from issuance of long-term debt	0	0	0	25,325	25,325	0
Repayment of long-term debt	0	0	0	(2,159)	(2,159)	(1,921)
Interest payments	0	0	0	0	0	(3,202)
Proceeds from sale of fixed assets	0	0	0	15	15	184
(Gain) loss on disposal of fixed assets	0	0	0	(13)	(13)	(184)
Payments for purchase of fixed assets	0	0	(3)	(115)	(118)	(1,555)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>0</u>	<u>0</u>	<u>(3)</u>	<u>23,053</u>	<u>23,050</u>	<u>(6,678)</u>
<b>Cash flows from investing activities:</b>						
Proceeds from sale and maturities of investment securities	42,162	0	18,978	11,226	72,366	0
Purchase of investments	(10,014)	0	(22,373)	(24,689)	(57,076)	0
Interest and dividends	15,212	29,047	(533)	2,120	45,846	0
Unrealized (gain) loss on investments	0	0	(2,040)	0	(2,040)	0
<b>Net cash provided (used) by investing activities</b>	<u>47,360</u>	<u>29,047</u>	<u>(5,968)</u>	<u>(11,343)</u>	<u>59,096</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	5,822	83,593	3,486	1,335	94,236	(447)
Cash and cash equivalents, beginning of year	167,912	587,953	791	32,778	789,434	27,384
<b>Cash and cash equivalents, end of year</b>	<u>\$ 173,734</u>	<u>\$ 671,546</u>	<u>\$ 4,277</u>	<u>\$ 34,113</u>	<u>\$ 883,670</u>	<u>\$ 26,937</u>
<b>Reconciliation of operating income (loss) to net cash provided by operations:</b>						
Operating income (loss)	\$ 23,821	\$ 50,904	\$ 15,798	\$ 75,749	\$ 166,272	\$ 11,484
<b>Adjustment to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation and amortization	0	0	1	249	250	5,744
Changes in assets and liabilities:						
Receivables	(15,855)	(299)	(978)	(16,392)	(33,524)	0
Inventories	0	0	1	(70)	(69)	(3)
Accounts payable	446	2,671	(104)	(162)	2,851	263
Payroll liabilities	0	0	7	10	17	(1,038)
Claims and judgements	0	0	(6,301)	231	(6,070)	(6,442)
Lottery prize liability	0	0	0	535	535	0
Total adjustments	(15,409)	2,372	(7,374)	(15,599)	(36,010)	(1,476)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 8,413</u>	<u>\$ 53,276</u>	<u>\$ 8,424</u>	<u>\$ 60,150</u>	<u>\$ 130,263</u>	<u>\$ 10,008</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2007

---

*State of Kansas*  
**Statement of Fiduciary Net Assets**

**June 30, 2007**

*(expressed in thousands)*

---

	Pension Trust	Investment Trust	College Savings Program	Agency
<b>ASSETS</b>				
Cash and cash equivalents	\$ 271	\$ 863,759	\$ 817	\$ 451,277
Investments	17,136,615	0	1,862,436	989,766
Receivables, net	3,869,770	0	3,196	28,602
Inventories	21	0	0	0
Capital assets	5,957	0	0	0
<b>Total assets</b>	<b>21,012,634</b>	<b>863,759</b>	<b>1,866,449</b>	<b>\$ 1,469,645</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	6,829,561	0	522	\$ 1,469,645
<b>Total liabilities</b>	<b>6,829,561</b>	<b>0</b>	<b>522</b>	<b>\$ 1,469,645</b>
<b>NET ASSETS</b>				
Net assets held in trust	<b>\$ 14,183,073</b>	<b>\$ 863,759</b>	<b>\$ 1,865,927</b>	

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

State of Kansas  
**Financial Statements**  
June 30, 2007

*State of Kansas*

**Statement of Changes in Fiduciary Net Assets**

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Pension Trust	Investment Trust	College Savings Program Trust
<b>ADDITIONS</b>			
Contributions:			
Employer contributions	\$ 398,818	\$ 0	\$ 0
Employee contributions	256,995	0	0
College savings contributions	0	0	611,977
Total contributions	655,813	0	611,977
Deposits:			
Net investment income	2,162,081	38,760	81,542
MIP deposits	0	3,487,598	0
Other deposits	231	1	0
<b>Total additions</b>	<b>2,818,125</b>	<b>3,526,359</b>	<b>693,519</b>
<b>DEDUCTIONS</b>			
Benefits and refunds:			
Monthly benefits and refunds	868,179	0	0
Refunds of contributions	46,129	0	0
Death benefits	9,154	0	0
Distributions	0	3,451,358	191,772
Total benefits and refunds	923,462	3,451,358	191,772
Administrative expenses	64,480	0	6,239
<b>Total deductions</b>	<b>987,942</b>	<b>3,451,358</b>	<b>198,011</b>
Net increase (decrease)	1,830,183	75,001	495,508
Net assets - beginning of year	12,352,890	788,758	1,370,419
<b>Net assets - end of year</b>	<b>\$ 14,183,073</b>	<b>\$ 863,759</b>	<b>\$ 1,865,927</b>

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

State of Kansas  
**Financial Statements**  
June 30, 2007

*State of Kansas*  
**Combining Statement of Net Assets - Component Units**  
**June 30, 2007**  
*(expressed in thousands)*

	Kansas Development Finance Authority	Kansas Technology Enterprise Corporation	Kansas Housing Resources Corporation	Kansas Bioscience Authority	State University System	Totals
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 3,440	\$ 3,861	\$ 6,318	\$ 1,063	\$ 409,109	\$ 423,791
Investments	2,677	0	2,443	8,020	1,648,884	1,662,024
Receivables, net	114	2,068	3,101	6,753	207,088	219,124
Due from primary government	16,115	0	0	0	0	16,115
Inventories	0	0	0	0	13,273	13,273
Other assets	67	1	594	12	70,142	70,816
<b>Total current assets</b>	<u>22,413</u>	<u>5,930</u>	<u>12,456</u>	<u>15,848</u>	<u>2,348,496</u>	<u>2,405,143</u>
Noncurrent assets:						
Investments	0	8,435	0	31,444	423,240	463,119
Receivables, net:	28	1,155	894	1,008	53,823	56,908
Restricted cash and cash equivalents	0	0	13	0	82,081	82,094
Restricted investments	1,935	0	0	0	110,135	112,070
Due from primary government	217,075	0	0	0	0	217,075
Capital assets (net of accumulated depreciation)	23	109	367	95	1,546,220	1,546,814
Other noncurrent assets	0	0	3,083	0	205,299	208,382
<b>Total noncurrent assets</b>	<u>219,061</u>	<u>9,699</u>	<u>4,357</u>	<u>32,547</u>	<u>2,420,798</u>	<u>2,686,462</u>
<b>Total assets</b>	<u>\$ 241,474</u>	<u>\$ 15,629</u>	<u>\$ 16,813</u>	<u>\$ 48,395</u>	<u>\$ 4,769,294</u>	<u>\$ 5,091,605</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 94	\$ 543	\$ 582	\$ 639	\$ 422,923	\$ 424,781
Deferred revenue	335	0	599	0	101,275	102,209
Short-term compensated absences	0	0	115	8	44,331	44,454
Short-term portion of long-term liabilities	16,115	0	0	0	43,603	59,718
<b>Total current liabilities</b>	<u>16,544</u>	<u>543</u>	<u>1,296</u>	<u>647</u>	<u>612,132</u>	<u>631,162</u>
Noncurrent liabilities:						
Compensated absences	0	0	0	0	8,050	8,050
Bonds, notes and loans payable	217,075	0	0	0	589,677	806,752
Other noncurrent liabilities	2,124	0	3,083	0	77,211	82,418
<b>Total noncurrent liabilities</b>	<u>219,199</u>	<u>0</u>	<u>3,083</u>	<u>0</u>	<u>674,938</u>	<u>897,220</u>
<b>Total liabilities</b>	<u>235,743</u>	<u>543</u>	<u>4,379</u>	<u>647</u>	<u>1,287,070</u>	<u>1,528,382</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	23	109	367	95	1,023,410	1,024,004
Restricted for:						
Capital projects	0	0	0	0	39,850	39,850
Debt service	0	0	0	0	22,920	22,920
Other purposes	0	1,438	2,249	0	994,425	998,112
Unrestricted	5,708	13,539	9,818	47,653	1,401,619	1,478,337
<b>Total net assets</b>	<u>\$ 5,731</u>	<u>\$ 15,086</u>	<u>\$ 12,434</u>	<u>\$ 47,748</u>	<u>\$ 3,482,224</u>	<u>\$ 3,563,223</u>

State of Kansas  
**Financial Statements**  
June 30, 2007

*State of Kansas*  
**Combining Statement of Activities-Component Units**  
**For the Fiscal Year Ended June 30, 2007**  
*(expressed in thousands)*

	Kansas Development Finance Authority	Kansas Technology Enterprise Corporation	Kansas Housing Resources Corporation	Kansas Bioscience Authority	State University System	Totals
<b>Expenses:</b>						
Salaries and wages	\$ 830	\$ 1,328	\$ 2,431	\$ 316	\$ 619,551	\$ 624,456
Supplies and services	341	4,871	1,218	630	271,861	278,921
Depreciation	40	71	53	10	94,495	94,669
Interest expense	0	0	0	0	20,312	20,312
Other expenses	69	7,400	60,619	2,781	514,861	585,730
<b>Total expenses</b>	<u>1,280</u>	<u>13,670</u>	<u>64,321</u>	<u>3,737</u>	<u>1,521,080</u>	<u>1,604,088</u>
<b>Program Revenues:</b>						
Charges for services	1,347	1,065	5,364	0	1,063,902	1,071,678
Operating grants	0	13,866	1,386	0	273,810	289,062
Capital grants	0	0	0	0	696	696
<b>Total program revenues</b>	<u>1,347</u>	<u>14,931</u>	<u>6,750</u>	<u>0</u>	<u>1,338,408</u>	<u>1,361,436</u>
<b>Net (Expense) Revenue</b>	<u>67</u>	<u>1,261</u>	<u>(57,571)</u>	<u>(3,737)</u>	<u>(182,672)</u>	<u>(242,652)</u>
<b>General Revenue:</b>						
Taxes:						
Gross receipts tax	0	0	0	0	934	934
Investment earnings	344	130	0	1,365	325,289	327,128
Other revenue	0	256	62,189	26,128	243,093	331,666
<b>Total general revenues</b>	<u>344</u>	<u>386</u>	<u>62,189</u>	<u>27,493</u>	<u>569,316</u>	<u>659,728</u>
<b>Change in net assets</b>	<u>411</u>	<u>1,647</u>	<u>4,618</u>	<u>23,756</u>	<u>386,644</u>	<u>417,076</u>
Total net assets - beginning	5,320	13,112	7,975	0	3,133,208	3,159,615
Revisions to beginning net assets	0	327	(159)	23,992	(37,628)	(13,468)
Total net assets - beginning (restated)	<u>5,320</u>	<u>13,439</u>	<u>7,816</u>	<u>23,992</u>	<u>3,095,580</u>	<u>3,146,147</u>
<b>Total net assets - ending</b>	<u>\$ 5,731</u>	<u>\$ 15,086</u>	<u>\$ 12,434</u>	<u>\$ 47,748</u>	<u>\$ 3,482,224</u>	<u>\$ 3,563,223</u>

---

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

---

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, 2007 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 of Kansas.

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 of Kansas (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, 2007

---

**I. Summary of Significant Accounting Policies**

---

<u>Component Unit</u>	<u>Description: Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
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	The State appoints a voting majority of the Kansas Bioscience Authority 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 Retirement System	The State appoints a voting majority of the Kansas Public Retirement System 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 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 corporate, constituting an independent instrumentality of the State of Kansas. KDFA was created to enhance the ability

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

---

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 of Kansas, 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.** The Bioscience Authority is an independent instrumentality of the State of Kansas. Its enabling statutes are found in K.S.A. 74-99b01 et seq. as amended and supplemented. The Bioscience Authority 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. The Bioscience Authority was created to make Kansas the most desirable state in which to conduct, facilitate, support, fund and perform bioscience research, development of commercialization, to make Kansas a national leader in bioscience, and to create jobs, foster economic growth, advance scientific knowledge and improve the quality of life for the citizens of the State of Kansas.

---

## I. Summary of Significant Accounting Policies

---

**Kansas Public Employees Retirement System.** The Kansas Public Employees Retirement System is a body corporate and an instrumentality of the State of Kansas. The Retirement System 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 of Kansas 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 State 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; (7) health and environment; and (8) economic development. *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. *Economic Development* reflects certain economic development initiatives.

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.

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

---

**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, fiduciary funds, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. 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:

---

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

---

### **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.

**Social and Rehabilitation Services Fund** – This fund accounts for all the activities of the Department of Social and Rehabilitation Services.

**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.

---

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

---

***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.

***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 \$80,000,000 of total investments.
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed \$55 million
- High grade commercial paper

***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

---

## I. Summary of Significant Accounting Policies

---

- U.S. Government agency securities
- Repurchase agreements
- Commercial paper not to exceed 270 days to maturity and rated within the two highest commercial paper ratings
- 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* - The Retirement System's 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 uncollectibles.

### ***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 an 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.

## I. Summary of Significant Accounting Policies

### ***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

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 of Kansas that all art works and historical objects be held for the purpose of exhibition to the public to further education and research. It is also the intent to preserve and protect such items to insure their availability to future generations. If any items are sold from any collection, the proceeds from such disposition are intended to be set aside for future acquisitions for the collections.

### ***Infrastructure***

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

### ***Compensated Absences***

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

---

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

---

### ***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 an 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. Pending Governmental Accounting Standards Board Statements**

At June 30, 2007, 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:

GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", was issued in June, 2004. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities and assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this statement are effective for the State of Kansas for periods beginning after December 15, 2006.

GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" was issued in September, 2006. This statement establishes criteria to ascertain if proceeds from sales of future cash flows received should be reported as revenue or as a liability. The provisions of this statement are effective for periods beginning after December 15, 2006.

---

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

---

GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, was issued November 2006. This statement provides accounting and financial reporting standards for pollution remediation obligations. These obligations address current or potential detrimental effects of existing pollution. Any one of five events requires the government to estimate the expected outlays and determine if the outlays should be accrued as a liability or capitalize when goods or services are acquired. The provisions of this statement are effective for periods beginning after December 15, 2007.

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. 52, “Land and Other Real Estate Held as an Investment by Endowments” was issues November, 2007. This statement establishes the reporting of these assets by endowments be at fair value. The provisions of this statement are effective for periods beginning after June 15, 2008.

---

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

---

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

For the year ended June 30, 2007, expenditures did not exceed appropriations or limitations.

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

The Transportation – Capital Projects Fund had a deficit fund balance in fiscal year 2007 due to reporting requirements of demand bonds with no long-term financing agreement in place.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

**A. Deposits and Investments**

A summary of deposits and investments at June 30, 2007, is as follows (expressed in thousands):

	<b>Govt and Business Type Activities</b>	<b>Pension Trust</b>	<b>Investment Trust</b>	<b>College Savings Program</b>	<b>Agency</b>	<b>Component units</b>	<b>Total</b>
Pooled Cash and Investments							
Cash	\$ 29,446	\$ 271	\$ 0	\$ 0	\$ 340	\$ 0	\$ 30,057
Investments	1,722,709	0	863,759	0	471,881	340,786	3,399,135
Cash deposits with financial institutions	63,425	0	0	0	0	0	63,425
Cash with U.S. Treasury	659,836	0	0	0	0	0	659,836
Unclaimed Property invested by KPERS	206,902	0	0	0	0	0	206,902
Imprest funds and agency bank accounts	1,260	0	0	0	0	98	1,358
Canteen, members' benefit, members' money in agency's custody	0	0	0	0	10,658	0	10,658
Kansas Public Employees							
Retirement (KPERS)	0	17,136,615	0	0	0	0	17,136,615
Investments owned by other funds	765,824	0	0	0	832,825	43,299	1,641,948
Learning Quest investments	0	0	0	1,863,253	0	0	1,863,253
Security deposits held by Kansas							
Insurance Dept.	0	0	0	0	156,941	0	156,941
Star Bonds	49,399	0	0	0	0	0	49,399
Miscellaneous cash and other adjustments	(47,340)	0	0	0	(31,602)	2,358,915	2,279,973
Total	<u>\$ 3,451,461</u>	<u>\$ 17,136,886</u>	<u>\$ 863,759</u>	<u>\$ 1,863,253</u>	<u>\$ 1,441,043</u>	<u>\$ 2,743,098</u>	<u>\$ 27,499,500</u>

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

### III. Detailed Notes On All Funds

A reconciliation of deposits and investments for the State to the financial statements at June 30, 2007, is as follows (expressed in thousands):

**Disclosures Regarding Deposits and Investments:**

Total investments and deposits	\$ 23,954,168
Carrying amount of deposits	3,545,332
Total	\$ 27,499,500

**Statement of Net Assets**

*Governmental and Business-Type Activities*

Cash and cash equivalents	\$ 1,854,888
Investments at fair market value	687,790
Restricted Cash and Cash Equivalents	830,749
Restricted Investments	78,034

*Component Units*

Cash and cash equivalents	423,791
Investments at fair market value	2,125,143
Restricted Cash and Cash Equivalents	82,094
Restricted Investments	112,070

**Statement of Fiduciary Net Assets**

Cash and cash equivalents	1,316,124
Investments at fair market value	19,988,817
Total	\$ 27,499,500

**Investments Owned by Other Funds**

Investment Type	Primary Government			Fiduciary	Total
	Governmental	Business-Type Activities	Component Units		
U.S. Government Obligation	\$ 2,105	\$ 0	\$ 1,770	\$ 832,825	\$ 836,700
US Government Agency Securities	222,086	138,157	1,105	0	361,348
Mortgage Backed Securities	228	0	0	0	228
Municipal Bonds	725	0	0	0	725
Kansas Banks	0	0	2,706	0	2,706
Repurchase Agreements	52,806	102,387	4,388	0	159,581
Commercial Paper	39,785	0	0	0	39,785
Municipal Investment Pool	0	0	3,907	0	3,907
Guaranteed Investment Contracts	61,716	12,700	29,423	0	103,839
Corporate Securities	70,945	62,184	0	0	133,129
Total	\$ 450,396	\$ 315,428	\$ 43,299	\$ 832,825	\$ 1,641,948

---

**III. Detailed Notes On All Funds**

---

*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):

**State Treasury and Municipal Investment Pool Balance**

Pooled Cash and Investments

Cash	
Kansas banks demand accounts	\$ 30,057
Investments at fair market value	
Kansas banks certificates of deposit	101,709
U.S. government agencies securities	1,009,126
Commercial paper	1,468,645
Repurchase agreements	754,600
Loans Receivable	5,078
Public water supply loan fund	5,000
Linked deposits	54,977
Cash deposits with financial institutions	
Moneys in custodial demand accounts	1,323
Cash items	327
Cash in transit	61,775
Unclaimed property invested by KPERS	206,902
Unemployment trust fund cash with U.S. Treasury	659,836
Total State Treasury and Municipal Investment Pool Balance	\$ <u>4,359,355</u>

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

---

At June 30, 2007, the carrying amount (book balance) of the deposits included in the State Treasury balance was \$3.5 billion. At June 30, 2007, the State Treasurer had \$188.1 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 of Kansas 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 is 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 \$100,000 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 (either 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 - K DFA**

K DFA 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, 2007, K DFA has \$248,026 invested in the State of Kansas Municipal Investment Pool. As of June 30, 2007, K DFA has \$3.1 million invested in a repurchase agreement with Morgan Stanley.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, K DFA 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 K DFA's deposits at June 30, 2007, totaled \$4.7 million. Bank balances are fully insured with an excess insurance bond provided by the counterparty, as well as by the standard coverage of Federal Deposit Insurance Corporation (FDIC).

*Credit Risk.* K DFA'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, 2007, K DFA was invested in certificates of deposit, the Kansas Municipal Investment Pool, and a repurchase agreement with Morgan Stanley. As of June 30, 2007, the pool was rated AA Af / 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, K DFA'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 18 months or less. Moneys in excess of the 150 percent may be invested in obligations greater than 18 months, but no more than 48 months.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

As of June 30, 2007, KDFA had the following investments with the noted investment maturities (expressed in thousands):

Investment Type	June 30, 2007		
	Fair Value	Less than 1 year	1 - 5 Years
Repurchase agreement	\$ 3,120	\$ 1,520	\$ 1,600
KMIP	248	248	-
Total	\$ 3,368	\$ 1,768	\$ 1,600

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

**Component Unit - KHRC**

KHRC has cash balances of \$520,528 in the State Housing Trust Fund and \$444,189 held for Federal and fee funded programs, both of which are managed by the Kansas State Treasurer's office, for the year ended June 30, 2007.

As of June 30, 2007, the carrying amount of deposits in financial institutions for KHRC was \$151,326.

