

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



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

July 1, 2007 to June 30, 2008

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



**STATE OF KANSAS**

**Department  
of  
Administration**

*Duane A. Goossen*

**Secretary  
of  
Administration**

*Kent E. Olson*

**Director  
of  
Accounts and Reports**

State of Kansas  
**Fiscal Year 2008 Financial Report**  
June 30, 2008

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# **INTRODUCTION**

December 31, 2008

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 55<sup>th</sup> Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2008, 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, 2008, 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.

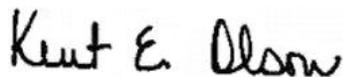
## **PENSION TRUST FUND OPERATIONS**

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**

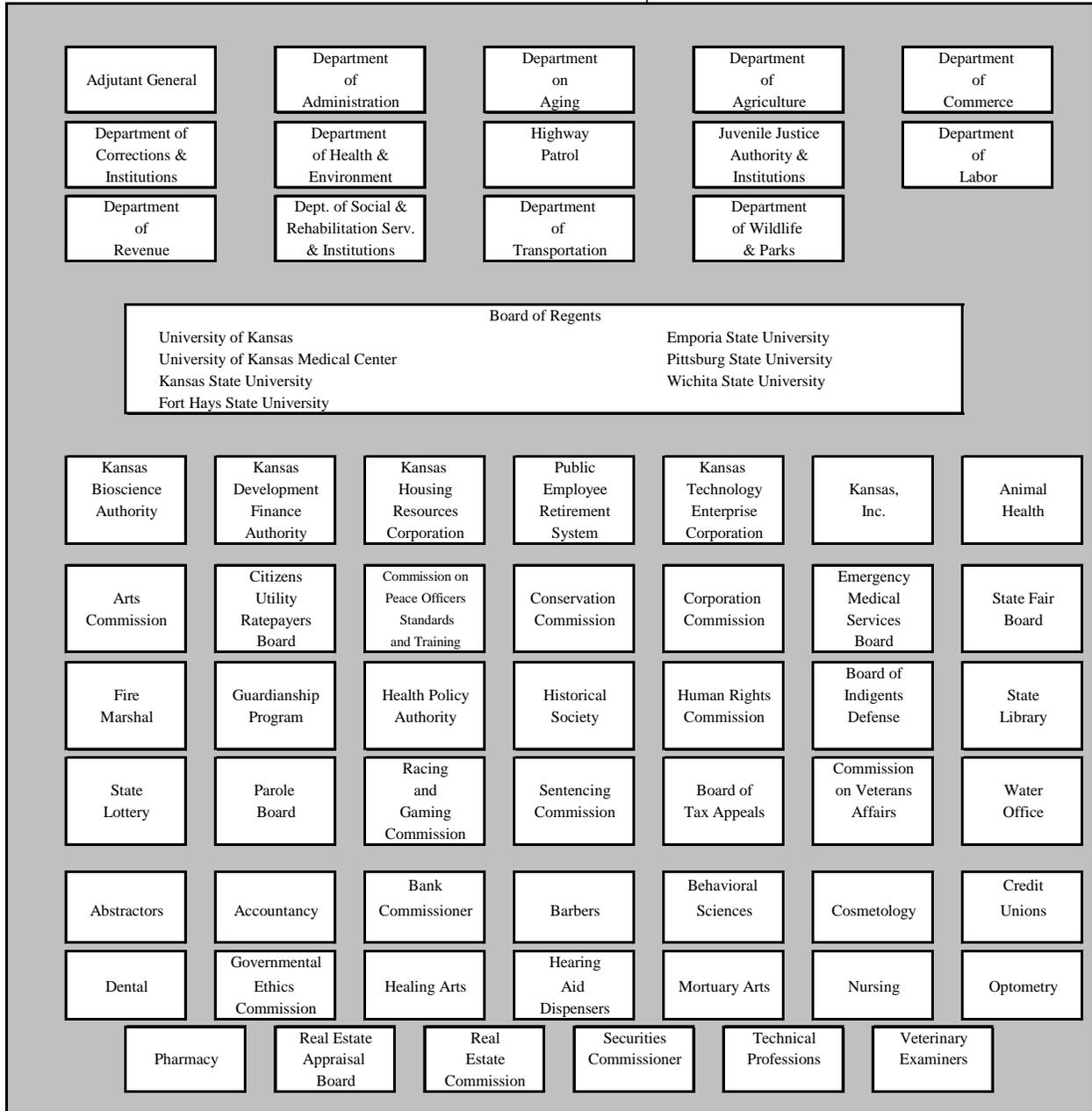
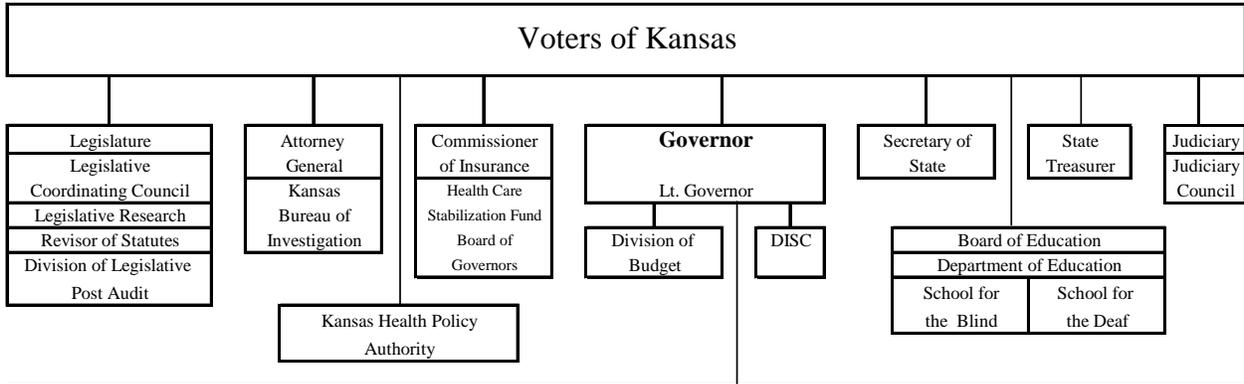
I wish to express my deepest appreciation and thanks to those on my staff responsible for the preparation of this report. It is through their dedicated effort that this report was made possible. I also wish to thank the many other individuals in the State agencies whose contributions made this report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