As of June 30, 2007, KHRC had the following investments and maturities:

Investment	Maturities	Fair Value or Amortized Cost
Repurchase agreement	07/02/07	\$ 5,202,000
Federal Home Loan Mortgage Corp.	06/23/08	475,935 *
American Express Credit	10/10/07	492,888 *
General Electric Corp.	09/04/07	495,387 *
Federal Home Loan Mortgage Corp.	12/03/07	978,558 *
		\$ 7,644,768

\*Investment is reported at amortized cost.

*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.

*Credit Risk.* KHRC's investment policy limits the types of investments KHRC may make. KHRC's investment policy limits investments to the following investment types: U.S. Treasury Securities, U.S. Government agency obligations, certificates of deposit, investments in the Kansas Municipal Investment Pool, repurchase agreements, state and municipal debt obligations, commercial paper and money market funds. The investment policy also adds limits to certain types of

---

### III. Detailed Notes On All Funds

---

investments: a) repurchase agreements with underlying investments rated not less than A by Standard & Poor's and A1 by Moody's Investors Service, b) state and municipal obligations rated AAA by S&P or Aaa by Moody's, c) money market funds rated AAAM or AAAM-G by Standards & Poor's, d) stripped securities rated AAA by Standards & Poor's or Aaa by Moody's, and e) commercial paper rated in the highest tier by a nationally recognized rating agency. As of June 30, 2007, 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. As of June 30, 2007, standard FDIC coverage was available for deposits with financial institutions, leaving \$51,326 uncollateralized. Investments held at June 30, 2007, including the underlying securities on the repurchase agreement, are held by the investment's counterparty. As of June 30, 2007, collateralization of the repurchase agreement and deposits held with financial institutions was in progress.

#### Component Unit - KTEC

The following table summarizes the KTEC's cash and investments at June 30, 2007 (expressed in thousands):

Bank deposits and repurchase agreements	\$ 2,420
Certificates of deposit	1,384
Cash held by the State	56
Total Deposits	<u>\$ 3,860</u>

Cash in the amount of \$55,925 held by the State, which is not categorized below, represents grant funds received but not yet expended at June 30, 2007.

*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, 2007, as indicated below (expressed in thousands):

Deposits covered by federal depository insurance or collateral held by KTEC or its agent in KTEC's name	\$ 500
Deposits covered by collateral held by pledging financial institution's trust department or by its agent in KTEC's name	3,311
Total Deposits (Bank Balance)	<u>\$ 3,811</u>

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

Investments in Limited Partners consisted of the following at June 30, 2007 (expressed in thousands):

*Investments in economic development LLCs*

Wichita Technology Ventures, LLC	\$	873
Manhattan Holdings, LLC		646
Prairie Investments for Technology Advancement, LLC		281
Quest Ventures, LLC		240
Milestone Ventures, LLC		133
Precede Fund, LLC		204

*Venture capital investments*

Bi-State Investment Group, LLC		50
CritiTech, Inc.		407
Quvis, Inc.		155
Relight America, Inc.		147
Redemption Plus Inc.		91
Nanoscale Materials, Inc.		250
Control Vision Corporation		200
Living Naturally		99
Magic Lantern, LLC		57
NutriJoy, Inc.		338
Hiper Technology		300
Vasognix Parmaceuticals, Inc.		200
LaGarde, Inc.		100
iModules Software, Inc.		165
CyDex, Inc.		378
Pixius Communications, LLC		100
PowerSmart, LLC		125
Softvu, LLC		160
Tech Guys, Inc.		250
Winglet Technology, LLC		150
Chemidex		207
Griffin Technology		100
IRR - Residential		200
NUVIO Corporation		150
Deciphera		113
Heartland Technologies		150
Innovia Medical		150
Proteon Therapeutics, LLC		182
Sportvision		42
Urogen		240
Community Wireless		100
Edenspace		250
Peak Vision Sports		150
TDP, Inc.		300
Total	<u>\$</u>	<u>8,433</u>

### III. Detailed Notes On All Funds

KTEC Holdings hold an equity position in Wichita Technology Ventures, LLC, Manhattan Holdings, LLC, Prairie Investments for Technology Advancement, 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 preseed 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, 2007, the Bioscience Authority had a balance of \$1.6 million of cash and money market investments, held in an account with a local investment company.

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

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Bioscience Authority will not be able to recover the value of its deposits or investments that are in the possession of an outside party. None of the Bioscience Authority's deposits are subject to custodial credit risk as deposits are less than FDIC insurance coverage limits. However, the underlying securities of \$39.5 million of investments are held by the investment's counterparty.

*Credit Risk.* As of June 30, 2007, the Authority was invested in municipal securities and government agency securities including FHMLC, FFCB, FHLB and FNMA securities. The municipal and government agency securities were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Under the Bioscience Authority investment policy, only AAA-rated securities were considered for investment.

*Concentration of Credit Risk.* Under the Authority'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. Up to 30 percent can be invested in Federal mortgage-backed securities and 10 percent can be invested in collateralized mortgage obligations. As of June 30, 2007, more than five percent of the Bioscience Authority's investments are held in the following securities:

FHLB	46%
FHLMC	20%
FNMA	29%

*Interest Rate Risk.* Interest rate risk relates to the exposure to fair value losses arising from the fluctuations in interest rates. Under the Bioscience Authority's investment policy, no less than 80 percent of the investment portfolio is limited to a maximum maturity of five years, with at least 20 percent of the investments may have a maximum maturity of up to eight years. As of June 30, 2007, the Bioscience's Authority had the following investment maturities (expressed in thousands):

Investment Type	Fair Value	Less than 90 days	90 days to 1 year	1 - 5 years
Municipal Securities	\$ 900	\$ 900	\$ 0	\$ 0
Government Securities	38,564	1,567	5,553	31,444
Total	\$ 39,464	\$ 2,467	\$ 5,553	\$ 31,444

---

### III. Detailed Notes On All Funds

---

#### B. Investments

##### Primary Government

Investments in the State Treasury Balance and Municipal Investment Pool at June 30, 2007, are as follows (expressed in thousands):

U.S. Government agency securities	\$	361,350
Mortgage backed securities		228
Repurchase agreements		159,581
U.S. Government obligations		836,700
Municipal securities		725
Kansas banks		2,706
State of Kansas Municipal Investment Pool		3,907
Money market investments		39,785
Guaranteed investment contracts		105,010
Corporate securities		133,129
Security deposits held by Kansas Insurance Department		156,941
College Savings Program		1,863,253
Less component units and other reconciling items		<u>(43,299)</u>
Total investments	<u>\$</u>	<u>3,620,016</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 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 commercial paper of any single business entity.

---

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

---

**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

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

As of June 30, 2007, State agencies had the following investments (expressed in thousands):

Agy No.	Agency Name	Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
034	Adjutant General	Guaranteed Investment Contracts	\$ 26	\$ 26	\$ 0	\$ 0	\$ 0
173	Dept. of Administration	Guaranteed Investment Contracts	6,267	6,267	0	0	0
246	Fort Hays State University	Guaranteed Investment Contracts	468	0	0	468	0
264	Dept. of Health and Environment	Repurchase Agreements	86,064	0	0	4,568	81,496
264	Dept. of Health and Environment	Guaranteed Investment Contracts	12,700	0	0	12,700	0
276	Dept. of Transportation	Repurchase Agreements	16,323	0	0	0	16,323
296	Dept. of Labor	Guaranteed Investment Contracts	15,868	15,868	0	0	0
300	Dept. of Commerce	Repurchase Agreements	4,567	1,120	3,447	0	0
300	Dept. of Commerce	Guaranteed Investment Contracts	39,591	0	33,324	6,267	0
367	Kansas State University	Repurchase Agreements	932	0	0	0	932
367	Kansas State University	Guaranteed Investment Contracts	22,800	0	17,636	723	4,441
379	Emporia State University	Guaranteed Investment Contracts	611	384	0	0	227
385	Pittsburg State University	Guaranteed Investment Contracts	1,998	979	0	0	1,019
521	Dept. of Corrections	Repurchase Agreements	439	0	0	0	439
521	Dept. of Corrections	Guaranteed Investment Contracts	1,135	0	1,135	0	0
682	University of Kansas	Repurchase Agreements	1,939	0	0	1,117	822
682	University of Kansas	Guaranteed Investment Contracts	2,849	282	0	1,795	772
683	University of KS Medical Center	Guaranteed Investment Contracts	695	0	0	0	695
715	Wichita State University	Repurchase Agreements	1,517	0	0	555	962
<b>Total</b>			<b>\$ 216,789</b>	<b>\$ 24,926</b>	<b>\$ 55,542</b>	<b>\$ 28,193</b>	<b>\$ 108,128</b>

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

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

<u>Agency No.</u>	<u>Agency Name</u>	<u>Debt Service Reserve Fund</u>	<u>Other Investments</u>	<u>Total</u>
034	Adjutant General	\$ 0	\$ 26	\$ 26
173	Dept. of Administration Fort Hays State	0	6,267	6,267
246	University Department of Health and Environment	468	0	468
264	Dept. of Transportation	72,100	26,664	98,764
276	Dept. of Labor	16,323	0	16,323
296	Dept. of Commerce	0	15,868	15,868
300	Dept. of Commerce	14,073	30,085	44,158
367	Kansas State University Emporia State University	6,096	17,636	23,732
379	Pittsburg State University	386	225	611
385	University	1,019	979	1,998
521	Dept. of Corrections	1,574	0	1,574
682	University of Kansas University of KS	4,788	0	4,788
683	Medical Center Wichita State	695	0	695
715	University	1,517	0	1,517
	<b>Total</b>	<u>\$ 119,039</u>	<u>\$ 97,750</u>	<u>\$ 216,789</u>

*Interest Rate Risk* – Due to the tax exempt status of the bonds it is generally the practice of Fund 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 Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

*Credit Risk* – The Fund 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.

*Concentration of Credit Risk* – The Fund 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, 2007 (expressed in thousands).

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

<b>Agency No.</b>	<b>Agency Name</b>	<b>Investment Provider</b>	<b>Fair Value</b>	<b>Percent of Total for Agency</b>
034	Adjutant General	AIG	\$ 26	100.00%
173	Dept. of Administration	AIG	6,267	100.00%
246	Fort Hays State University	Natixis Funding Corp.	468	100.00%
264	Dept. of Health & Environ.	AIG	25,593	25.90%
264	Dept. of Health & Environ.	AMBAC	7,644	7.74%
264	Dept. of Health & Environ.	Citigroup	17,558	17.78%
264	Dept. of Health & Environ.	MBIA	18,328	18.56%
264	Dept. of Health & Environ.	Morgan Guaranty	1,007	1.02%
264	Dept. of Health & Environ.	Socoete Generale	5,895	5.97%
264	Dept. of Health & Environ.	Trinity Plus Funding	11,384	11.53%
264	Dept. of Health & Environ.	Westdietscje	11,355	11.50%
276	Dept. of Transportation	FSA Capital Mgmt. Serv.	16,323	100.00%
296	Dept. of Labor	Trinity Plus	15,868	100.00%
300	Dept. of Commerce	Trinity Plus	30,084	68.13%
300	Dept. of Commerce	AIG	3,447	7.81%
300	Dept. of Commerce	MBIA	3,451	7.81%
300	Dept. of Commerce	Bayerische	3,239	7.34%
300	Dept. of Commerce	FSA Capital Mgmt. Serv.	2,817	6.38%
300	Dept. of Commerce	Merrill Lynch	1,120	2.53%
367	Kansas State University	XL Asset Funding Co.	19,303	81.34%
367	Kansas State University	MBIA	2,774	11.69%
367	Kansas State University	JP Morgan Chase	932	3.93%
367	Kansas State University	Bayerische	723	3.04%
379	Emporia State University	Trinity Plus	227	37.20%
379	Emporia State University	Bayerische	159	25.95%
379	Emporia State University	FSA Capital Mgmt. Serv.	225	36.85%
385	Pittsburg State University	AIG	1,792	89.71%
385	Pittsburg State University	Trinity Plus	206	10.29%
521	Dept. of Corrections	AIG	1,574	100.00%
682	University of Kansas	Bayerische	2,042	42.65%
682	University of Kansas	FSA Capital Mgmt. Serv.	1,872	39.09%
682	University of Kansas	Natixis	445	9.30%

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

<b>Agency No.</b>	<b>Agency Name</b>	<b>Investment Provider</b>	<b>Fair Value</b>	<b>Percent of Total for Agency</b>
682	University of Kansas	Trinity Plus	429	8.96%
683	University of KS Medical Ctr.	Natixis Funding Corp.	463	66.70%
683	University of KS Medical Ctr.	Societe Generale	232	33.30%
715	Wichita State University	MBIA	962	63.40%
715	Wichita State University	AIG	555	36.60%
<b>Total</b>			<b>\$ 216,789</b>	

**Component Unit-Universities**

The following table summarizes the State University System's cash and investments at June 30, 2007 (expressed in thousands):

	<u>Fair Value</u>
U.S. Government obligations	\$ 349
Kansas banks	2,706
Invested with PMIB	6,434
Invested with KDFA	33,812
Imprest funds	98
Cash held with the State Treasurer	340,561
Cash and other investments	<u>2,289,489</u>
Total cash and investments	<u>\$ 2,673,449</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.

---

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

---

#### **Kansas Public Employees Retirement System 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 the Retirement System's 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 the Retirement System.
- 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.
- Limits the allocation of private placements and other alternative (non-publicly traded) investments to five percent of the total investment assets of the fund, but if market forces increase allocation above the five percent limitation, it does not require the sale of such investments held unless the sale is in the best interest of members.
- 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.

The Retirement System's 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 15 investment management firms and a master global custodian. Presently, the Retirement System 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 futures contracts is minimal. At June 30, 2007, the Retirement System had futures contracts with market exposure of approximately \$2.0 million. Cash equivalents and short-term investments in amounts necessary to settle the economic

---

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

---

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

The Retirement System's Statement of Investment Policy authorizes participation in a securities lending program administered by the master global custodian, Mellon Trust. The System receives income from the loan of the securities, in addition to the income, which accrues to the System 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 the Retirement System's name in a dedicated short-term investment fund consisting of investment grade debt securities. The System does not have the ability to pledge or sell collateral securities without a borrower default. At June 30, 2007, the maturities of securities in this dedicated bond portfolio are as follows: 47 percent of the fair value of the securities mature within 30 days; 16 percent mature between 31 and 180 days; and 37 percent mature after 180 days.

The custodian provides for full indemnification to the Retirement System for any losses that might occur in the event of borrower default. Therefore, the Retirement System does not incur any credit risk as it relates to this activity. 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, 2006, and June 30, 2007, were \$2.2 billion and \$2.5 billion respectively. Collateral held by the Retirement System for June 30, 2006, and June 30, 2007, was \$2.3 billion and \$2.6 billion respectively. Net income produced from securities lending activities for fiscal year 2006 was \$4.6 million and for fiscal year 2007 was \$4.1 million.

The Retirement System's 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. The Retirement System also contracts with a currency overlay manager to manage the currency exposure to the System's passive international equity portfolio. Currency risk arises due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counterparties. The Retirement System 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 the Retirement System. As of June 30, 2007, the System had sold forward currency contracts with a fair value of \$3.4 billion and had bought forward currency contracts with a fair value of \$3.4 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.

The Retirement System 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 the Retirement System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations.

The Retirement System 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, 2007, the Retirement System had invested in TIPS with a fair value of approximately \$1.2 billion.

*Custodial Credit Risk* - is when in the event a financial institution or counterparty fails, the System 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%) of the System's investments are held in the System's name and are not subject to creditors of the custodial bank.

---

### III. Detailed Notes On All Funds

---

Concentration Risk – The System has investments in Federal National Mortgage Association issued securities that represent 5.3 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 five percent or more of System assets other than the U.S. Government.

Currency Risk – is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Retirement System's investments at June 30, 2007, were distributed among the following currencies (expressed in thousands):

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

	<u>USD Equivalent</u>	<u>Currency</u>	<u>Percent</u>
\$	194,587	Australian Dollar	1.14%
	5,764	Bermudian Dollar	0.03%
	56,386	Brazil Real	0.33%
	535,252	British Pound Sterling	3.11%
	177,699	Canadian Dollar	1.04%
	1,891	Chilean Peso	0.01%
	6,057	Chinese Yuan Renminbi	0.04%
	4,095	Colombian Peso	0.02%
	2,653	Czech Koruna	0.02%
	13,547	Danish Krone	0.08%
	1,758	Egyptian Pound	0.01%
	1,370,441	Euro Currency Unit	8.00%
	118,796	Hong Kong Dollar	0.69%
	4,739	Hungarian Forint	0.03%
	3,106	Iceland Krona	0.02%
	8,550	Indian Rupee	0.05%
	15,074	Indonesian Rupian	0.09%
	5,670	Israeli Shekel	0.03%
	820,668	Japanese Yen	4.79%
	14,291	Malaysian Ringgit	0.08%
	53,245	Mexican New Peso	0.31%
	6,264	Moroccan Dirham	0.04%
	31,717	New Turkish Lira	0.19%
	4,429	New Zealand Dollar	0.03%
	28,237	Norwegian Krone	0.16%
	8,876	Philippines Peso	0.05%
	15,401	Polish Zloty	0.09%
	25,189	Russian Rubel	0.15%
	39,763	S African Comm Rand	0.23%
	39,214	Singapore Dollar	0.23%
	106,260	South Korean Won	0.62%
	87,404	Swedish Krona	0.50%
	218,445	Swiss Franc	1.27%
	80,093	New Taiwan Dollar	0.47%
	6,009	Thailand Baht	0.04%
	1,044	Uruguayan Peso	0.01%
	4,154	Other currencies	0.02%
	<u>13,019,847</u>	U.S. Dollar *	<u>75.98%</u>
\$	<u><u>17,136,615</u></u>		<u><u>100.00%</u></u>

\* Includes securities lending collateral of \$2,418,559

The System's asset allocation and investment policies include active and passive investments in international securities as shown above. KPERS' target allocation is to have 18 percent of assets (excluding securities lending collateral) in dedicated international equities. The System also has 8 percent of assets targeted to global equities which are expected to

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

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. The System 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, 2007, the System's total foreign currency exposure was 20.4 percent hedged.

Credit Risk – is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Retirement System's 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. System assets as of June 30, 2007, subject to credit risk are shown with current credit ratings below (expressed in thousands).

Quality Rating	Commercial Paper	Corporate	Agency	U.S. Government	Securities Lending Collateral	Total
NR	\$ 267,259	\$233,489	\$ 0	\$ 0	\$ 476,199	\$ 976,947
AAA	0	655,621	1,121,757	1,449,033	257,000	3,483,411
AA	288,779	164,598	0	0	1,525,976	1,979,353
A	833	244,362	0	0	159,384	404,579
BAA	0	355,395	0	0	0	355,395
BA	0	81,446	0	0	0	81,446
B	0	77,194	0	0	0	77,194
CAA	0	30,879	0	0	0	30,879
CA	0	652	0	0	0	652
Total	<u>\$556,871</u>	<u>\$1,843,636</u>	<u>\$1,121,757</u>	<u>\$1,449,033</u>	<u>\$2,418,559</u>	<u>\$7,389,856</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 agreements.

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 System assets as above are also subject to interest rate risk. These are shown below grouped by effective duration ranges (expressed in thousands).

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

Effective Duration	Commercial Paper	Corporate	Agency	U.S. Government	Securities Lending Collateral	Total
0-1 yr	\$556,871	\$905,279	\$218,274	\$55,431	\$2,358,273	\$4,094,128
1-3 yrs	0	482,946	63,506	52,044	60,286	658,782
3-5 yrs	0	139,952	399,458	70,674	0	610,084
5-10 yrs	0	187,626	440,519	75,241	0	703,386
10-15 yrs	0	127,833	0	1,195,643	0	1,323,476
<b>Total</b>	<b>\$556,871</b>	<b>\$1,843,636</b>	<b>\$1,121,757</b>	<b>\$1,449,033</b>	<b>\$2,418,559</b>	<b>\$7,389,856</b>

Treasury Inflation Protected Securities comprise 95 percent of the U.S. Gov, 10-15 yrs group. Total TIPS for all duration ranges were valued at \$1.2 billion at June 30, 2007. Securities lending collateral policy limits the maximum average portfolio maturity of 90 days and 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 of Kansas are participants in the pool. At June 30, 2007, the State's participation in the Pool was \$4.7 million. Deposits in the MIP are combined with State moneys to form the Pooled Money Investment Portfolio (PMIB). Investments subject to categorization of the PMIP are all category 1. As of March 15, 2004, the Pooled Money Investment Portfolio was rated AAAf/S-1+ by Standard & Poor's.

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, 2007, for the State's primary government and component units net of the applicable allowances for uncollectible accounts, are as follows (expressed in thousands).

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Taxes receivable	\$ 345,297	\$ 0	\$ 345,297	\$ 0
Loan receivable	0	700,616	700,616	28,451
Accrued interest	720	12,989	13,709	4,340
Other receivables	431,130	88,636	519,766	243,241
<b>Total</b>	<b>\$ 777,147</b>	<b>\$ 802,241</b>	<b>\$ 1,579,388</b>	<b>\$ 276,032</b>

Taxes receivable are shown net of allowances for uncollectible taxes of \$315.1 million and net of estimated individual and corporate refunds of \$207.9 million.

---

### III. Detailed Notes On All Funds

---

#### E. Investment in Direct Financing Leases

##### Component Units

The Kansas Development Finance Authority issues revenue bonds to facilitate construction of certain capital projects for various State agencies and other public and private entities. K DFA's interests in the projects have been assigned to various State government units through the use of financing revenue 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 K DFA are pledged to pay bond debt service. Amounts are actually paid by the State agencies directly to the bond paying agents for the revenue bonds.

Net investment in direct financing obligations as of June 30, 2007, are as follows (expressed in thousands):

Total minimum lease payments to be received	\$ 326,370
Less: unearned income	<u>(93,180)</u>
Net investment in direct financing leases	<u>\$ 233,190</u>

The future minimum loan payments to be received by K DFA under the direct financing agreements mirror the payments to be made by K DFA 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.

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 \$377.9 million from the Kansas University Endowment. Restrictions as of June 30, 2007, from the State's primary government and component units are as follows (expressed in thousands).

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

**III. Detailed Notes On All Funds**

**Primary Government**

	Governmental Activities	Business- Type Activities	Total
Invested in capital assets, net of related debt	\$ 9,538,694	\$ 256	\$ 9,538,950
Restricted for debt service	93,923	30,977	124,900
Restricted for other purposes	0	1,056,481	1,056,481
Unrestricted	331,906	6,768	338,674
Total	<u>\$ 9,964,523</u>	<u>\$ 1,094,482</u>	<u>\$ 11,059,005</u>

**Component Units**

**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	\$ 23	\$ 109	\$ 367	\$ 95	1,023,410	\$ 1,024,004
Restricted for capital projects	0	0	0	0	39,850	39,850
Restricted for debt service	0	0	0	0	22,920	22,920
Restricted for other purposes	0	1,438	2,249	0	994,425	998,112
Unrestricted	5,708	13,539	9,818	47,653	1,401,619	1,478,337
Total	<u>\$ 5,731</u>	<u>\$ 15,086</u>	<u>\$ 12,434</u>	<u>\$ 47,748</u>	<u>3,482,224</u>	<u>\$ 3,563,223</u>

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

**G. Capital Assets**

Primary Government

(expressed in thousands)

	Beginning Balance	Increases		Decreases	Ending Balance
<i>Governmental activities</i>					
Capital assets, not being depreciated:					
Land	\$ 167,416	\$ 8,007	\$ 20	\$ 175,403	
Land improvements	80,511	2,818	4	83,325	
Construction in progress	887,584	272,459	323,866	836,177	
Infrastructure (including construction in progress)	8,743,979	517,595	98,565	9,163,009	
Total capital assets, not being depreciated	9,879,490	800,879	422,455	10,257,914	
Capital assets, being depreciated:					
Buildings and improvements	1,083,214	48,013	943	1,130,284	
Equipment and furnishings	431,570	47,376	26,970	451,976	
Vehicles	63,840	9,122	6,451	66,511	
Water rights	27,273	0	0	27,273	
Totals	1,605,897	104,511	34,364	1,676,044	
Less accumulated depreciation for:					
Buildings and improvements	310,897	28,629	694	338,832	
Equipment and furnishings	214,483	33,834	23,626	224,691	
Vehicles	38,969	9,980	6,451	42,498	
Water rights	12,818	601	0	13,419	
Totals	577,167	73,044	30,771	619,440	
Total capital assets, being depreciated, net	1,028,730	31,467	3,593	1,056,604	
Governmental activity capital assets, net	\$ 10,908,220	\$ 832,346	\$ 426,048	\$ 11,314,518	
<i>Business-type activities</i>					
Capital assets, being depreciated:					
Equipment and furnishings	\$ 4,391	\$ 118	\$ 175	\$ 4,334	
Less accumulated depreciation for:					
Equipment and furnishings	4,000	142	64	4,078	
Business-type activity capital assets, net	\$ 391	\$ (24)	\$ 111	\$ 256	

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

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

*Governmental activities*

General government	\$ 12,452
Human resources	8,209
Education	1,572
Public safety	23,128
Agriculture and natural resources	4,136
Highways and other transportation	22,240
Health and environment	1,307
Total depreciation expense – Government activities	<u>\$ 73,044</u>

*Business-type activities*

Health care stabilization	\$ 1
Lottery	141
Total depreciation expense – Business-type activities	<u>\$ 142</u>

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

Component Units	(expressed in thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Kansas Development Finance Authority</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 170	\$ 10	\$ 7	\$ 173
Buildings and improvements	108	0	0	108
Less accumulated depreciation	225	40	7	258
Total capital assets, being depreciated, net	\$ 53	\$ (30)	\$ 0	\$ 23
<i>Kansas Technology Enterprise Corporation</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 1,346	\$ 0	\$ 394	\$ 952
Less accumulated depreciation	1,202	71	430	843
Total capital assets, being depreciated, net	\$ 144	\$ 71	\$ (36)	\$ 109
<i>Kansas Housing Resources Corporation</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 312	\$ 171	\$ 0	\$ 483
Vehicles	12	0	0	12
Building improvements	49	0	0	49
Less accumulated depreciation	124	53	0	177
Total capital assets, being depreciated, net	\$ 249	\$ 118	\$ 0	\$ 367
<i>Kansas Bioscience Authority</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 0	\$ 99	\$ 0	\$ 99
Building improvements	0	6	0	6
Less accumulated depreciation	0	10	0	10
Total capital assets, being depreciated, net	\$ 0	\$ 95	\$ 0	\$ 95
<i>University System</i>				
Capital assets, not being depreciated:				
Land	\$ 33,964	\$ 1,852	\$ 202	\$ 35,614
Land improvements	33,210	1,775	260	34,725
Construction in progress	175,168	127,452	226,991	75,629
Total capital assets, not being depreciated	242,342	131,079	227,453	145,968
Capital assets, being depreciated:				
Buildings and improvements	1,818,022	271,717	6,643	2,083,096
Equipment and furnishings	405,150	44,886	19,109	430,927
Vehicles	38,800	5,292	1,710	42,382
Total capital assets, being depreciated	2,261,972	321,895	27,462	2,556,405
Less accumulated depreciation for:				
Building and improvements	793,216	56,503	3,142	846,578
Equipment and furnishings	254,480	35,482	15,702	274,261
Vehicles	34,968	1,991	1,643	35,316
Totals	1,082,664	93,976	20,487	1,156,153
Total capital assets, being depreciated, net	1,179,308	227,919	6,975	1,400,252
University capital assets, net	\$ 1,421,650	\$ 358,998	\$ 234,428	\$ 1,546,220

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

***Construction Commitments***

The State has active construction projects as of June 30, 2007. 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 Transportation -</b>			
Various Roadway Projects (over 3,000 projects)	\$ 0	\$ 909,800	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>Department of Social and Rehabilitation Services</b>			
State Hospitals Rehabilitation & Repair	35,000	0	Bonds
<b>Department of Administration -</b>			
Statehouse restoration and renovation and underground parking garage	103,908	47,319	Lease Revenue Bonds secured by lease rents
Docking Building Cooling Tower Replacement	2,127	362	State General Fund
<b>Department of Wildlife and Parks -</b>			
Prairie Spirit Trail Development	1,092	722	State and Federal fund
Cheyenne Bottoms Visitor Center	414	2,524	State fund, Federal fund, gifts and donations
Milford Hatchery Improvements	64	900	State fund
<b>Adjutant General's Department -</b>			
Wichita South Armory	1,157	11	State bond funds and federal funds
Pittsburg State University/Pittsburg Readiness Ctr	2,766	3,709	State bond funds and federal funds
Readiness Center Additions/Alteration - Topeka Armory	2,586	100	Federal funds
<b>Osawatomic State Hospital</b>			
Adair Complex Project	5,554	948	State capital improvement funds
East Biddle Renovation	0	2,700	State capital improvement funds
<b>School for the Deaf -</b>			
Dormitory Renovation to Meet Fire Code Requirements and Life Safety Issues	1,764	0	Line of Credit – Master Lease Program
<b>Component Units</b>			
<b>Fort Hays State University -</b>			
Memorial Union Renovation	5,787	713	Bonds
<b>Kansas State University -</b>			
Jardine Apartments Housing Project	45,255	27,030	Bonds
Parking Garage	641	16,359	Bonds
<b>Emporia State University -</b>			
Twin Towers	8,055	258	State funds
Physical Ed Building Roof	36	364	State funds
<b>Pittsburg State University -</b>			
Kansas Polymer Research Center	5,020	712	Bonds (2005D Scientific Research and Development Facilities) and private gifts

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

**III. Detailed Notes On All Funds**

Kansas Army National Guard Readiness Center	3,749	5,646	Bonds, education building funds, general fees fund, student fees fund/private gifts and federal grant – KS Army National Guard
<b>University of Kansas -</b>			
Multicultural Resource Center and Kansas Union Expansion	3,149	2,141	Restricted fees, private donations and KU Union funds
Student Recreation Center Expansion	635	5,665	Revenue Bonds secured by pledged revenue from KU Athletics
KLETC Capital Improvement Project	314	16,108	Revenue Bonds secured by KLETC Docket fees (Bonds will be issued in Fall 2007)
<b>University of Kansas Medical Center -</b>			
Parking Garage No. 3	11,723	20	Bonds, gifts and parking revenues
Miscellanies	2,779	Unknown	University funds
<b>Wichita State University -</b>			
Engineering Research Lab Building.	9,697	1,946	Bonds and private funds
Total	<u>\$ 253,272</u>	<u>\$ 1,046,057</u>	

**H. 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, 2007, is as follows (expressed in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 9,750	\$ 46,145
Social and Rehabilitation Fund	0	188
Transportation Fund	30,896	0
Non-major Governmental Funds	17,918	4,775
Non-major Enterprise Funds	0	5,750
Internal Service Funds	0	1,706
Fiduciary Funds	5,750	5,750
Total	<u>\$ 64,314</u>	<u>\$ 64,314</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, 2007, were as follows (expressed in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 0	\$ 140,603
Social and Rehabilitation Fund	80	2,160
Transportation Fund	61,794	0
Non-major Governmental Funds	82,468	2,802
Health Care Stabilization Fund	1	0
Non-major Enterprise Funds	4,000	0
Internal Service Funds	30	2,808
Total	<u>\$ 148,373</u>	<u>\$ 148,373</u>

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

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	\$ 0	\$ 70,385
Social and Rehabilitation	410,471	0
Transportation	0	227,991
Health Policy Authority	0	683,601
Non-Major Governmental	609,606	0
Unemployment Insurance	0	2,895
Health Care Stabilization	3,032	0
Non-Major Enterprise	0	70,018
Internal Service Fund	0	5,049
Fiduciary Funds	36,830	0
Totals	<u>\$1,059,939</u>	<u>\$1,059,939</u>

**I. Short-term Obligations**

Short-term obligations at June 30, 2007, and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/06 Beginning Balance	Additions	Deletions	6/30/07 Ending Balance
<i>Governmental Activities</i>				
Certificates of Indebtedness	\$ 0	\$ 200,000	\$ 200,000	\$ 0
Accrued receivables:				
State Building Fund	0	38,333	38,333	0
Children's Initiatives Fund	0	23,311	23,311	0
Correctional Institution Building Fund	0	3,994	3,994	0
State Economic Development	0	21,216	21,216	0
Kansas Endowment for Youth Fund	0	200	200	0
27 <sup>th</sup> Paycheck	0	27,556	27,556	0
Bond Anticipation Notes:				
K DFA Series 2007-1, 5.80%	0	3,000	0	3,000
Total short-term obligations	<u>\$ 0</u>	<u>\$ 317,610</u>	<u>\$ 314,610</u>	<u>\$ 3,000</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. A Certificate of Indebtedness of \$200 million was issued on December 14, 2006 and redeemed on June 30, 2007.

---

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

---

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 2007, \$25.5 million was posted to the Kansas Educational Building Fund and \$12.8 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in June 2007.

Per Senate Bill 480, Section 76(g) of the 2006 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 2007 a receivable was posted for \$23.3 million and was reduced to zero in April 2007.

Per Senate Bill 480, Section 76(i) of the 2006 Session, on July 1, 2006, 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 2007, a receivable was posted for \$4 million and was reduced to zero in March, 2007.

Per Senate Bill 480, Section 76(h) of the 2006 Session, on July 1, 2006, 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 2007, a receivable was posted for \$21.2 million and was reduced to zero in December 2006.

Per Senate Bill 480, Section 76(j) of the 2006 Session, on July 1, 2006, 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 2007, a receivable was posted for \$.2 million and was reduced to zero in March 2007.

Per Senate Bill 480, Section 76(p), on July 1, 2006, receivables are to be posted to the State Treasurer's receivables for the 27<sup>th</sup> Payroll in the amount of \$27.6 million. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2007, a receivable was posted for \$27.6 million and was reduced to zero in June 2007.

The Kansas Development Finance Authority is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the K DFA 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 \$3 million K DFA Bond Anticipation Note, Series 2007-1, was issued to fund a capital improvement project for the Kansas Army National Guard Armory. The loan was provided by the Pooled Money Investment Board for a term of 365 days (due February 1, 2008) at an interest rate of 5.80%.

State of Kansas  
Notes to the Financial Statements  
June 30, 2007

**III. Detailed Notes On All Funds**

**J. Long-term Obligations**

A summary of long-term obligations at June 30, 2007, for the fiscal year then ended is as follows (expressed in thousands):

	Government Activities	Business-type Activities	Component Units	Total
Revenue bonds payable	\$ 2,740,099	\$ 714,857	\$ 684,398	\$ 4,139,354
Sales tax limited obligation bonds	218,420	0	0	218,420
Notes payable	18,278	0	120,443	138,721
Capital leases payable	145,366	0	16,143	161,509
Arbitrage rebate payable	97	1,340	69	1,506
Claims and judgements	61,593	180,801	0	242,394
Compensated absences	118,796	59	52,503	171,358
Other	0	13,730	127,836	141,566
Total long-term obligations	<u>\$ 3,302,649</u>	<u>\$ 910,787</u>	<u>\$ 1,001,392</u>	<u>\$ 5,214,828</u>

Long-term obligations at June 30, 2007, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/06 Beginning Balance	Additions	Deletions	6/30/07 Ending Balance	Amounts Due In One Year
<b>Governmental Activities</b>									
<u>Revenue bonds payable:</u>									
KDFA Series 1998 V	1999	4.25 – 5.00%	2008	\$ 11,195	\$ 2,940	\$ 0	\$ 1,435	\$ 1,505	\$ 1,505
KDFA Series 1999 E	1999	4.00 – 5.00%	2009	34,470	11,710	0	3,745	7,965	3,900
KDFA Series 2001 M	2002	3.50 – 5.00%	2011	32,390	18,840	0	3,435	15,405	3,575
KDFA Series 2003 H	2004	1.41 – 5.21%	2014	40,250	33,325	0	3,585	29,740	3,710
KDFA Series 2004 A	2004	2.00 – 5.00%	2024	44,920	41,845	0	1,640	40,205	1,680
KDFA Series 2004 C	2004	3.43 – 5.50%	2034	500,000	500,000	0	0	500,000	0
KDFA Series 2004 G-1 & G-2	2005	2.50 – 5.13%	2024	1,545	1,115	0	265	850	270
KDFA Series 2005 H	2006	3.25 – 5.00%	2032	88,175	87,795	0	2,915	84,880	3,010
KDFA Series 2005 N	2006	3.50 – 4.00%	2015	28,165	25,260	0	2,420	22,840	2,500
KDFA Series 2006 A	2006	4.00 – 5.00%	2027	209,490	209,490	0	0	209,490	6,735
KDFA Series 2006 L	2007	4.00 – 4.25%	2026	8,995	0	8,995	0	8,995	465
KDFA Series 2007 F	2007	4.00 – 4.97%	2017	34,505	0	34,505	0	34,505	2,590
KDOT Series 1993 A	1993	2.65 – 5.63%	2008	147,405	19,080	0	11,920	7,160	7,160
KDOT Series 1998	1998	3.65 – 5.50%	2015	189,195	90,850	0	15,845	75,005	16,740
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	128,725	0	25,255	103,470	26,430
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	0	88,110	0
KDOT Series 2003 A & B	2004	3.13 – 5.00%	2014	248,190	248,190	0	0	248,190	0
KDOT Series 2003 C	2004	3.36%	2016	150,275	150,275	0	0	150,275	0
KDOT Series 2004 A	2004	4.50 – 5.50%	2023	250,000	250,000	0	0	250,000	0
KDOT Series 2004 B	2005	Variable	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
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	43,955	1,789	5,946	39,798	0
Unamortized deferred refunding difference				0	(53,561)	0	(8,267)	(45,294)	0
Total revenue bonds payable				<u>3,173,880</u>	<u>2,764,949</u>	<u>45,289</u>	<u>70,139</u>	<u>2,740,099</u>	<u>80,270</u>
<u>Sales tax limited obligation bonds:</u>									
1999 KISC	1999	4.20 – 5.25%	2027	17,496	17,496	0	182	17,314	197
2001 Project Area B	2001	4.00 – 5.10%	2020	20,639	17,543	0	281	17,262	493
2002 Subordinate KISC	2002	5.00 – 8.00%	2022	4,550	3,074	0	371	2,703	385
400 Acres Refunding	2005	3.25 – 5.54%	2020	3,931	3,931	0	72	3,859	94
1 <sup>st</sup> Lien 2005A Turbo	2006	4.67%	2008	16,708	16,290	0	12,996	3,294	3,294
1 <sup>st</sup> Lien 2005B Turbo	2006	3.75%	2012	36,281	36,281	0	0	36,281	0
1 <sup>st</sup> Lien 2005C Turbo	2006	3.85%	2013	12,409	12,409	0	0	12,409	0
2 <sup>nd</sup> Lien 2005 Turbo	2006	4.75 – 5.00%	2020	125,298	125,298	0	0	125,298	0
Total sales tax limited obligation bonds				<u>237,312</u>	<u>232,322</u>	<u>0</u>	<u>13,902</u>	<u>218,420</u>	<u>4,463</u>
<u>Notes payable:</u>									
Water supply storage assurance				1,972	232	0	232	0	0
Water supply storage in Federal reservoirs				27,418	17,989	0	439	17,550	563
Landon State Office Building				11,245	563	0	563	0	0
Wildlife & Parks – Tuttle Creek				1,264	764	0	764	0	0
Printing plant				3,857	900	0	172	728	171
Total notes payable				<u>45,756</u>	<u>20,448</u>	<u>0</u>	<u>2,170</u>	<u>18,278</u>	<u>734</u>
Capital leases payable					152,483	5,899	13,016	145,366	11,315
Arbitrage rebate payable					93	5	1	97	0
Claims and judgments					68,033	200,487	206,927	61,593	33,993
Compensated absences					109,214	9,582	0	118,796	57,316
Total Governmental Activities				<u>\$ 3,347,542</u>	<u>\$ 261,262</u>	<u>\$ 306,155</u>	<u>\$ 3,302,649</u>	<u>\$ 188,091</u>	

State of Kansas  
Notes to the Financial Statements  
June 30, 2007

**III. Detailed Notes On All Funds**

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/06 Beginning Balance	Additions	Deletions	6/30/07 Ending Balance	Amounts Due In One Year
<b>Business-type Activities</b>									
<u>Revenue bonds payable:</u>									
KDFA Series 1997 I & 2	1998	4.13 - 5.00%	2020	\$ 45,420	\$ 14,670	\$ 0	\$ 1,845	\$ 12,825	\$ 0
KDFA Series 1997 I & II	1997	4.10 - 5.60%	2017	39,260	1,845	0	1,845	0	0
KDFA Series 1998 I & 2	1999	3.88 - 5.25%	2021	39,690	16,265	0	1,540	14,725	1,620
KDFA Series 1998 II	1998	3.75 - 5.25%	2020	80,500	38,240	0	2,725	35,515	2,875
KDFA Series 2000 I & II	2000	4.60 - 6.13%	2022	82,915	18,205	0	2,995	15,210	3,450
KDFA Series 2000 I & 2	2000	4.75 - 5.75%	2023	53,500	23,110	0	1,850	21,260	1,945
KDFA Series 2001 I & II	2002	3.00 - 5.50%	2022	141,045	128,920	0	3,095	125,825	4,835
KDFA Series 2002 I & 2	2002	4.00 - 5.50%	2024	51,805	28,215	0	1,735	26,480	1,800
KDFA Series 2002 II	2003	2.26 - 5.50%	2024	101,575	67,795	0	4,700	63,095	4,875
KDFA Series 2004 I & II	2004	2.00 - 5.25%	2023	50,140	48,140	0	1,000	47,140	1,000
KDFA Series 2004 I & 2	2005	3.00 - 5.00%	2026	176,010	175,630	0	3,170	172,460	5,150
KDFA Series 2005 CW	2005	3.00 - 5.00%	2027	118,860	116,955	0	3,140	113,815	4,820
KDFA Series 2005 TR	2006	3.00 - 5.00%	2026	32,690	32,690	0	200	32,490	2,000
KDFA Series 2006 TR	2007	4.00 - 5.00%	2027	0	24,755	24,755	0	24,755	1,450
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	31,028	570	3,284	28,314	0
Unamortized deferred refunding difference				0	(20,730)	0	(1,678)	(19,052)	0
Total revenue bonds payable				1,038,165	720,978	25,325	31,446	714,857	35,820
Arbitrage rebate payable					963	626	249	1,340	353
Claims and judgments					186,871	230	6,300	180,801	12,038
Compensated absences					47	12	0	59	49
Other					12,961	769	0	13,730	0
Total Business-type Activities				\$ 921,820	\$ 26,962	\$ 37,995	\$ 910,787	\$ 48,260	
<b>Component Units</b>									
<u>Revenue bonds payable:</u>									
Board of Regents Series 1969	1970	3.00 - 7.13%	2009	\$ 1,100	\$ 125	\$ 0	\$ 45	\$ 80	\$ 50
KDFA Series 1989 E	1990	6.00 - 7.25%	2010	1,401	462	27	131	358	128
KDFA Series 1993 L	1994	3.40 - 5.15%	2009	3,975	540	0	45	495	50
KDFA Series 1995 E	1996	4.10 - 5.20%	2007	2,734	25	0	25	0	0
KDFA Series 1995 K	1996	3.75 - 5.40%	2016	3,835	2,560	0	170	2,390	180
KDFA Series 1996 A	1996	4.00 - 5.20%	2008	5,105	330	0	175	155	155
KDFA Series 1996 J	1997	3.85 - 5.40%	2010	5,600	845	0	345	500	255
KDFA Series 1997 C	1997	4.70 - 5.30%	2011	3,255	1,375	0	260	1,115	275
KDFA Series 1997 G-1 & G-2	1998	3.75 - 5.50%	2012	69,126	14,962	49	7,000	8,011	7,000
KDFA Series 1998 B	1998	3.90 - 5.00%	2018	9,320	6,865	0	375	6,490	390
KDFA Series 1998 D	1998	3.70 - 5.05%	2023	4,290	3,470	0	120	3,350	120
KDFA Series 1998 E	1999	3.40 - 4.90%	2024	4,750	4,105	0	125	3,980	130
KDFA Series 1998 H	1998	3.75 - 4.80%	2013	2,320	1,375	0	140	1,235	150
KDFA Series 1998 L	1999	3.80 - 5.00%	2019	5,590	4,225	0	235	3,990	250
KDFA Series 1998 P	1999	3.00 - 4.85%	2019	3,650	2,845	0	140	2,705	145
KDFA Series 1999 A-1 & A-2	1999	3.20 - 5.00%	2012	28,210	16,190	0	3,330	12,860	3,480
KDFA Series 1999 B	1999	3.60 - 5.00%	2019	2,920	2,295	0	120	2,175	125
KDFA Series 1999 C	1999	4.00 - 5.10%	2019	3,085	2,435	0	125	2,310	130
KDFA Series 1999 D	1999	4.00 - 4.75%	2014	11,170	5,610	0	400	5,210	150
KDFA Series 1999 H	2000	3.75 - 5.63%	2020	17,830	4,430	0	650	3,780	690
KDFA Series 1999 N	2000	4.00 - 5.13%	2010	21,645	1,305	0	300	1,005	320
KDFA Series 2000 B	2000	4.70 - 5.90%	2015	5,705	4,095	0	315	3,780	335
KDFA Series 2000 D	2001	4.60 - 5.60%	2015	1,735	1,235	0	95	1,140	100
KDFA Series 2000 V	2001	4.35 - 5.00%	2011	16,370	5,150	0	1,050	4,100	1,025
KDFA Series 2001 B	2001	3.65 - 5.20%	2021	2,805	2,330	0	110	2,220	115
KDFA Series 2001 D	2001	4.25 - 5.25%	2021	48,895	40,910	0	1,885	39,025	1,975
KDFA Series 2001 F	2001	3.30 - 5.50%	2012	29,905	18,840	0	3,050	15,790	3,215
KDFA Series 2001 J	2002	3.50 - 4.30%	2013	5,300	3,225	0	475	2,750	485
KDFA Series 2001 N	2001	4.25 - 5.25%	2014	11,640	6,620	0	1,135	5,485	1,575
KDFA Series 2001 S	2002	4.13 - 5.50%	2021	18,955	14,215	0	1,190	13,025	1,215
KDFA Series 2001 U	2002	3.10 - 5.00%	2021	10,295	7,935	0	575	7,360	595
KDFA Series 2001W	2002	3.00 - 5.00%	2022	47,855	42,575	0	1,705	40,870	1,855
KDFA Series 2002 A	2002	3.50 - 5.00%	2027	26,560	22,595	0	1,150	21,445	1,190
KDFA Series 2002 C	2002	3.00 - 5.00%	2022	15,830	14,045	0	630	13,415	650
KDFA Series 2002 H	2003	2.50 - 4.70%	2022	3,765	3,180	0	150	3,030	155
KDFA Series 2002 J-1 & J-2	2003	3.39 - 3.58%	2035	33,355	32,050	0	790	31,260	820
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	47,450	0	1,905	45,545	1,985
KDFA Series 2002 P	2003	3.00 - 5.00%	2021	12,150	10,755	0	490	10,265	510
KDFA Series 2003 A-1 & A-2	2003	1.80 - 5.50%	2023	2,610	2,355	0	100	2,255	100
KDFA Series 2003 C	2003	4.67 - 5.00%	2033	72,670	68,280	0	1,585	66,695	1,660
KDFA Series 2003 D-1 & D-2	2003	2.00 - 4.70%	2028	6,470	5,875	0	210	5,665	215
KDFA Series 2003 J	2004	2.00 - 5.25%	2025	34,100	31,695	0	1,045	30,650	1,095
KDFA Series 2004 D	2005	3.00 - 4.75%	2020	1,195	1,195	0	0	1,195	55
KDFA Series 2004 F	2005	2.00 - 5.25%	2012	44,860	44,030	0	1,400	42,630	1,830
KDFA Series 2004 G-1 & G-2	2005	2.50 - 5.13%	2024	19,795	18,125	0	740	17,385	750
KDFA Series 2005 A	2005	3.00 - 5.00%	2035	44,535	44,535	0	840	43,695	865
KDFA Series 2005 D	2005	3.79 - 5.18%	2022	66,530	65,530	0	6,820	58,710	4,630
KDFA Series 2005 E-1 & E-2	2005	3.00 - 5.00%	2030	19,360	19,360	0	400	18,960	515
KDFA Series 2005 F	2006	3.25 - 4.40%	2026	8,930	8,930	0	0	8,930	0
KDFA Series 2005 G	2006	3.30 - 4.60%	2026	7,790	7,790	0	0	7,790	285
KDFA Series 2006 B	2006	3.50 - 4.13%	2021	9,790	9,790	0	0	9,790	0
KDFA Series 2006 L	2007	4.00 - 4.25%	2026	4,215	0	4,215	0	4,215	150
KDFA Series 2007 A	2007	3.75 - 4.39%	2037	27,750	0	27,750	0	27,750	385
KDFA Series 2007 E	2007	3.75 - 4.30%	2027	6,275	0	6,275	0	6,275	200

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/06 Beginning Balance	Additions	Deletions	6/30/07 Ending Balance	Amounts Due In One Year
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	5,116	(375)	707	4,034	0
Unamortized Deferred Refunding Difference				0	(52)	0	(7)	(45)	0
Total Revenue Bonds Payable				<u>936,101</u>	<u>691,253</u>	<u>37,941</u>	<u>44,796</u>	<u>684,398</u>	<u>44,708</u>
<u>Notes payable:</u>									
KSU Grain Science Center				3,875	2,350	0	1,000	1,350	1,350
KSU line of credit – oracle project				2,590	668	0	668	0	0
Component units of university system				182,707	106,765	16,637	4,309	119,093	7,564
Total notes payable				<u>189,172</u>	<u>109,783</u>	<u>16,637</u>	<u>5,977</u>	<u>120,443</u>	<u>8,914</u>
Arbitrage rebate payable					80	43	54	69	0
Capital leases					17,082	6	945	16,143	1,124
Compensated absences					49,655	2,848	0	52,503	44,454
Other					104,556	27,589	4,309	127,836	4,972
Total Component Units					<u>\$ 972,409</u>	<u>\$ 85,064</u>	<u>\$ 56,081</u>	<u>\$ 1,001,392</u>	<u>\$ 104,172</u>

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

The following table presents annual debt service requirements for those long-term debts outstanding at June 30, 2007, which have scheduled debt service amounts (expressed in thousands):

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
<u>Revenue bonds:</u>						
2008	\$ 80,270	\$ 122,562	\$ 35,820	\$ 33,962	\$ 44,708	\$ 30,869
2009	92,915	118,796	38,565	32,356	44,839	28,775
2010	137,205	113,535	40,460	30,663	46,176	26,770
2011	143,370	107,213	42,635	28,737	47,430	24,674
2012	146,685	100,584	43,940	26,745	47,211	22,583
2013-2017	631,625	410,876	228,755	99,973	155,915	89,512
2018-2022	786,425	265,556	198,615	45,702	163,655	50,920
2023-2027	505,500	103,568	76,805	6,304	72,840	20,114
2028-2032	155,150	44,485	0	0	37,920	8,941
2033-2037	66,450	5,532	0	0	19,715	1,874
Unamortized premium	39,798	0	28,314	0	4,034	0
Unamortized deferred refunding	(45,294)	0	(19,052)	0	(45)	0
Totals	<u>2,740,099</u>	<u>1,392,707</u>	<u>714,857</u>	<u>304,442</u>	<u>684,398</u>	<u>305,032</u>
<u>Sales tax limited obligation bonds:</u>						
2008	4,463	9,904	0	0	0	0
2009	1,389	9,853	0	0	0	0
2010	1,608	9,842	0	0	0	0
2011	13,069	9,585	0	0	0	0
2012	14,125	9,098	0	0	0	0
2013-2017	83,312	36,348	0	0	0	0
2018-2022	91,989	13,946	0	0	0	0
2023-2027	6,235	4,635	0	0	0	0
2028	2,230	3,328	0	0	0	0
Totals	<u>218,420</u>	<u>106,539</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Notes payable:</u>						
2008	734	856	0	0	8,914	5,021
2009	704	627	0	0	8,198	4,619
2010	736	608	0	0	6,707	4,240
2011	755	590	0	0	6,653	3,911
2012	584	570	0	0	6,551	3,594
2013-2017	3,244	2,527	0	0	47,359	14,865
2018-2022	3,859	1,912	0	0	33,771	7,968
2023-2027	3,854	1,186	0	0	2,290	1,388
2028-2032	2,630	498	0	0	0	0
2033-2037	725	115	0	0	0	0
2038-2042	453	31	0	0	0	0
Totals	<u>18,278</u>	<u>9,520</u>	<u>0</u>	<u>0</u>	<u>120,443</u>	<u>45,606</u>
Capital leases payable	145,366	71,868	0	0	16,143	4,973
Long-term debt without scheduled debt service:						
Arbitrage rebate payable	97	0	1,340	0	69	0
Claims and judgments	61,593	0	180,801	0	0	0
Compensated absences	118,796	0	59	0	52,503	0
Other	0	0	13,730	0	127,836	0
Total long-term obligations	<u>\$ 3,302,649</u>	<u>\$ 1,580,634</u>	<u>\$ 910,787</u>	<u>\$ 304,442</u>	<u>\$ 1,001,392</u>	<u>\$ 355,611</u>

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

---

#### ***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***

The **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. Please reference Note J. above for KDFA revenue bonds.

The **Kansas Department of Transportation** (KDOT) has issued 14 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.

The coupon interest rate on outstanding bonds varies from 2.38 percent to 5.5 percent. In addition, the Series 2000 B and C Bonds and Series 2002 B, C and D 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 3.06 percent to 4.03 percent on the daily adjustable bonds, from 3.15 percent to 4.10 percent on the weekly adjustable bonds and 3.30 percent to 3.95 percent on the 28-day adjustable bonds. The 2000 B and C Bonds and 2002 B, C, D and 2004 C 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, 2007, all bonds tendered have been remarketed. However, since there is not a long-term financing option in place at June 30, 2007, for tendered bonds, the Series 2000 B and C Bonds, 2002 B, C and D Bonds and 2004 C Bonds have been recorded as obligations of the Transportation - Capital Project Fund resulting in a deficit fund balance in that fund.

The **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.

#### ***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 of Kansas 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 of Kansas, based on each entity's respective share of sales taxes generated within the District. The State of Kansas' proportional share is approximately 72 percent. Therefore, 72 percent of the outstanding obligation on each STAR bond issue has been recorded with the State of Kansas' 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 J.

---

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

---

#### ***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 KDFFA, 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 KDFFA or the State. Accordingly, such special obligation bonds are not included in KDFFA's June 30, 2007, balance sheet. KDFFA's special obligation bonds at June 30, 2007, total \$2.1 billion.

Private activity bonds are special limited obligations of KDFFA 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 KDFFA's June 30, 2007, balance sheet. KDFFA's private activity bonds at June 30, 2007, total \$1,0 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 J, Long-term Obligations - Primary Government, Governmental Funds and Section I, 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 23 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, 2007, for portions of the storage designated as "future use" storage.

#### ***Lease Commitments***

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

#### ***Operating Leases***

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2007, are as follows (expressed in thousands):

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

**III. Detailed Notes On All Funds**

<u>Fiscal Year</u>	
2008	\$ 9,242
2009	9,172
2010	8,189
2011	7,739
2012	7,153
2013-2017	24,241
2018-2023	12,821
Total future minimum lease payments	<u>\$ 78,557</u>
Rent expenditures/expenses for operating leases for the year ended June 30, 2007	<u>\$ 10,611</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, 2007 (expressed in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 11,322	\$ 6,579
2009	10,000	6,096
2010	9,208	5,643
2011	8,703	5,221
2012	8,319	4,813
2013-2017	37,331	22,141
2018-2022	23,445	12,361
2023-2027	18,650	7,108
2028-2032	18,388	1,906
Total	<u>\$ 145,366</u>	<u>\$ 71,868</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2007, include the following (expressed in thousands):

Land (non-depreciable)	\$ 9,926
Buildings	91,474
Equipment	65,407
Less: Accumulated depreciation	(32,203)
Total	<u>\$ 134,604</u>

---

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

---

#### **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.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

***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, 2007, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/06 Beginning Balance	Current Year Defeased	Payments	6/30/07 Ending Balance
<b>Governmental Activities</b>				
KDOT Series 1993 A	\$ 17,930	\$ 0	\$ 6,100	\$ 11,830
KDOT Series 1994	44,395	0	8,045	36,350
KDOT Series 1994 A	6,715	0	0	6,715
KDOT Series 1998	58,190	0	0	58,190
KDOT Series 1999	310,920	0	6,930	303,990
KDOT Series 2000 A	150,000	0	0	150,000
KDFA Series 2003 J	5,790	0	0	5,790
KDFA Series 2004 A	5,810	0	0	5,810
Total governmental activities	<u>\$ 599,750</u>	<u>\$ 0</u>	<u>\$ 21,075</u>	<u>\$ 578,675</u>
<b>Business-type Activities</b>				
KDFA Series 1997 1 & 2	\$ 21,175	\$ 0	\$ 21,175	\$ 0
KDFA Series 1997 I	2,680	0	2,680	0
KDFA Series 1997 II	26,515	0	26,515	0
KDFA Series 1998 1 & 2	16,110	0	0	16,110
KDFA Series 1998 II	28,670	0	0	28,670
KDFA Series 2000 I	1,965	0	0	1,965
KDFA Series 2000 II (Nov.)	54,945	0	0	54,945
KDFA Series 2000 1 & 2	24,635	0	0	24,635
KDFA Series 2001 II	2,790	0	0	2,790
KDFA Series 2002 II	26,845	0	0	26,845
KDFA Series 2002 1 & 2	20,315	0	0	20,315
Total business-type activities	<u>\$ 226,645</u>	<u>\$ 0</u>	<u>\$ 50,370</u>	<u>\$ 176,275</u>

No bonds were defeased in the current fiscal year.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

**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, 2007, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/06 Beginning Balance	Current Year Defeased	Payments	6/30/07 Ending Balance
FHSU Series 1968	\$ 40	\$ 0	\$ 20	\$ 20
KDFA Series 1997 G-1 & G-2	27,500	0	0	27,500
KDFA Series 1999 D	1,920	0	290	1,630
KDFA Series 1999 H	10,030	0	0	10,030
KDFA Series 1999 N	19,240	0	0	19,240
KDFA Series 2000 T	1,540	0	0	1,540
KDFA Series 2000 V	7,215	0	0	7,215
KDFA Series 2001 N	1,240	0	310	930
KDFA Series 2001 W	1,610	0	0	1,610
Total component units	<u>\$ 70,335</u>	<u>\$ 0</u>	<u>\$ 620</u>	<u>\$ 69,715</u>

No bonds were defeased in the current fiscal year.

**Arbitrage Rebate Payable**

Estimated arbitrage rebate payables have been calculated and liabilities recorded of \$97,000 for Governmental Activities, \$1,3 million for Business-type Activities, and \$69,000 for Component Units.

### III. Detailed Notes On All Funds

#### 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 \$22.6 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 a negative indicative value of \$136,450 as of June 30, 2007.

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

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

*Terms, fair values, and credit risk.* The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2007, are included below. The Department of Transportation'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	12/17/02	5.240	67% of USD-LIBOR	\$ (5,289)	03/01/12	Aa3/AA-
KDOT Series 2002 B & C*	200,000	10/23/02	3.164	67% of USD-LIBOR	6,814	09/01/19	Aa3/AA-
KDOT Series 2002 B & C*	120,005	10/23/02	3.164	67% of USD-LIBOR	4,088	09/01/19	Aa1/AA-
KDOT Series 2003 C	150,275	12/03/03	3.359	71% of USD-LIBOR**	4,209	09/01/15	Aa3/AA-
KDOT Series 2004 B & C***	72,000	11/23/04	3.571	63.5% of USD-LIBOR + .29%	1,638	09/01/24	Aa3/AA-
KDOT Series 2004 B & C	75,000	11/23/04	3.571	63.329% of 10 Year LIBOR	2,781	09/01/24	Aa3/AA-
	<u>\$ 704,155</u>				<u>\$ 14,241</u>		

\* - two counterparties

\*\* - or the lessor of the Actual Bond Rate 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 the Department of Transportation 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 Department in two installments of \$6.5 million on March 1, 2006 and \$5.4 million on March 1, 2007. The swaption allowed the Department 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.

---

### III. Detailed Notes On All Funds

---

*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 the Department of Transportation 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 the Department pays Goldman/Salomon a fixed rate of 3.2 percent and receives 67 percent of LIBOR. The Department was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the 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 the Department Transportation 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 the Department 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. The Department 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 the Department of Transportation 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 the Department pays the counterparty a fixed rate of 3.57 percent and receives 63.5 percent of LIBOR plus 29 basis points. The Department was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the cash market.

Since many tax-exempt and municipal issuers fund capital projects with long-term traditional or synthetic fixed-rate debt, but are constrained to investing short-term for liquidity reasons, in a normal or upwardly sloped yield curve they incur "negative carry" (cost of borrowing exceeds investment rate). The Department of Transportation determined that it could mitigate this imbalance through the execution of the two Constant Maturity Swaps (CMS). On June 15, 2007, based on the results of a previously distributed competitively bid request for quotes for a swap provider, effective July 1, 2007, the Department 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.

*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, 2007, the Department of Transportation has no credit risk exposure on the swap associated with the KDOT Series 2002 D Bonds because the swap had negative fair value, meaning the counterparties are exposed to the Department in the amount of the derivatives' fair value. However, should interest rates change and the fair value of the swap become positive, the Department would be exposed to credit risk.

On the rest of the swap transactions, the Department has credit risk exposure to Goldman Sachs Capital Markets, L.P., Citigroup Financial Products Inc. and Merrill Lynch Capital Services on the swaps associated with the KDOT Series 2002 B and C, KDOT Series 2003 C, and KDOT Series 2004 B and C Bonds. This is because the transactions all have positive fair market values, meaning the Department is exposed to the counterparties in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the swaps become negative, the Department would not 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.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**III. Detailed Notes On All Funds**

---

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

*Termination risk.* The Department of Transportation 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, the Department would be liable to the counterparty for a payment equal to the swap's fair value.

**K. 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 Funds	Business Type	Component Units
June 30, 2006 fund balance as previously reported	\$ 9,551,078	\$ 971,382	\$ 3,159,615
<i>Revisions</i>			
Capital lease	0	0	(12,416)
Kansas Technology Enterprise Corporation	0	0	327
Kansas Housing Resources Corporation	0	0	(159)
Kansas Bioscience Authority	0	0	23,992
Appropriation Adjustment	399	0	(399)
Bond cash held by outside trustees	5	0	4
Investments	0	0	(692)
Capital Assets	(59,716)	0	(30,071)
State University System	0	0	5,946
June 30, 2006 fund balance as restated	<u>\$ 9,491,766</u>	<u>\$ 971,382</u>	<u>\$ 3,146,147</u>

The majority of the revisions to fiscal year 2007 beginning balances are the result of changes in capital assets. The majority of these changes resulted from miscalculations of prior year's accumulated depreciation. These corrections have reduced the capital asset net book value by \$59.7 million in governmental funds and \$30.1 million in component units.

Capital leases beginning balance increased by \$12.4 million due to the energy conservation lease facility mortgage being assumed by Wichita State University from the contractor during fiscal year 2007.

Kansas Technology Enterprise Corporation has beginning balance adjustments in their prior year because of changes in notes receivable and investments.

Kansas Housing Resources Corporation has beginning balance adjustments due to a failure to report a loan and accrued interest previously. In addition, KHRC has made changes in their capitalization threshold so they will be the same as the rest of the state uses. And finally, KHRC has made beginning balance adjustments due to the discovery of errors in bond issuance fee repayment and unearned revenue not claimed.

Kansas Bioscience Authority is a new component unit for the State of Kansas. Their beginning balance adjustment of \$23.9 million is a result of not recording state appropriations and expenses in previous years.

---

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

---

Appropriation adjustments net to zero and are the result of internally closing a fund to governmental funds but leaving a remaining balance in the Regents. This adjustment closes both governmental funds and component units.

Both governmental funds and component units beginning balance increased by \$5,000 and \$4,000 respectively due to the discovery of bond cash held by outside trustees which has not been previously recorded.

Overall, these revisions decrease both governmental funds and component unit funds but have no effect on fiscal year 2007 revenue or expenses.

---

## **IV. Other Information**

---

### **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 and 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, 2007, 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.

State of Kansas  
**Notes to the Financial Statements**  
June 30, 2007

---

**IV. Other Information**

---

The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2007 (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	\$ 32,579	\$ 27,279	\$ (18,658)	\$ 41,200	\$ 27,435	\$ 13,765
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund*	26,257	130,657	(139,930)	16,984	143	16,841
Post Employment Health and Dental Care Claims Health and Hospitalization Fund**	9,197	42,551	(48,339)	3,409	22	3,387
Total	<u>\$ 68,033</u>	<u>\$ 200,487</u>	<u>\$ (206,927)</u>	<u>\$ 61,593</u>	<u>\$ 27,600</u>	<u>\$ 33,993</u>
<b><i>Prior fiscal year</i></b>						
State Self-insurance Fund	\$ 27,159	\$ 22,082	\$ (16,662)	\$ 32,579	\$ 20,868	\$ 11,711
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund*	20,354	134,994	(129,091)	26,257	233	26,024
Post Employment Health and Dental Care Claims Health and Hospitalization Fund**	7,129	46,205	(44,137)	9,197	72	9,125
Total	<u>\$ 54,642</u>	<u>\$ 203,281</u>	<u>\$ (189,890)</u>	<u>\$ 68,033</u>	<u>\$ 21,173</u>	<u>\$ 46,860</u>

\* Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the active employee participant component.

\*\* Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the post-employment participant component.

\*\*\* Claims payments and claims liability estimates for the FY07 ending balance have been updated to reflect both State and Non-State participants in the Health and Dental Care Claims Health and Hospitalization Funds. FY07 uses a more conservative reserve method.

**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 potential litigation involving the Kansas Department of Social and Rehabilitation Services (SRS) versus the Centers for Medicare and Medicaid Services (CMS). CMS deferred \$58.3 million of child welfare Medicaid claims for the period April 1, 2004 to December 31, 2006. Counsel is optimistic that the State will ultimately be successful in any action against CMS involving this matter.

As a result of an Office of Inspector General (OIG) audit finding, the Disability Determination Services disallowed Kansas Department of Social and Rehabilitation Services (SRS) \$4.9 million of indirect costs for fiscal years 1998 through fiscal year 2002 which were allocated through the SRS approved cost allocation plan. The SRS is currently appealing this finding.

---

## IV. Other Information

---

The Kansas Department of Revenue has potential liabilities of \$9.6 million in for corporate income tax credits including accrued interest, \$10.2 million of sales tax refunds and \$6 million in tax assessments.

### *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. Other than what has stated above, the State does not expect additional liabilities for disallowed costs from grantor.

### **C. Post-Employment Benefits**

#### **Primary Government**

In addition to the pension benefits described in the Employee Retirement Systems and Pension Plans note, the State provides post-employment health care benefits to retirees who elect the Kansas Choice medical option. This subsidy was ended for post-employment retirees as of December 31, 2006. Retirees that elected this option paid less than one hundred percent. The monthly amount of reduced cost (subsidy) ranges from \$0 to \$115 for early retirees. Early retirees are defined as those retirees not yet Medicare eligible. The participant is required to pay the medical and prescription costs less the subsidy. The employer contribution is the aggregate amount of the subsidies, which is calculated into the employer contribution for active employees.

	Estimated Current Year Expenditures (Subsidies)	Eligible Participants	Enabling Legislation
Kansas Choice Post-Employment Benefits	\$236,255	8,665	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 December 31, 2006. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

---

## IV. Other Information

---

### D. 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 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 \$5.5 billion. The State's total salaries and wages paid were approximately \$3.1 billion of which approximately \$892.9 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, 2007, unless otherwise noted is as follows:

<u>Participating Employers</u>	<u>Membership</u>
KPERS	1,390
KP&F	82
Judges	1
Total	<u>1,473</u>

---

**IV. Other Information**

---

MEMBERSHIP BY RETIREMENT SYSTEMS

	KPERs	KP&F	Judges	Total
Retirees and beneficiaries currently receiving benefits	61,808	3,785	172	65,765
Terminated employees entitled to benefits but not yet receiving them	9,429	139	18	9,586
Inactive members, deferred disabled	3,007	186	0	3,193
Inactive members not entitled to benefits	27,084	995	0	28,079
Current employees	144,227	6,965	257	151,449
Total	245,555	12,070	447	258,072

***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.

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 2007, employees contributed approximately \$35 million. During fiscal year 2007, the 8.5 percent employer contribution totaled \$54.6 million, representing covered wages of approximately \$653.1 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.

On July 1, 1971, the control of the School for the Blind and the School for the Deaf was transferred from the Regents to the State Board of Education. Employees covered by the Regents' retirement at the time of the transfer could continue to participate in the 403(b) retirement plan or convert to KPERs. Employees who elected the 403(b) retirement plan contribute 5 percent of their salary. This is matched by a 5 percent employer contribution. During fiscal year 2007, \$3,000 was contributed by employers for employees' 403(b) contracts representing covered wages of approximately \$61,000.

---

## **IV. Other Information**

---

### **E. Subsequent Events**

#### **Bonds and Notes**

##### Short-term Debt

*Certificate of Indebtedness* – On December 10, 2007 the Pooled Money Investment Board (PMIB) issued a \$350 million Certificate of Indebtedness per K.S.A. 75-3725a, subject to redemption not later than June 30, 2008. See Section III-I, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

*Accrued Receivables for Ad Valorem Taxes* – In July 2007, receivables were posted to the State Treasurer’s receivables in the amount of \$27.1 million for the Kansas Educational Building Fund and \$13.5 million for the State Institutions Building Fund per K.S.A. 76-6b11. See Section III-I, Short-term Obligations, for additional information.

*Accrued Receivables for Children’s Initiatives Fund* – In July 2007, receivables were posted to the State Treasurer’s receivables for the Children’s Initiatives Fund in the amount of \$23.7 million per House Bill No. 2368, Section 107(g), Session of 2007. See Section III-I, Short-term Obligations, for additional information.

*Accrued Receivables for Economic Development Initiatives Fund* – In July 2007, receivables were posted to the State Treasurer’s receivables for the Economic Development Initiatives Fund in the amount of \$21.2 million per House Bill No. 2368, Section 107(h), Session of 2007.

*Accrued Receivables for Correctional Institutions’ Building Fund* – In July 2007, receivables were posted to the State Treasurer’s receivables for the Correctional Institutions’ Building Fund in the amount of \$4.0 million per House Bill No. 2368, Section 107(i), Session of 2007.

*Accrued Receivables for Kansas Endowment for Youth Fund* – In July 2007, 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. 2368, Section 107(j), Session of 2007.

*Accrued Receivables for 27<sup>th</sup> Payroll* – In July 2007, receivables were posted to the State Treasurer’s receivables for the 27<sup>th</sup> Payroll in the amount of \$22.6 million per House Bill No. 2368, Section 107(p), Session of 2007.

##### Long-term Debt

*Loans* – House substitute for Senate Bill No. 357, Session of 2007 allows the Kansas Racing and Gaming Commission to borrow up to \$3 million from the Pooled Money Investment Board during fiscal year 2008 for operating expenses for expanded lottery operations under Senate Bill No. 66, Session of 2007. In August 2007, \$132,000 was borrowed at an interest rate of 8.12 percent. In November 2007, \$195,000 was borrowed at an interest rate of 7.97 percent. In December 2007, \$221,000 at an interest rate of 7.9 percent. In January 2008, \$210,000 was borrowed at an interest rate of 7.84 percent. The loans are due June 30, 2009.

*Revenue Bonds* – In August 2007, the KDFA issued Series 2007H of \$17.8 million for the Kansas State University parking system. The Interest rates on the bonds range from 3.6 to 4.5 percent. The bonds final maturity is on May 1, 2037.

*Revenue Bonds* – In September 2007, the KDFA issued Series 2007K for various State projects including continued renovation of the State Capitol, payment of Bond Anticipation Note Series 2007-1, expansion of the Adjutant General’s training center, renovations and repairs to Army National Guard armories, and repairs and maintenance to Department of Correction’s infrastructure. The bonds totaled \$59.5 million with interest rates ranging from 4 to 5.25 percent. The bonds final maturity is on November 1, 2027.

---

## **IV. Other Information**

---

*Revenue Bonds* – In December 2007, the KDFA issued series 2007M for the University of Kansas Law Enforcement Training Center Project. The bonds totaled \$18.2 million with interest rates ranging from 3.5 to 4.6 percent. The bonds final maturity is on June 1, 2027.

**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, 2007

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues and other financing sources:</b>				
Property tax	\$ 23,500	\$ 25,000	\$ 25,812	\$ 812
Income and inheritance tax	3,046,000	3,158,000	3,238,535	80,535
State sales tax	1,775,000	1,767,000	1,766,768	(232)
Consumer's and retailer's compensating use tax	290,000	286,000	284,981	(1,019)
Tobacco and liquor taxes	194,200	191,400	195,436	4,036
Severance taxes	111,100	111,300	116,025	4,725
Insurance premiums taxes	113,000	114,000	113,805	(195)
Other taxes	52,000	52,000	53,385	1,385
Investment earnings	89,000	91,200	92,276	1,076
Transfers	(161,096)	(128,000)	(142,446)	(14,446)
Charges for services, other revenues and financing sources	59,554	64,500	64,467	(33)
Total revenues and other financing sources	<u>5,592,258</u>	<u>5,732,400</u>	<u>5,809,044</u>	<u>76,644</u>
<b>Expenditures and other financing uses:</b>				
Current:				
General government	659,674	719,303	711,929	7,374
Human resources	799,057	816,024	813,272	2,752
Education	3,610,859	3,663,131	3,639,137	23,994
Public safety	386,177	385,355	383,922	1,433
Agriculture and natural resources	28,804	28,657	27,496	1,161
Health and environment	34,171	38,719	34,386	4,333
Total expenditures and other financing uses	<u>5,518,742</u>	<u>5,651,189</u>	<u>5,610,142</u>	<u>41,047</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>73,516</u>	<u>81,211</u>	<u>198,902</u>	<u>\$ 117,691</u>
Fund balances, beginning of year	710,339	710,339	710,339	
Adjustment for released encumbrances	0	0	2,511	
Fund balances, end of year	<u>\$ 783,855</u>	<u>\$ 791,550</u>	<u>\$ 911,752</u>	

State of Kansas  
**Required Supplementary Information**  
June 30, 2007

---

*State of Kansas*

---

**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 State General Fund  
For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

---

	<u>State General Fund</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$ 198,902
Current year encumbrances are reported as expenditures for budgetary reporting purposes	33,107
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(23,930)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(578,602)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>518,381</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ 147,858</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2007

*State of Kansas*

**Schedule of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
Social and Rehabilitation Services Fund  
For the Fiscal Year Ended June 30, 2007  
(expressed in thousands)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues and Other Financing Sources:</b>				
Tobacco & liquor taxes	\$ 2,350	\$ 2,350	\$ 2,561	\$ 211
Operating grants	332,782	329,248	479,239	149,991
Investment earnings	425	436	839	403
Transfers	423,713	423,641	400,243	(23,398)
Charges for services, other revenues & financing sources	89,363	89,432	94,640	5,208
Total revenues and other financing sources	<u>848,633</u>	<u>845,107</u>	<u>977,522</u>	<u>132,415</u>
<b>Expenditures and Other Financing Uses:</b>				
Current:				
Human resources	1,028,603	1,027,975	1,035,001	(7,026)
Total expenditures and other financing uses	<u>1,028,603</u>	<u>1,027,975</u>	<u>1,035,001</u>	<u>(7,026)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (179,970)</u>	<u>\$ (182,868)</u>	<u>\$ (57,479)</u>	<u>\$ 125,389</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2007

---

***State of Kansas***

---

**Reconciliation of the Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget to Actual  
with the Statement of Revenues, Expenditures, and Changes in  
Fund Balances- Governmental Funds  
Social and Rehabilitation Services Fund  
For the Fiscal Year Ended June 30, 2007  
(expressed in thousands)**

---

	<u>Social and Rehabilitation Services Fund</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$ (57,479)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	19,754
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(12,542)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	28,149
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>(17,072)</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ (39,190)</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2007

Kansas Department of Transportation  
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)  
State Highway Fund (Agency's general fund)  
Budget and Actual -- Budgetary Basis  
For the Year Ended June 30, 2007  
(expressed in thousands)

	Budgeted Amounts		Actual & Encum- brances	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Motor fuel taxes	\$ 297,467	\$ 288,348	\$ 285,609	\$ (2,739)
Vehicle registrations and permits	167,700	171,787	173,232	1,445
Intergovernmental	364,377	442,949	406,941	(36,008)
Sales and use taxes	152,008	152,023	158,559	6,536
Investment earnings	5,728	12,907	23,786	10,879
Other	8,291	7,391	8,312	921
Transfers from other state funds	35,717	35,531	36,358	827
Total revenues	<u>1,031,288</u>	<u>1,110,936</u>	<u>1,092,797</u>	<u>(18,139)</u>
<b>Expenditures, with legal limits:</b>				
Current operating:				
Maintenance	134,681	137,285	132,990	4,295
Construction	63,555	61,745	56,915	4,830
Local support	5,366	5,611	8,163	(2,552)
Management	61,689	61,183	60,230	953
Capital improvements	8,612	9,267	5,136	4,131
Transfers to other state funds	63,905	94,113	94,672	(559)
Expenditures with legal limits	<u>337,808</u>	<u>369,204</u>	<u>358,106</u>	<u>11,098</u>
<b>Expenditures, without legal limits:</b>				
Current operating:				
Maintenance	162,298	176,099	146,281	29,818
Local support	19,507	25,853	18,430	7,423
Management	650	650	1,158	(508)
Capital improvements	470,281	840,053	626,368	213,685
Transfers to other state funds	936	1,856	1,747	109
Expenditures without legal limits	<u>653,672</u>	<u>1,044,511</u>	<u>793,984</u>	<u>250,527</u>
Total expenditures	<u>991,480</u>	<u>1,413,715</u>	<u>1,152,090</u>	<u>261,625</u>
Excess (deficiency) of revenues over expenditures	<u>39,808</u>	<u>(302,779)</u>	<u>(59,293)</u>	<u>243,486</u>
<b>Other financing sources (uses):</b>				
Transfers-in	0	0	0	0
Transfers-out	(140,666)	(140,666)	(144,410)	(3,744)
Total other financing sources (uses)	<u>(140,666)</u>	<u>(140,666)</u>	<u>(144,410)</u>	<u>(3,744)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (100,858)</u>	<u>\$ (443,445)</u>	<u>\$ (203,703)</u>	<u>\$ 239,742</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2007

---

Kansas Department of Transportation  
Reconciliation of  
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)  
State Highway Fund (Agency's general fund)  
Budget and Actual -- Budgetary Basis  
to  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
State Highway Fund (Agency's general fund)  
For the Year Ended June 30, 2007  
(expressed in thousands)

---

Excess (deficiency) of revenues and other sources over expenditures and other uses - budgetary basis	\$ (203,703)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	57,018
Current year encumbrances are reported as expenditures for budgetary reporting purposes	592,347
Expenditures on prior year encumbrances are not reported for budgetary reporting	(553,319)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	<u>9,674</u>
Net Change in Fund Balance as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u><u>\$ (97,983)</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2007

---

*State of Kansas*

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

*Health Policy Authority*

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues and Other Financing Sources:</b>				
Operating grants	\$ 1,467,106	\$ 1,488,406	\$ 1,359,894	\$ (128,512)
Investment earnings	7	7	845	838
Transfers	2,691	2,763	(689,041)	(691,804)
Charges for services, other revenues & financing sources	142,585	133,985	161,424	27,439
Total revenues and other financing sources	<u>1,612,389</u>	<u>1,625,161</u>	<u>833,122</u>	<u>(792,039)</u>
<b>Expenditures and Other Financing Uses:</b>				
Current:				
Human resources	867,953	822,864	822,658	206
Total expenditures and other financing uses	<u>867,953</u>	<u>822,864</u>	<u>822,658</u>	<u>206</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 744,436</u>	<u>\$ 802,297</u>	<u>\$ 10,464</u>	<u>\$ (791,833)</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2007

---

***State of Kansas***

---

**Reconciliation of the Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget to Actual  
with the Statement of Revenues, Expenditures, and Changes in  
Fund Balances- Governmental Funds  
Health Policy Authority  
For the Fiscal Year Ended June 30, 2007  
(expressed in thousands)**

---

	<u>Health Policy Authority</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$ 10,464
Current year encumbrances are reported as expenditures for budgetary reporting purposes	10,678
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(5,420)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(99,348)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>98,747</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u>\$ 15,121</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 the Department 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 year.

Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition	Actual Condition	Minimum Acceptable Condition	Actual Condition
	Level*	Level*	Level*	Level*
2005	80%	97%	75%	88%
2006	80%	94%	75%	86%
2007	80%	97%	75%	90%

\*Percent of miles in PL-1

The Department'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 year (expressed in thousands).

Fiscal Year	Interstate Highways		Non-interstate Highways	
	Minimum Acceptable Condition	Actual Expenses	Minimum Acceptable Condition	Actual Expenses
	Level	Expenses	Level	Expenses
2003	\$ 110,000	\$ 126,711	\$ 260,000	\$ 311,308
2004	110,000	155,711	260,000	311,308
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

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, 2007

---

**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 the Department 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 year.

Fiscal Year	Minimum Acceptable Health Index	Actual Health Index
2004	80	92
2005	80	93
2006	80	93

The Department'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 year (expressed in thousands).

Fiscal Year	Minimum Acceptable Health Index	Actual Expenses
2003	\$ 75,000	\$ 87,015
2004	75,000	117,671
2005	75,000	106,593
2006	75,000	90,908
2007	75,000	76,536

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**Listing of Non-Major Governmental Funds**

**Special Revenue Funds**

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

State Regulatory Boards and Commissions  
Correctional Facilities  
Tobacco Settlement for Children's Initiatives  
Adjutant General  
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

**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, 2007

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds**  
**June 30, 2007**  
*(expressed in thousands)*

	Special Revenue Funds				
	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General	Aging
<b>ASSETS</b>					
Cash and cash equivalents	\$ 47,229	\$ 9,680	\$ 13,690	\$ 18,164	\$ 6,486
Investments	0	0	0	0	0
Receivables, net	0	1,223	0	0	35,622
Due from other funds	0	0	0	0	0
Advances to other funds	41	5	0	0	0
Restricted cash and cash equivalents	342	78	0	0	0
<b>Total assets</b>	<b>\$ 47,612</b>	<b>\$ 10,986</b>	<b>\$ 13,690</b>	<b>\$ 18,164</b>	<b>\$ 42,108</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 4,607	\$ 4,381	\$ 2,625	\$ 8,961	\$ 39,219
Due to other funds	0	200	0	0	0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Total liabilities	4,607	4,581	2,625	8,961	39,219
Fund balances:					
Reserved for debt service	342	78	0	0	0
Reserved for encumbrances	5,105	641	5,691	5,991	634
Reserved for advances to other funds	41	5	0	0	0
Unreserved	37,517	5,681	5,374	3,212	2,255
Total fund balance	43,005	6,405	11,065	9,203	2,889
<b>Total liabilities and fund balance</b>	<b>\$ 47,612</b>	<b>\$ 10,986</b>	<b>\$ 13,690</b>	<b>\$ 18,164</b>	<b>\$ 42,108</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2007**  
*(expressed in thousands)*

	Special Revenue Funds				
	Agriculture	Attorney General	Administration	Health and Environment	Highway Patrol
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,218	\$ 11,475	\$ 23,675	\$ 53,443	\$ 10,758
Investments	0	0	0	0	0
Receivables, net	0	0	0	246	0
Due from other funds	0	0	0	0	0
Advances to other funds	4	2	3	11,022	14
Restricted cash and cash equivalents	0	0	6	0	0
<b>Total assets</b>	<b>\$ 5,222</b>	<b>\$ 11,477</b>	<b>\$ 23,684</b>	<b>\$ 64,711</b>	<b>\$ 10,772</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 666	\$ 1,321	\$ 3,347	\$ 12,755	\$ 2,098
Due to other funds	0	0	0	53	533
Deferred revenue	0	0	0	17	0
Advances from other funds	0	0	0	121	1,600
Total liabilities	666	1,321	3,347	12,946	4,231
Fund balances:					
Reserved for debt service	0	0	6	0	0
Reserved for encumbrances	2,481	1,738	8,556	31,814	3,332
Reserved for advances to other funds	4	2	3	11,022	14
Unreserved	2,071	8,416	11,772	8,929	3,195
Total fund balance	4,556	10,156	20,337	51,765	6,541
<b>Total liabilities and fund balance</b>	<b>\$ 5,222</b>	<b>\$ 11,477</b>	<b>\$ 23,684</b>	<b>\$ 64,711</b>	<b>\$ 10,772</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

**State of Kansas**  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2007**  
*(expressed in thousands)*

Special Revenue Funds

	Historical Society	Labor	Commerce	Insurance	Judicial
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,205	\$ 5,255	\$ 53,258	\$ 20,913	\$ 10,854
Investments	0	0	44,158	0	0
Receivables, net	0	0	14,514	0	0
Due from other funds	0	0	0	0	0
Advances to other funds	0	10	9	8	10
Restricted cash and cash equivalents	0	0	62	0	0
<b>Total assets</b>	<b>\$ 4,205</b>	<b>\$ 5,265</b>	<b>\$ 112,001</b>	<b>\$ 20,921</b>	<b>\$ 10,864</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 261	\$ 1,773	\$ 4,910	\$ 9,345	\$ 1,146
Due to other funds	0	106	3,400	83	0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	417	0	664	0
Total liabilities	261	2,296	8,310	10,092	1,146
Fund balances:					
Reserved for debt service	0	0	2	0	0
Reserved for encumbrances	67	22,846	21,341	489	95
Reserved for advances to other funds	0	10	9	8	10
Unreserved	3,877	(19,887)	82,339	10,332	9,613
Total fund balance	3,944	2,969	103,691	10,829	9,718
<b>Total liabilities and fund balance</b>	<b>\$ 4,205</b>	<b>\$ 5,265</b>	<b>\$ 112,001</b>	<b>\$ 20,921</b>	<b>\$ 10,864</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2007**  
*(expressed in thousands)*

Special Revenue Funds

	<u>State Library</u>	<u>Revenue</u>	<u>Education</u>	<u>Secretary of State</u>	<u>State Treasurer</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 104	\$ 12,629	\$ 6,115	\$ 19,676	\$ 2,892
Investments	0	0	0	0	0
Receivables, net	0	11	0	0	0
Due from other funds	0	0	0	0	13,000
Advances to other funds	0	25	1	1	48,877
Restricted cash and cash equivalents	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total assets</b>	<u>\$ 104</u>	<u>\$ 12,665</u>	<u>\$ 6,116</u>	<u>\$ 19,677</u>	<u>\$ 64,769</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 26	\$ 3,171	\$ 2,552	\$ 2,292	\$ 62,635
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	0
Advances from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>26</u>	<u>3,171</u>	<u>2,552</u>	<u>2,292</u>	<u>62,635</u>
Fund balances:					
Reserved for debt service	0	0	0	0	0
Reserved for encumbrances	0	1,601	4,509	4,461	0
Reserved for advances to other funds	0	25	1	1	48,877
Unreserved	<u>78</u>	<u>7,868</u>	<u>(946)</u>	<u>12,923</u>	<u>(46,743)</u>
Total fund balance	<u>78</u>	<u>9,494</u>	<u>3,564</u>	<u>17,385</u>	<u>2,134</u>
<b>Total liabilities and fund balance</b>	<u>\$ 104</u>	<u>\$ 12,665</u>	<u>\$ 6,116</u>	<u>\$ 19,677</u>	<u>\$ 64,769</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2007**  
*(expressed in thousands)*

	Special Revenue Funds				
	Wildlife and Parks	Executive	Legislative	Transportation- special revenue	State Water Plan
<b>ASSETS</b>					
Cash and cash equivalents	\$ 31,157	\$ 2,416	\$ 87	\$ 18,528	\$ 19,327
Investments	0	0	0	0	0
Receivables, net	0	0	0	8,606	1,470
Due from other funds	0	0	0	0	0
Advances to other funds	19	0	0	0	1
Restricted cash and cash equivalents	0	0	0	0	0
<b>Total assets</b>	<b>\$ 31,176</b>	<b>\$ 2,416</b>	<b>\$ 87</b>	<b>\$ 27,134</b>	<b>\$ 20,798</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 5,727	\$ 787	\$ 0	\$ 388	\$ 1,744
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	1,470
Advances from other funds	0	0	0	0	0
Total liabilities	5,727	787	0	388	3,214
Fund balances:					
Reserved for debt service	0	0	0	0	0
Reserved for encumbrances	6,567	0	0	11,472	8,576
Reserved for advances to other funds	19	0	0	0	1
Unreserved	18,863	1,629	87	15,274	9,007
Total fund balance	25,449	1,629	87	26,746	17,584
<b>Total liabilities and fund balance</b>	<b>\$ 31,176</b>	<b>\$ 2,416</b>	<b>\$ 87</b>	<b>\$ 27,134</b>	<b>\$ 20,798</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2007**  
*(expressed in thousands)*

	Capital Projects Funds				
ASSETS	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program	Corrections	State Library
Cash and cash equivalents	\$ 36,879	\$ 2	\$ 6,113	\$ (7)	\$ 377
Investments	0	5,096	0	1,990	0
Receivables, net	0	91	45,417	49	0
Due from other funds	0	0	4,918	0	0
Advances to other funds	0	0	22,416	0	0
Restricted cash and cash equivalents	0	2,318	0	142	0
<b>Total assets</b>	<b>\$ 36,879</b>	<b>\$ 7,507</b>	<b>\$ 78,864</b>	<b>\$ 2,174</b>	<b>\$ 377</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 3,546	\$ 1,430	\$ 1,118	\$ (1)	\$ 9
Due to other funds	400	0	0	0	0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Total liabilities	3,946	1,430	1,118	(1)	9
Fund balances:					
Reserved for debt service	0	2,298	0	126	0
Reserved for encumbrances	4,678	16,902	1,952	51	0
Reserved for advances to other funds	0	0	22,416	0	0
Unreserved	28,255	(13,123)	53,378	1,998	368
Total fund balance	32,933	6,077	77,746	2,175	368
<b>Total liabilities and fund balance</b>	<b>\$ 36,879</b>	<b>\$ 7,507</b>	<b>\$ 78,864</b>	<b>\$ 2,174</b>	<b>\$ 377</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2007**  
*(expressed in thousands)*

	Capital Projects Funds					
	Armories	Public Broadcasting Digital	Vital Statistics Project	Highway Patrol	Labor	Social and Rehabilitation Services
<b>ASSETS</b>						
Cash and cash equivalents	\$ 0	\$ 2	\$ 0	\$ 1	\$ 244	\$ 2
Investments	26	0	0	0	15,868	0
Receivables, net	6	0	0	0	186	0
Due from other funds	0	0	0	0	0	0
Advances to other funds	0	0	0	0	0	0
Restricted cash and cash equivalents	4,653	755	680	0	0	4,813
<b>Total assets</b>	<b>\$ 4,685</b>	<b>\$ 757</b>	<b>\$ 680</b>	<b>\$ 1</b>	<b>\$ 16,298</b>	<b>\$ 4,815</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other liabilities	\$ 45	\$ 36	\$ 4	\$ 0	\$ 1	\$ 525
Due to other funds	0	0	0	0	0	0
Deferred revenue	0	0	0	0	0	0
Advances from other funds	0	0	0	0	0	0
Total liabilities	45	36	4	0	1	525
Fund balances:						
Reserved for debt service	4,653	755	680	0	0	4,813
Reserved for encumbrances	835	0	15	0	15,682	974
Reserved for advances to other funds	0	0	0	0	0	0
Unreserved	(848)	(34)	(19)	1	615	(1,497)
Total fund balance	4,640	721	676	1	16,297	4,290
<b>Total liabilities and fund balance</b>	<b>\$ 4,685</b>	<b>\$ 757</b>	<b>\$ 680</b>	<b>\$ 1</b>	<b>\$ 16,298</b>	<b>\$ 4,815</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Concluded**  
**June 30, 2007**  
*(expressed in thousands)*

	Debt Service Funds			Total Nonmajor Governmental
	Bond and Interest	Highway Debt Service	STAR Bonds Debt Service	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1	\$ 0	\$ 11	\$ 450,859
Investments	387	0	0	67,525
Receivables, net	9	241	0	107,691
Due from other funds	0	0	0	17,918
Advances to other funds	0	0	0	82,468
Restricted cash and cash equivalents	11	64,030	49,101	126,991
<b>Total assets</b>	<b>\$ 408</b>	<b>\$ 64,271</b>	<b>\$ 49,112</b>	<b>\$ 853,452</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 1	\$ 0	\$ 1	\$ 183,452
Due to other funds	0	0	0	4,775
Deferred revenue	0	0	0	1,487
Advances from other funds	0	0	0	2,802
Total liabilities	1	0	1	192,516
Fund balances:				
Reserved for debt service	11	3	0	13,767
Reserved for encumbrances	0	482	0	189,578
Reserved for advances to other funds	0	0	0	41,023
Unreserved	396	63,786	49,111	416,568
Total fund balance	407	64,271	49,111	660,936
<b>Total liabilities and fund balance</b>	<b>\$ 408</b>	<b>\$ 64,271</b>	<b>\$ 49,112</b>	<b>\$ 853,452</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Special Revenue Funds				
	State Regulatory Boards and Commission	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General	Aging
<b>Revenues:</b>					
Property tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0	0
Sales and excise tax	2	0	0	0	0
Gross receipts tax	7,393	0	0	0	0
Charges for services	67,221	15,082	51,053	7	11,912
Operating grants	3,824	4,741	0	106,057	17,030
Capital grants	0	0	0	0	0
Investment earnings	429	40	925	1	0
Other revenues	5,083	2,116	5	(38)	81
<b>Total revenues</b>	<u>83,952</u>	<u>21,979</u>	<u>51,983</u>	<u>106,027</u>	<u>29,023</u>
<b>Expenditures:</b>					
Current:					
General government	47,531	0	0	0	0
Human resources	10,288	0	34,338	0	290,242
Education	541	0	323	0	0
Public safety	6,085	35,700	8,855	115,262	0
Agriculture and natural resources	9,763	0	0	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	2,616	0	0
Economic development	0	0	0	0	0
Debt service:					
Principal	1,519	475	0	0	0
Interest	1,648	124	0	0	0
<b>Total expenditures</b>	<u>77,375</u>	<u>36,299</u>	<u>46,132</u>	<u>115,262</u>	<u>290,242</u>
<b>Excess of revenues over (under) expenditures</b>	<u>6,577</u>	<u>(14,320)</u>	<u>5,851</u>	<u>(9,235)</u>	<u>(261,219)</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	(7,062)	14,430	(4,187)	16,622	259,323
<b>Total other financing sources (uses)</b>	<u>(7,062)</u>	<u>14,430</u>	<u>(4,187)</u>	<u>16,622</u>	<u>259,323</u>
<b>Net change in fund balances</b>	(485)	110	1,664	7,387	(1,896)
<b>Fund balances, beginning of year</b>	43,490	6,295	9,401	1,816	4,785
Revisions to beginning fund balances	0	0	0	0	0
Fund balances, beginning of year (restated)	<u>43,490</u>	<u>6,295</u>	<u>9,401</u>	<u>1,816</u>	<u>4,785</u>
<b>Fund balances, end of year</b>	<u>\$ 43,005</u>	<u>\$ 6,405</u>	<u>\$ 11,065</u>	<u>\$ 9,203</u>	<u>\$ 2,889</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Special Revenue Funds				
	Agriculture	Attorney General	Administration	Health and Environment	Highway Patrol
<b>Revenues:</b>					
Property tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0	0
Sales and excise tax	0	0	0	695	2,564
Gross receipts tax	0	0	0	1,197	0
Charges for services	7,487	12,835	11,056	23,405	8,677
Operating grants	4,894	7,832	262	95,962	24,413
Capital grants	0	0	0	0	0
Investment earnings	75	63	406	1,363	176
Other revenues	415	1,375	14,052	40,874	170
<b>Total revenues</b>	<u>12,871</u>	<u>22,105</u>	<u>25,776</u>	<u>163,496</u>	<u>36,000</u>
<b>Expenditures:</b>					
Current:					
General government	0	11,644	22,280	0	0
Human resources	0	0	0	0	0
Education	0	0	0	0	0
Public safety	0	11,454	0	0	49,137
Agriculture and natural resources	13,073	0	0	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	0	160,745	0
Economic development	0	0	0	0	0
Debt service:					
Principal	0	0	235	0	0
Interest	0	0	26,275	0	0
<b>Total expenditures</b>	<u>13,073</u>	<u>23,098</u>	<u>48,790</u>	<u>160,745</u>	<u>49,137</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(202)</u>	<u>(993)</u>	<u>(23,014)</u>	<u>2,751</u>	<u>(13,137)</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	309	4,341	15,329	3,439	15,157
<b>Total other financing sources (uses)</b>	<u>309</u>	<u>4,341</u>	<u>15,329</u>	<u>3,439</u>	<u>15,157</u>
<b>Net change in fund balances</b>	107	3,348	(7,685)	6,190	2,020
<b>Fund balances, beginning of year</b>	4,449	6,808	28,022	45,575	4,521
Revisions to beginning fund balances	0	0	0	0	0
Fund balances, beginning of year (restated)	<u>4,449</u>	<u>6,808</u>	<u>28,022</u>	<u>45,575</u>	<u>4,521</u>
<b>Fund balances, end of year</b>	<u>\$ 4,556</u>	<u>\$ 10,156</u>	<u>\$ 20,337</u>	<u>\$ 51,765</u>	<u>\$ 6,541</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Special Revenue Funds				
	Historical Society	Labor	Commerce	Insurance	Judicial
<b>Revenues:</b>					
Property tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	14,364	0	0
Sales and excise tax	1,258	0	0	0	0
Gross receipts tax	0	0	45	10,466	0
Charges for services	911	1,198	5,950	9,500	11,042
Operating grants	828	19,919	50,309	169	256
Capital grants	0	0	0	0	0
Investment earnings	149	0	1,991	0	114
Other revenues	537	12,147	5,333	314	1,566
<b>Total revenues</b>	<u>3,683</u>	<u>33,264</u>	<u>77,992</u>	<u>20,449</u>	<u>12,978</u>
<b>Expenditures:</b>					
Current:					
General government	0	0	114,752	17,551	12,413
Human resources	0	34,675	0	0	0
Education	3,344	0	(286)	0	0
Public safety	0	0	0	0	0
Agriculture and natural resources	0	0	0	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	0	0	0
Economic development	0	0	3,125	0	0
Debt service:					
Principal	0	0	11,100	0	0
Interest	0	0	2,572	0	0
<b>Total expenditures</b>	<u>3,344</u>	<u>34,675</u>	<u>131,263</u>	<u>17,551</u>	<u>12,413</u>
<b>Excess of revenues over (under) expenditures</b>	<u>339</u>	<u>(1,411)</u>	<u>(53,271)</u>	<u>2,898</u>	<u>565</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of debt	0	0	36,286	0	0
Transfers, net	(20)	1,383	38,153	104	0
<b>Total other financing sources (uses)</b>	<u>(20)</u>	<u>1,383</u>	<u>74,439</u>	<u>104</u>	<u>0</u>
<b>Net change in fund balances</b>	319	(28)	21,168	3,002	565
<b>Fund balances, beginning of year</b>	3,625	2,997	82,523	7,827	9,153
Revisions to beginning fund balances	0	0	0	0	0
Fund balances, beginning of year (restated)	<u>3,625</u>	<u>2,997</u>	<u>82,523</u>	<u>7,827</u>	<u>9,153</u>
<b>Fund balances, end of year</b>	<u>\$ 3,944</u>	<u>\$ 2,969</u>	<u>\$ 103,691</u>	<u>\$ 10,829</u>	<u>\$ 9,718</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Special Revenue Funds				
	State Library	Revenue	Education	Secretary of State	State Treasurer
<b>Revenues:</b>					
Property tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0	0
Sales and excise tax	0	6,234	0	0	0
Gross receipts tax	0	179	0	0	0
Charges for services	8	14,972	4,568	4,899	2,459
Operating grants	1,792	1,101	385,854	5	0
Capital grants	0	0	0	0	0
Investment earnings	0	0	8	989	3,241
Other revenues	0	0	32,769	0	12,300
<b>Total revenues</b>	<u>1,800</u>	<u>22,486</u>	<u>423,199</u>	<u>5,893</u>	<u>18,000</u>
<b>Expenditures:</b>					
Current:					
General government	0	62,216	0	15,231	15,253
Human resources	0	0	0	0	0
Education	1,685	0	484,789	0	0
Public safety	0	0	0	0	0
Agriculture and natural resources	0	0	0	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	0	0	0
Economic development	0	0	0	0	0
Debt service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
<b>Total expenditures</b>	<u>1,685</u>	<u>62,216</u>	<u>484,789</u>	<u>15,231</u>	<u>15,253</u>
<b>Excess of revenues over (under) expenditures</b>	<u>115</u>	<u>(39,730)</u>	<u>(61,590)</u>	<u>(9,338)</u>	<u>2,747</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	(35)	41,467	59,812	0	(2,817)
<b>Total other financing sources (uses)</b>	<u>(35)</u>	<u>41,467</u>	<u>59,812</u>	<u>0</u>	<u>(2,817)</u>
<b>Net change in fund balances</b>	80	1,737	(1,778)	(9,338)	(70)
<b>Fund balances, beginning of year</b>	(2)	7,757	5,342	26,723	2,204
Revisions to beginning fund balances	0	0	0	0	0
Fund balances, beginning of year (restated)	<u>(2)</u>	<u>7,757</u>	<u>5,342</u>	<u>26,723</u>	<u>2,204</u>
<b>Fund balances, end of year</b>	<u>\$ 78</u>	<u>\$ 9,494</u>	<u>\$ 3,564</u>	<u>\$ 17,385</u>	<u>\$ 2,134</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Special Revenue Funds				
	Wildlife and Parks	Executive	Legislative	Transportation- special revenue	State Water Plan
<b>Revenues:</b>					
Property tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0	0
Sales and excise tax	1,038	0	0	0	0
Gross receipts tax	0	0	0	0	0
Charges for services	27,734	187	40	334	4,345
Operating grants	12,748	15,411	0	0	0
Capital grants	0	0	0	2,775	0
Investment earnings	794	104	0	0	0
Other revenues	781	93	56	1,122	3,408
<b>Total revenues</b>	<u>43,095</u>	<u>15,795</u>	<u>96</u>	<u>4,231</u>	<u>7,753</u>
<b>Expenditures:</b>					
Current:					
General government	0	14,382	150	0	0
Human resources	0	0	0	0	0
Education	0	0	0	0	3
Public safety	0	0	0	0	0
Agriculture and natural resources	43,319	0	0	0	11,062
Highways and other transportation	0	0	0	17,333	0
Health and environment	0	0	0	0	3,648
Economic development	0	0	0	0	0
Debt service:					
Principal	764	0	0	0	232
Interest	19	0	0	0	5
<b>Total expenditures</b>	<u>44,102</u>	<u>14,382</u>	<u>150</u>	<u>17,333</u>	<u>14,950</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(1,007)</u>	<u>1,413</u>	<u>(54)</u>	<u>(13,102)</u>	<u>(7,197)</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	3,085	(1,099)	0	17,000	7,770
<b>Total other financing sources (uses)</b>	<u>3,085</u>	<u>(1,099)</u>	<u>0</u>	<u>17,000</u>	<u>7,770</u>
<b>Net change in fund balances</b>	2,078	314	(54)	3,898	573
<b>Fund balances, beginning of year</b>	23,371	1,315	141	22,848	17,011
Revisions to beginning fund balances	0	0	0	0	0
Fund balances, beginning of year (restated)	<u>23,371</u>	<u>1,315</u>	<u>141</u>	<u>22,848</u>	<u>17,011</u>
<b>Fund balances, end of year</b>	<u>\$ 25,449</u>	<u>\$ 1,629</u>	<u>\$ 87</u>	<u>\$ 26,746</u>	<u>\$ 17,584</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Capital Projects Funds					
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program	Corrections	State Library	Pooled Funds
<b>Revenues:</b>						
Property tax	\$ 47,571	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0	0	0
Sales and excise tax	0	0	0	0	0	0
Gross receipts tax	0	0	0	0	0	0
Charges for services	0	734	0	173	0	0
Operating grants	0	0	0	0	58	0
Capital grants	0	0	0	0	0	0
Investment earnings	0	122	308	18	0	0
Other revenues	0	1	0	0	0	1
<b>Total revenues</b>	<u>47,571</u>	<u>857</u>	<u>308</u>	<u>191</u>	<u>58</u>	<u>1</u>
<b>Expenditures:</b>						
Current:						
General government	491	21,568	(1,418)	0	0	0
Human resources	2,340	0	0	0	0	0
Education	2,305	0	0	0	367	0
Public safety	3,587	0	0	0	0	0
Agriculture and natural resources	0	0	0	0	0	0
Highways and other transportation	0	0	0	0	0	0
Health and environment	0	0	0	0	0	0
Economic development	0	0	0	0	0	0
Debt service:						
Principal	0	4,430	8,976	5,865	0	105
Interest	0	6,197	2,779	3,037	0	16
<b>Total expenditures</b>	<u>8,723</u>	<u>32,195</u>	<u>10,337</u>	<u>8,902</u>	<u>367</u>	<u>121</u>
<b>Excess of revenues over (under) expenditures</b>	<u>38,848</u>	<u>(31,338)</u>	<u>(10,029)</u>	<u>(8,711)</u>	<u>(309)</u>	<u>(120)</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of debt	0	7,491	5,899	0	0	0
Transfers, net	(30,046)	9,791	0	8,201	0	120
<b>Total other financing sources (uses)</b>	<u>(30,046)</u>	<u>17,282</u>	<u>5,899</u>	<u>8,201</u>	<u>0</u>	<u>120</u>
<b>Net change in fund balances</b>	8,802	(14,056)	(4,130)	(510)	(309)	0
<b>Fund balances, beginning of year</b>	24,131	20,132	81,876	2,685	677	0
Revisions to beginning fund balances	0	1	0	0	0	0
Fund balances, beginning of year (restated)	<u>24,131</u>	<u>20,133</u>	<u>81,876</u>	<u>2,685</u>	<u>677</u>	<u>0</u>
<b>Fund balances, end of year</b>	<u>\$ 32,933</u>	<u>\$ 6,077</u>	<u>\$ 77,746</u>	<u>\$ 2,175</u>	<u>\$ 368</u>	<u>\$ 0</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Capital Projects Funds					
	Armories	Public Broadcasting Digital	Vital Statistics Project	Highway Patrol	Labor	Social and Rehabilitation Services
<b>Revenues:</b>						
Property tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0	0	0
Sales and excise tax	0	0	0	0	0	0
Gross receipts tax	0	0	0	0	0	0
Charges for services	43	0	0	0	763	29
Operating grants	0	0	0	0	0	0
Capital grants	0	0	0	0	0	0
Investment earnings	171	72	37	1	42	246
Other revenues	1	1	0	0	0	0
<b>Total revenues</b>	<u>215</u>	<u>73</u>	<u>37</u>	<u>1</u>	<u>805</u>	<u>275</u>
<b>Expenditures:</b>						
Current:						
General government	0	1,039	0	0	0	0
Human resources	0	0	0	0	1,262	2,292
Education	0	0	0	0	0	0
Public safety	3,668	0	0	0	0	0
Agriculture and natural resources	0	0	0	0	0	0
Highways and other transportation	0	0	0	0	0	0
Health and environment	0	0	77	0	0	0
Economic development	0	0	0	0	0	0
Debt service:						
Principal	1,060	295	430	680	1,895	2,895
Interest	954	322	69	205	1,022	3,599
<b>Total expenditures</b>	<u>5,682</u>	<u>1,656</u>	<u>576</u>	<u>885</u>	<u>4,179</u>	<u>8,786</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(5,467)</u>	<u>(1,583)</u>	<u>(539)</u>	<u>(884)</u>	<u>(3,374)</u>	<u>(8,511)</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of debt	4,512	0	0	0	0	0
Transfers, net	1,910	517	459	885	1,806	6,179
<b>Total other financing sources (uses)</b>	<u>6,422</u>	<u>517</u>	<u>459</u>	<u>885</u>	<u>1,806</u>	<u>6,179</u>
<b>Net change in fund balances</b>	955	(1,066)	(80)	1	(1,568)	(2,332)
<b>Fund balances, beginning of year</b>	3,685	1,787	756	0	17,865	6,618
Revisions to beginning fund balances	0	0	0	0	0	4
Fund balances, beginning of year (restated)	<u>3,685</u>	<u>1,787</u>	<u>756</u>	<u>0</u>	<u>17,865</u>	<u>6,622</u>
<b>Fund balances, end of year</b>	<u>\$ 4,640</u>	<u>\$ 721</u>	<u>\$ 676</u>	<u>\$ 1</u>	<u>\$ 16,297</u>	<u>\$ 4,290</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds - Concluded  
For the Fiscal Year Ended June 30, 2007**

*(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	\$ 47,571
Income and inheritance tax	0	0	0	14,364
Sales and excise tax	0	0	30,996	42,787
Gross receipts tax	0	0	0	19,280
Charges for services	22	2,542	0	301,188
Operating grants	0	0	0	753,465
Capital grants	0	0	0	2,775
Investment earnings	6	12	0	11,903
Other revenues	1,805	5,404	0	141,772
<b>Total revenues</b>	<u>1,833</u>	<u>7,958</u>	<u>30,996</u>	<u>1,335,105</u>
<b>Expenditures:</b>				
Current:				
General government	0	0	7,652	362,735
Human resources	0	0	0	375,437
Education	0	0	0	493,071
Public safety	0	0	0	233,748
Agriculture and natural resources	0	0	0	77,217
Highways and other transportation	0	0	0	17,333
Health and environment	0	0	0	167,086
Economic development	0	0	0	3,125
Debt service:				
Principal	4,520	53,020	13,902	112,398
Interest	2,080	86,544	10,303	147,770
<b>Total expenditures</b>	<u>6,600</u>	<u>139,564</u>	<u>31,857</u>	<u>1,989,920</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(4,767)</u>	<u>(131,606)</u>	<u>(861)</u>	<u>(654,815)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	0	0	0	54,188
Transfers, net	4,769	122,513	0	609,608
<b>Total other financing sources (uses)</b>	<u>4,769</u>	<u>122,513</u>	<u>0</u>	<u>663,796</u>
<b>Net change in fund balances</b>	2	(9,093)	(861)	8,981
<b>Fund balances, beginning of year</b>	405	73,364	49,972	651,950
Revisions to beginning fund balances	0	0	0	5
Fund balances, beginning of year (restated)	<u>405</u>	<u>73,364</u>	<u>49,972</u>	<u>651,955</u>
<b>Fund balances, end of year</b>	<u>\$ 407</u>	<u>\$ 64,271</u>	<u>\$ 49,111</u>	<u>\$ 660,936</u>

**Listing of Non-Major Proprietary Funds**

**Enterprise Funds**

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

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

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

**Combining Statement of Net Assets - Nonmajor Proprietary Funds**  
**June 30, 2007**

*(expressed in thousands)*

	Business-Type Activities					Totals
	Workers Compensa- tion	Lottery	Intergovern- mental Transfer Program	Transporta- tion Revolving Fund	Communica- tion Systems Revolving Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 7,589	\$ 8,917	\$ 1,014	\$ 11,309	\$ 1,361	\$ 30,190
Investments	0	0	0	13,800	0	13,800
Receivables, net	0	9,267	0	4,381	56	13,704
Inventories	0	1,750	0	0	1	1,751
Total current assets	<u>7,589</u>	<u>19,934</u>	<u>1,014</u>	<u>29,490</u>	<u>1,418</u>	<u>59,445</u>
Noncurrent assets:						
Investments	0	0	0	16,323	0	16,323
Receivables, net:	0	0	0	36,944	452	37,396
Restricted cash and cash equivalents	0	0	0	3,923	0	3,923
Advances to other funds	4,000	0	0	0	0	4,000
Capital assets (net of accumulated depreciation)	0	251	0	0	0	251
Other noncurrent assets	0	0	0	581	0	581
Total noncurrent assets	<u>4,000</u>	<u>251</u>	<u>0</u>	<u>57,771</u>	<u>452</u>	<u>62,474</u>
<b>Total assets</b>	<u>\$ 11,589</u>	<u>\$ 20,185</u>	<u>\$ 1,014</u>	<u>\$ 87,261</u>	<u>\$ 1,870</u>	<u>\$ 121,919</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 144	\$ 7,306	\$ 10	\$ 602	\$ 15	\$ 8,077
Deferred revenue	0	0	0	0	25	25
Due to other funds	0	5,750	0	0	0	5,750
Short-term compensated absences	12	0	0	0	0	12
Short-term portion of long-term liabilities	4,682	0	0	3,450	0	8,132
Total current liabilities	<u>4,838</u>	<u>13,056</u>	<u>10</u>	<u>4,052</u>	<u>40</u>	<u>21,996</u>
Noncurrent liabilities:						
Compensated absences	2	0	0	0	0	2
Claims and judgements	26,520	0	0	0	0	26,520
Bonds, notes and loans payable	0	0	0	55,176	0	55,176
Total noncurrent liabilities	<u>26,522</u>	<u>0</u>	<u>0</u>	<u>55,176</u>	<u>0</u>	<u>81,698</u>
<b>Total liabilities</b>	<u>31,360</u>	<u>13,056</u>	<u>10</u>	<u>59,228</u>	<u>40</u>	<u>103,694</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	0	251	0	0	0	251
Restricted for:						
Debt service	0	0	0	30,977	0	30,977
Other purposes	(19,771)	0	0	0	0	(19,771)
Unrestricted	0	6,878	1,004	(2,944)	1,830	6,768
<b>Total net assets</b>	<u>(19,771)</u>	<u>7,129</u>	<u>1,004</u>	<u>28,033</u>	<u>1,830</u>	<u>18,225</u>
<b>Total liabilities and net assets</b>	<u>\$ 11,589</u>	<u>\$ 20,185</u>	<u>\$ 1,014</u>	<u>\$ 87,261</u>	<u>\$ 1,870</u>	<u>\$ 121,919</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Nonmajor Proprietary Funds**

**For the Fiscal Year Ended June 30, 2007**  
*(expressed in thousands)*

	Business-Type Activities					Totals
	Workers Compensa- tion	Lottery	Intergovern- mental Transfer Program	Transporta- tion Revolving Fund	Communica- tion Systems Revolving Fund	
<b>Operating revenues:</b>						
Charges for services	\$ 7,396	\$ 241,440	\$ 156	\$ 119	\$ 793	\$ 249,904
Other revenue	29	13	120	1,160	0	1,322
<b>Total operating revenues</b>	<u>7,425</u>	<u>241,453</u>	<u>276</u>	<u>1,279</u>	<u>793</u>	<u>251,226</u>
<b>Operating expenses:</b>						
Personal services	246	4,425	0	0	0	4,671
Supplies and services	1,549	32,154	0	28	99	33,830
Lottery prize awards	0	134,207	0	0	0	134,207
Depreciation	0	141	0	0	0	141
Insurance claims and expenses	1,766	0	0	0	0	1,766
Other expenses	782	0	80	0	0	862
<b>Total operating expenses</b>	<u>4,343</u>	<u>170,927</u>	<u>80</u>	<u>28</u>	<u>99</u>	<u>175,477</u>
<b>Operating income (loss)</b>	<u>3,082</u>	<u>70,526</u>	<u>196</u>	<u>1,251</u>	<u>694</u>	<u>75,749</u>
<b>Nonoperating revenues (expenses):</b>						
Investment earnings	0	0	0	2,030	51	2,081
Interest expense	0	0	0	(1,850)	0	(1,850)
Other expenses	0	0	(502)	0	0	(502)
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>0</u>	<u>(502)</u>	<u>180</u>	<u>51</u>	<u>(271)</u>
<b>Net income (loss)</b>	<u>3,082</u>	<u>70,526</u>	<u>(306)</u>	<u>1,431</u>	<u>745</u>	<u>75,478</u>
Transfers in	1,000	(71,016)	0	0	0	(70,016)
Transfers out	(2)	0	0	0	0	(2)
<b>Net change in net assets</b>	<u>4,080</u>	<u>(490)</u>	<u>(306)</u>	<u>1,431</u>	<u>745</u>	<u>5,460</u>
Total net assets - beginning	(23,851)	7,619	1,310	26,602	1,085	12,765
<b>Total net assets - ending</b>	<u>\$ (19,771)</u>	<u>\$ 7,129</u>	<u>\$ 1,004</u>	<u>\$ 28,033</u>	<u>\$ 1,830</u>	<u>\$ 18,225</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  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

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

**June 30, 2007**

*(expressed in thousands)*

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2,977	\$ 2,155	\$ 383	\$ 6,731	\$ 42	\$ 7,949
Inventories	0	0	0	471	0	0
Total current assets	<u>2,977</u>	<u>2,155</u>	<u>383</u>	<u>7,202</u>	<u>42</u>	<u>7,949</u>
Noncurrent assets:						
Advances to other funds	4	4	1	11	0	7
Capital assets (net of accumulated depreciation)	1,255	2	543	7,350	0	73,337
Total noncurrent assets	<u>1,259</u>	<u>6</u>	<u>544</u>	<u>7,361</u>	<u>0</u>	<u>73,344</u>
<b>Total assets</b>	<u>\$ 4,236</u>	<u>\$ 2,161</u>	<u>\$ 927</u>	<u>\$ 14,563</u>	<u>\$ 42</u>	<u>\$ 81,293</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 479	\$ 136	\$ 51	\$ 3,221	\$ 25	\$ 843
Due to other funds	0	0	444	1,202	0	60
Short-term compensated absences	133	278	3	618	0	308
Short-term portion of long-term liabilities	171	20,228	0	0	0	1,321
Total current liabilities	<u>783</u>	<u>20,642</u>	<u>498</u>	<u>5,041</u>	<u>25</u>	<u>2,532</u>
Noncurrent liabilities:						
Compensated absences	26	54	1	120	0	60
Claims and judgements	0	165	0	0	0	0
Bonds, notes and loans payable	557	0	0	0	0	61,593
Advances from other funds	0	0	1,907	732	0	169
Total noncurrent liabilities	<u>583</u>	<u>219</u>	<u>1,908</u>	<u>852</u>	<u>0</u>	<u>61,822</u>
<b>Total liabilities</b>	<u>1,366</u>	<u>20,861</u>	<u>2,406</u>	<u>5,893</u>	<u>25</u>	<u>64,354</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	1,255	2	77	7,350	0	73,337
Restricted for:						
Unrestricted	<u>1,615</u>	<u>(18,702)</u>	<u>(1,556)</u>	<u>1,320</u>	<u>17</u>	<u>(56,398)</u>
<b>Total net assets</b>	<u>2,870</u>	<u>(18,700)</u>	<u>(1,479)</u>	<u>8,670</u>	<u>17</u>	<u>16,939</u>
<b>Total liabilities and net assets</b>	<u>\$ 4,236</u>	<u>\$ 2,161</u>	<u>\$ 927</u>	<u>\$ 14,563</u>	<u>\$ 42</u>	<u>\$ 81,293</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

**Combining Statement of Net Assets - Internal Service Funds - Concluded**  
**June 30, 2007**

*(expressed in thousands)*

	Architectural Services	State Workers Compensation	Capitol Security	Osawatomie Motor Pool	Wildlife Aircraft	Personnel Services	Totals
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 119	\$ 5,949	\$ 181	\$ 25	\$ 149	\$ 277	\$ 26,937
Inventories	0	0	0	0	0	0	471
Total current assets	<u>119</u>	<u>5,949</u>	<u>181</u>	<u>25</u>	<u>149</u>	<u>277</u>	<u>27,408</u>
Noncurrent assets:							
Advances to other funds	1	1	0	0	0	0	29
Capital assets (net of accumulated depreciation)	9	4	0	0	0	0	82,500
Total noncurrent assets	<u>10</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>82,529</u>
<b>Total assets</b>	<u>\$ 129</u>	<u>\$ 5,954</u>	<u>\$ 181</u>	<u>\$ 25</u>	<u>\$ 149</u>	<u>\$ 277</u>	<u>\$ 109,937</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and other liabilities	\$ 49	\$ 591	\$ 46	\$ 0	\$ 0	\$ 7	\$ 5,448
Due to other funds	0	0	0	0	0	0	1,706
Short-term compensated absences	60	57	0	0	0	10	1,467
Short-term portion of long-term liabilities	0	13,765	0	0	0	0	35,485
Total current liabilities	<u>109</u>	<u>14,413</u>	<u>46</u>	<u>0</u>	<u>0</u>	<u>17</u>	<u>44,106</u>
Noncurrent liabilities:							
Compensated absences	12	11	0	0	0	2	286
Claims and judgements	0	27,435	0	0	0	0	27,600
Bonds, notes and loans payable	0	0	0	0	0	0	62,150
Advances from other funds	0	0	0	0	0	0	2,808
Total noncurrent liabilities	<u>12</u>	<u>27,446</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>92,844</u>
<b>Total liabilities</b>	<u>121</u>	<u>41,859</u>	<u>46</u>	<u>0</u>	<u>0</u>	<u>19</u>	<u>136,950</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	9	4	0	0	0	466	82,500
Restricted for:							
Unrestricted	(1)	(35,909)	135	25	149	(208)	(109,513)
<b>Total net assets</b>	<u>8</u>	<u>(35,905)</u>	<u>135</u>	<u>25</u>	<u>149</u>	<u>258</u>	<u>(27,013)</u>
<b>Total liabilities and net assets</b>	<u>\$ 129</u>	<u>\$ 5,954</u>	<u>\$ 181</u>	<u>\$ 25</u>	<u>\$ 149</u>	<u>\$ 277</u>	<u>\$ 109,937</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Internal Service Funds  
For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
<b>Operating revenues:</b>						
Charges for services	\$ 6,292	\$ 3,433	\$ 824	\$ 36,273	\$ 154	\$ 27,741
Other revenue	2	15,405	1,630	1	(1)	204
<b>Total operating revenues</b>	<u>6,294</u>	<u>18,838</u>	<u>2,454</u>	<u>36,274</u>	<u>153</u>	<u>27,945</u>
<b>Operating expenses:</b>						
Salaries and wages	2,563	4,413	50	10,799	0	7,096
Supplies and services	2,884	760	3,113	23,417	168	9,432
Depreciation	137	1	345	2,419	0	2,835
Insurance claims and expenses	0	0	0	0	0	0
<b>Total operating expenses</b>	<u>5,584</u>	<u>5,174</u>	<u>3,508</u>	<u>36,635</u>	<u>168</u>	<u>19,363</u>
<b>Operating income (loss)</b>	<u>710</u>	<u>13,664</u>	<u>(1,054)</u>	<u>(361)</u>	<u>(15)</u>	<u>8,582</u>
<b>Nonoperating revenues (expenses):</b>						
Interest expense	(43)	0	0	0	0	(3,136)
<b>Total nonoperating revenues (expenses)</b>	<u>(43)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,136)</u>
<b>Net income (loss)</b>	667	13,664	(1,054)	(361)	(15)	5,446
Transfers in	0	731	(1,534)	0	0	(226)
Transfers out	(133)	0	0	(260)	0	(4,041)
<b>Net change in net assets</b>	<u>534</u>	<u>14,395</u>	<u>(2,588)</u>	<u>(621)</u>	<u>(15)</u>	<u>1,179</u>
Total net assets - beginning	2,502	(33,095)	1,244	10,901	32	18,350
Revisions to beginning net assets	(166)	0	(135)	(1,610)	0	(2,590)
Total net assets - beginning (restated)	<u>2,336</u>	<u>(33,095)</u>	<u>1,109</u>	<u>9,291</u>	<u>32</u>	<u>15,760</u>
<b>Total net assets - ending</b>	<u>\$ 2,870</u>	<u>\$ (18,700)</u>	<u>\$ (1,479)</u>	<u>\$ 8,670</u>	<u>\$ 17</u>	<u>\$ 16,939</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2007

*State of Kansas*

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Internal Service Funds - Concluded  
For the Fiscal Year Ended June 30, 2007**

*(expressed in thousands)*

	Architectural Services	State Workers Compensation	Capitol Security	Osawatomie Motor Pool	Wildlife Aircraft	Personnel Services	Totals
<b>Operating revenues:</b>							
Charges for services	\$ 1,031	\$ 19,878	\$ 40	\$ 51	\$ 83	\$ 150	\$ 95,950
Other revenue	48	(8,263)	82	0	0	0	9,108
<b>Total operating revenues</b>	<u>1,079</u>	<u>11,615</u>	<u>122</u>	<u>51</u>	<u>83</u>	<u>150</u>	<u>105,058</u>
<b>Operating expenses:</b>							
Salaries and wages	986	1,147	(23)	0	0	11	27,042
Supplies and services	65	2,252	19	27	0	1	42,138
Depreciation	6	1	0	0	0	0	5,744
Insurance claims and expenses	0	18,650	0	0	0	0	18,650
<b>Total operating expenses</b>	<u>1,057</u>	<u>22,050</u>	<u>(4)</u>	<u>27</u>	<u>0</u>	<u>12</u>	<u>93,574</u>
<b>Operating income (loss)</b>	<u>22</u>	<u>(10,435)</u>	<u>126</u>	<u>24</u>	<u>83</u>	<u>138</u>	<u>11,484</u>
<b>Nonoperating revenues (expenses):</b>							
Interest expense	0	0	0	0	0	0	(3,179)
<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>(3,179)</u>
<b>Net income (loss)</b>	22	(10,435)	126	24	83	138	8,305
Transfers in	0	414	0	0	0	0	(615)
Transfers out	0	0	0	0	0	0	(4,434)
<b>Net change in net assets</b>	<u>22</u>	<u>(10,021)</u>	<u>126</u>	<u>24</u>	<u>83</u>	<u>138</u>	<u>3,256</u>
Total net assets - beginning	(14)	(25,871)	9	1	66	120	(25,755)
Revisions to beginning net assets	0	(13)	0	0	0	0	(4,514)
Total net assets - beginning (restated)	<u>(14)</u>	<u>(25,884)</u>	<u>9</u>	<u>1</u>	<u>66</u>	<u>120</u>	<u>(30,269)</u>
<b>Total net assets - ending</b>	<u>\$ 8</u>	<u>\$ (35,905)</u>	<u>\$ 135</u>	<u>\$ 25</u>	<u>\$ 149</u>	<u>\$ 258</u>	<u>\$ (27,013)</u>

**STATISTICAL  
SECTION**

State of Kansas  
**Statistical Section**  
June 30, 2007

<u><b>Contents</b></u>	<u><b>Page</b></u>
<b>Financial Trends</b>	136
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>	146
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>	148
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>	150
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>	152
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, 2007

**Financial Trends**  
**Net Assets by Fund Type**  
**Last Six Fiscal Years**  
*(expressed in thousands)*

	<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	<u>1,583,141</u>	<u>1,194,510</u>	<u>831,722</u>
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	<u>406,782</u>	<u>(10,780)</u>	<u>57,317</u>
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	<u>1,989,923</u>	<u>1,183,730</u>	<u>889,039</u>
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, 2007

---

**Financial Trends**  
**Net Assets by Fund Type**  
**Last Six Fiscal Years**  
*(expressed in thousands)*

---

2005	2006	2007	
			1
\$ 8,435,125	\$ 8,144,626	\$ 9,538,694	2
89,640	97,386	93,923	3
762,257	1,309,066	331,906	4
\$ 9,287,022	\$ 9,551,078	\$ 9,964,523	5
			6
			7
\$ 247	\$ 388	\$ 256	8
766,234	950,950	1,087,458	9
5,642	20,004	6,768	10
\$ 772,123	\$ 971,342	\$ 1,094,482	11
			12
			13
\$ 8,435,372	\$ 8,145,014	\$ 9,538,950	14
855,874	1,048,336	1,181,381	15
767,899	1,329,110	338,674	16
\$ 10,059,145	\$ 10,522,460	\$ 11,059,005	17

State of Kansas  
**Statistical Section**  
June 30, 2007

**Financial Trends**  
**Changes in Net Assets, Last Six Fiscal Years**  
*(expressed in thousands)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>
1 <b>Expenses</b>			
2 Governmental activities:			
3     General government	\$ 561,006	\$ 419,040	\$ 1,615,560
4     Human resources	2,723,207	2,804,932	3,106,382
5     Education	2,662,380	3,125,520	3,201,981
6     Public safety	476,638	446,867	438,540
7     Agriculture and natural resources	90,948	92,466	88,870
8     Highways and other transportation	860,035	798,083	777,697
9     Health and environment	166,038	174,249	176,436
10     Economic development	0	0	0
11     Interest expense	0	0	0
12     Total governmental activities expenses	<u>7,540,252</u>	<u>7,861,157</u>	<u>9,405,466</u>
13 Business-type activities:			
14     Water pollution and safety	42,370	22,489	28,975
15     Health care stabilization	27,588	34,955	33,874
16     Employment security	341,587	487,610	468,413
17     Workers' compensation	(856)	(38,177)	2,842
18     Lottery	132,284	140,103	154,774
19     Universities	1,857,220	1,749,824	0
20     Intergovernmental transfer program	94,823	35,953	1,210
21     Total business-type activities expenses	<u>2,495,016</u>	<u>2,432,757</u>	<u>690,088</u> <sup>1</sup>
22     Total primary government expenses	<u>\$ 10,035,268</u>	<u>\$ 10,293,914</u>	<u>\$ 10,095,554</u>
23			
24 <b>Program Revenues</b>			
25 Governmental activities:			
26     General government	\$ 225,970	\$ 283,224	\$ 298,640
27     Human resources	1,723,828	1,782,338	1,982,802
28     Education	295,077	322,565	359,415
29     Public safety	111,009	85,705	79,468
30     Agriculture and natural resources	52,315	55,648	58,116
31     Highways and other transportation	583,663	588,536	493,479
32     Health and environment	99,249	119,147	130,810
33     Total governmental activities revenues	<u>3,091,111</u>	<u>3,237,163</u>	<u>3,402,730</u>
34 Business-type activities: <sup>1</sup>			
35     Water pollution and safety	35,799	23,769	50,634
36     Health care stabilization	27,684	26,201	22,236
37     Employment security	318,187	352,282	370,895
38     Workers' compensation	468	871	3,859
39     Lottery	191,064	203,939	225,457
40     Universities	800,899	1,026,479	0
41     Intergovernmental transfer program	0	67	191
42     Transportation revolving fund	0	0	0
43     Total business-type activities revenues	<u>1,374,101</u>	<u>1,633,608</u>	<u>673,272</u> <sup>1</sup>
44     Total primary government revenues	<u>\$ 4,465,212</u>	<u>\$ 4,870,771</u>	<u>\$ 4,076,002</u>
45			
46 <b>Net (Expense) Revenue</b>			
47 Government activities	\$ (4,449,141)	\$ (4,623,994)	\$ (6,002,736)
48 Business-type activities	<u>(1,120,915)</u>	<u>(799,149)</u>	<u>(16,816)</u> <sup>1</sup>
49 Total primary net (expense) revenue	<u>\$ (5,570,056)</u>	<u>\$ (5,423,143)</u>	<u>\$ (6,019,552)</u>

State of Kansas  
**Statistical Section**  
June 30, 2007

**Financial Trends**  
**Changes in Net Assets, Last Six Fiscal Years**  
*(expressed in thousands)*

<u>2005</u>	<u>2006</u>	<u>2007</u>	
			1
			2
\$ 1,215,280	\$ 975,416	\$ 1,074,391	3
3,124,978	2,979,056	3,080,465	4
3,393,376	4,378,010	4,696,343	5
514,904	583,340	607,343	6
93,528	98,116	102,471	7
679,952	893,582	639,384	8
189,908	197,884	199,996	9
3,293	3,780	3,125	10
0	0	149,550	11
<u>9,215,219</u>	<u>10,109,184</u>	<u>10,553,068</u>	12
			13
30,499	33,995	33,845	14
39,897	32,500	24,013	15
280,644	253,055	245,910	16
2,273	4,888	4,342	17
145,496	167,623	170,928	18
0	1,084	583	19
9,287	1,145	1,977	20
<u>508,096</u>	<u>494,290</u>	<u>481,598</u>	21
<u>\$ 9,723,315</u>	<u>\$ 10,603,474</u>	<u>\$ 11,034,666</u>	22
			23
			24
			25
\$ 320,129	\$ 274,969	\$ 281,027	26
1,861,855	2,090,961	2,099,064	27
386,369	390,180	395,050	28
126,632	149,638	165,609	29
65,012	63,533	66,477	30
563,126	586,235	697,979	31
131,568	129,227	122,938	32
<u>3,454,691</u>	<u>3,684,743</u>	<u>3,828,144</u>	33
			34
44,542	42,992	35,393	35
21,244	27,402	36,010	36
348,021	349,919	275,733	37
3,464	1,182	7,395	38
207,772	237,270	241,441	39
0	0	0	40
167	133	157	41
0	70	912	42
<u>625,210</u>	<u>658,968</u>	<u>597,041</u>	43
<u>\$ 4,079,901</u>	<u>\$ 4,343,711</u>	<u>\$ 4,425,185</u>	44
			45
			46
\$ (5,760,528)	\$ (6,424,441)	\$ (6,724,924)	47
117,114	164,678	115,443	48
<u>\$ (5,643,414)</u>	<u>\$ (6,259,763)</u>	<u>\$ (6,609,481)</u>	49

State of Kansas  
**Statistical Section**  
June 30, 2007

---

**Financial Trends**  
**Revenues and Other Changes in Net Assets**  
*(Expressed in thousands)*

---

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

<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, 2007

---

**Financial Trends**  
**Revenues and Other Changes in Net Assets**  
*(Expressed in thousands)*

---

2005	2006	2007	
			50
			51
\$ 666,698	\$ 548,725	\$ 593,229	52
2,385,369	2,866,019	3,210,696	53
2,660,026	2,789,933	2,863,794	54
127,336	132,928	134,872	55
26,401	61,617	106,727	56
275,320	244,009	218,482	57
77,383	0	0	58
0	66,868	69,881	59
\$ 6,218,533	\$ 6,710,099	\$ 7,197,681	60
			61
29,507	37,446	45,914	62
55,757	35,972	31,624	63
(77,383)	(66,868)	(69,881)	64
7,881	6,550	7,657	65
\$ 6,226,414	\$ 6,716,649	\$ 7,205,338	66

State of Kansas  
**Statistical Section**  
June 30, 2007

**Financial Trends**  
**Fund Balances, Governmental Funds**  
**Last Six Fiscal Years**  
*(expressed in thousands)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>
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			
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>

State of Kansas  
**Statistical Section**  
June 30, 2007

---

**Financial Trends**  
**Fund Balances, Governmental Funds**  
**Last Six Fiscal Years**  
*(expressed in thousands)*

---

2005	2006	2007	
			1
\$ 15,674	\$ 22,386	\$ 28,871	2
297,059	649,526	791,980	3
\$ 312,733	\$ 671,912	\$ 820,851	4
			5
			6
\$ 19,413	\$ 18,125	\$ 16,708	7
70,426	45,558	7,810	8
\$ 89,839	\$ 63,683	\$ 24,518	9
			10
			11
\$ 942,114	\$ 962,147	\$ 977,154	12
(168,173)	(243,585)	(356,696)	13
\$ 773,941	\$ 718,562	\$ 620,458	14
			15
			16
\$ 0	\$ 0	\$ 0	17
(755,115)	(755,115)	(755,115)	18
\$ (755,115)	\$ (755,115)	\$ (755,115)	19
			20
			21
\$ 0	\$ 4,152	\$ 8,405	22
0	4,917	15,785	23
\$ 0	\$ 9,069	\$ 24,190	24
			25
			26
			27
\$ 76,143	\$ 13,489	\$ 13,767	28
155,113	149,569	189,578	30
79,215	86,002	41,023	31
353,789	402,889	416,568	32
\$ 664,260	\$ 651,949	\$ 660,936	33

State of Kansas  
**Statistical Section**  
June 30, 2007

**Changes in Fund Balances, Governmental Funds**  
**Last Six Fiscal Years**  
*(expressed in thousands)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>
1 <b>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	<u>7,713,742</u>	<u>8,425,981</u>	<u>9,219,943</u>
8			
9			
10 <b>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      Interest	83,511	82,351	82,589
21      Principal	73,861	92,026	73,448
22    Total expenditures	<u>7,793,200</u>	<u>8,283,583</u>	<u>9,919,428</u>
23			
24    Excess of revenues over (under) expenditures	(79,458)	142,398	(699,485)
25			
26			
27 <b>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)	<u>(441,505)</u>	<u>(829,939)</u>	<u>955,856</u>
33			
34    Net change in fund balances	<u>\$ (520,963)</u>	<u>\$ (687,541)</u>	<u>\$ 256,371</u>
35			
36    Debt service as a percentage of noncapital			
37      expenditures	2.02%	2.11%	1.57%

State of Kansas  
**Statistical Section**  
June 30, 2007

---

**Changes in Fund Balances, Governmental Funds**  
**Last Six Fiscal Years**  
*(expressed in thousands)*

---

2005	2006	2007	
			1
\$ 5,827,740	\$ 6,378,200	\$ 6,828,429	2
554,851	655,564	744,423	3
2,910,532	3,042,060	3,091,345	4
26,411	61,625	106,733	5
283,470	263,737	290,090	6
9,603,004	10,401,186	11,061,020	7
			8
			9
			10
1,274,908	999,533	1,101,740	11
3,125,941	2,982,450	3,089,907	12
3,396,304	4,380,427	3,879,673	13
507,215	577,042	611,471	14
91,512	96,026	102,387	15
1,026,447	1,027,094	1,033,768	16
190,761	199,016	200,906	17
3,293	3,780	3,125	18
	0		19
139,062	93,570	112,398	20
85,347	142,316	147,770	21
9,840,790	10,501,254	10,283,145	22
			23
(237,786)	(100,068)	777,875	24
			25
			26
			27
257,125	532,422	54,188	28
84,732	37,830	(797,276)	29
(1,956)	(177,402)	0	30
0	0	0	31
339,901	392,850	(743,088)	32
			33
\$ 102,115	\$ 292,782	\$ 34,787	34
			35
			36
2.28%	2.25%	2.53%	37

State of Kansas  
**Statistical Section**  
June 30, 2007

---

**Revenue Capacity**  
**Personal Income by Industry, Last Five Calendar Years**  
*(expressed in thousands)*

---

	<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, 2007

---

**Revenue Capacity**  
**Personal Income by Industry, Last Five Calendar Years**  
*(expressed in thousands)*

---

2005	2006	
		1
\$ 228,199	\$ 234,407	2
1,328,010	1,589,409	3
690,152	722,574	4
3,776,521	4,094,066	5
1,661,073	12,504,265	6
3,772,210	3,991,402	7
4,362,037	4,582,546	8
2,489,576	2,611,443	9
3,344,081	3,521,742	10
3,684,245	3,883,858	11
1,167,144	1,171,789	12
4,494,448	4,875,571	13
684,829	879,612	14
2,469,462	2,847,681	15
507,546	541,281	16
6,444,008	6,819,398	17
274,399	295,266	18
1,655,420	1,759,646	19
1,984,554	2,059,524	20
		21
		22
2,054,583	2,145,533	23
1,889,902	2,096,824	24
9,889,548	10,239,615	25

State of Kansas  
**Statistical Section**  
June 30, 2007

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>
1 <b>Government Activities</b>			
2     Revenue bonds payable	\$ 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     Total Governmental Activities	<u>1,731,475</u>	<u>1,828,301</u>	<u>2,654,026</u>
10			
11 <b>Business-Type Activities</b>			
12    Revenue bonds payable	713,110	878,605	584,824
13    Note payable	58,052	56,163	0
14    Arbitrage rebate payable	5,342	4,538	3,123
15    Claims and judgements	337,200	297,372	185,909
16    Compensated absences	41,900	43,858	54
17    Other	2,800	0	(930)
18    Total business-type activities	<u>1,158,404</u>	<u>1,280,536</u>	<u>772,980</u>
19			
20 <b>Component Units</b>			
21    Revenue bonds payable	253,975	306,540	619,409
22    Note payable	0	0	82,316
23    Capital leases payable	0	0	0
24    Arbitrage rebate payable	0	0	16
25    Compensated absences	0	0	44,887
26    Other	0	0	17,129
27    Total component units	<u>253,975</u>	<u>306,540</u>	<u>763,757</u>
28    Total	<u>\$ 3,143,854</u>	<u>\$ 3,415,377</u>	<u>\$ 4,190,763</u>

State of Kansas  
**Statistical Section**  
June 30, 2007

---

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

---

2005	2006	2007	
			1
\$ 1,748,407	\$ 2,764,949	\$ 2,740,099	2
173,239	232,322	218,420	3
22,391	20,448	18,278	4
159,781	152,483	145,366	5
388	93	97	6
54,642	68,033	61,593	7
100,030	109,214	118,795	8
2,258,878	3,347,542	3,302,648	9
			10
			11
650,193	720,978	714,857	12
0	0	0	13
2,003	963	1,340	14
187,474	186,871	180,802	15
49	47	59	16
11,392	12,961	13,730	17
851,111	921,820	910,788	18
			19
			20
726,535	691,253	684,398	21
68,351	109,783	20,443	22
0	4,666	16,143	23
62	80	69	24
47,919	49,655	52,503	25
106,726	103,761	127,836	26
949,593	959,198	1,001,392	27
\$ 4,059,582	\$ 5,228,560	\$ 5,214,828	28

State of Kansas  
**Statistical Section**  
 June 30, 2007

---

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

---

<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)
1998	2,639,000	25,519	35.25	-	469,758	3.8%
1999	2,654,000	26,134	35.50	-	469,205	3.0%
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	(6)	(6)	(6)	-	465,135	4.8%

**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 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, 2007

**Principal Employers in Kansas**  
**Current Year and Seven Years Ago**

Employer	2007			2000*		
	Local/Total Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Cessna Aircraft Co.	12,000 / 40,000	1	0.84%	10,100	3	0.71%
Hawker Beechcraft Corp.	12,000 / 12,000	2	0.84%	-	-	-
Sprint	10,800 / 64,600	3	0.75%	-	-	-
Spirit Aerosystems Inc.	8,000 / 11,845	4	0.56%	-	-	-
Royal Caribbean Cruises Ltd.	4,900 / 42,958	5	0.34%	-	-	-
Coleman Company Inc.	4,600 / 4,600	6	0.32%	-	-	-
Koch	4,390 / 85,270	7	0.31%	-	-	-
Via Christi Regional Med. Ctr.	4,000 / 11,000	8	0.28%	4,678	7	0.33%
Stormont-Vail Healthcare Inc.	3,400 / 3,400	9	0.24%	-	-	-
Performance Contracting Inc	3,000 / 4,000	10	0.21%	-	-	-
University of Kansas Hospital				4,540	8	0.31%
Sprint/United Management Co.	-	-	-	23,197	1	1.63%
Boeing Company	-	-	-	15,300	2	1.08%
Raytheon Aircraft Company	-	-	-	8,100	4	0.57%
IBP, Inc.	-	-	-	6,000	5	0.42%
Farmland Industries	-	-	-	5,850	6	0.41%
Southwestern Bell Telephone	-	-	-	4,500	9	0.32%
General Motor Corporation	-	-	-	4,200	10	0.29%
<b>Total</b>	<u>67,090 / 279,673</u>		<u>4.69%</u>	<u>86,465</u>		<u>6.07%</u>

Source: Dun & Bradstreet Corporation, Million Dollar Databases 2007 for current fiscal year and Marketplace Directory April - June 1999 for fiscal year 2000 annual financial report (\*earliest information reported).

State of Kansas  
**Statistical Section**  
June 30, 2007

---

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

---

	<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
1	General Government	5,441	5,388	5,429	5,494	5,465
2	Public Safety	4,891	4,861	4,896	4,957	5,045
3	Education	18,000	18,183	18,288	16,421	16,406
4	Transportation	3,241	3,140	3,112	3,220	3,248
5	Agriculture and Natural	1,407	1,196	1,199	1,211	1,194
6	Resources					
7	Human Resources	10,324	9,177	8,609	8,675	8,472
8	Total	43,304	41,945	41,533	39,978	39,830

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

State of Kansas  
**Statistical Section**  
June 30, 2007

---

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

---

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	
5,541	5,551	5,518	5,745	5,843	1
5,064	5,083	5,083	5,114	5,102	2
16,305	16,452	15,901	15,562	16,770	3
3,248	3,248	3,248	3,252	3,238	4
1,278	1,286	1,281	1,287	1,266	5
					6
<u>8,730</u>	<u>8,729</u>	<u>8,426</u>	<u>8,189</u>	<u>8,191</u>	7
40,166	40,349	39,457	39,149	40,410	8



---

**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**

---

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, 2007, and have issued our report thereon dated December 31, 2007. We did not audit the financial statements of the various component units of the six state universities which represent 53 percent and 49 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. 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 aggregate discretely presented component units, 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.

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 opinion 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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*.

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., PA*  
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2007  
Wichita, KS