Sincerely,



Kent E. Olson, Director  
Division of Accounts and Reports

State of Kansas  
**Organizational Chart**  
 June 30, 2008



State of Kansas  
**List of Selected Officials**  
June 30, 2008

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**Executive Branch**

*Governor*  
Kathleen Sebelius

*Lieutenant Governor*  
Mark Parkinson

*Secretary of State*  
Ron Thornburgh

*State Treasurer*  
Lynn Jenkins

*Attorney General*  
Stephen N. Six

*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

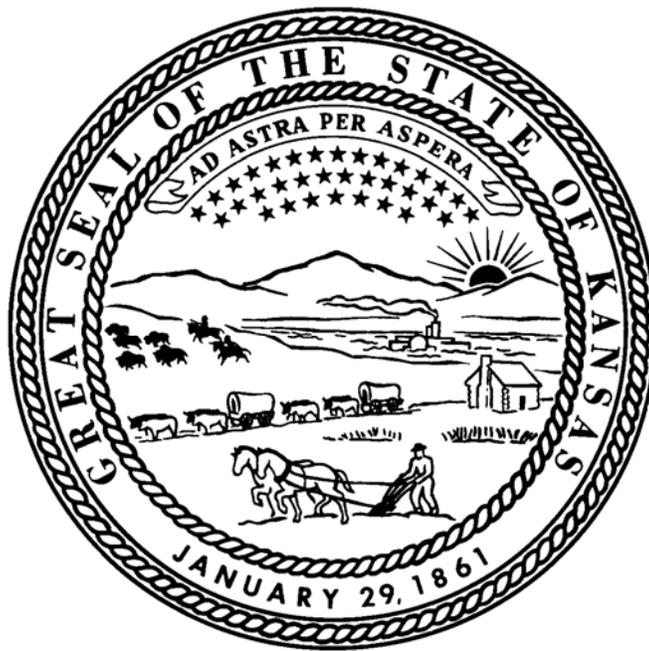
*Justices*  
Lee A. Johnson  
Carol A. Beier  
Robert E. Davis  
Eric S. Rosen  
Marla J. Luckert  
Lawton R. Nuss

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

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

*Judicial Administrator*  
Howard P. Schwartz

**FINANCIAL**  
**SECTION**



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## INDEPENDENT AUDITOR'S REPORT

Legislative Post Audit Committee  
Kansas State Legislature  
State of Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (State), as of and for the year ended June 30, 2008, 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 30 percent, respectively, of the assets and revenues of the aggregate discretely presented component units, the Kansas Technology Enterprise Corporation (KTEC) which represents less than 1 percent of the assets and revenues of the aggregate discretely presented component units, and the College Savings Program (a State Fiduciary Fund) which represents 7 percent and 8 percent, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities and the KTEC in the aggregate discretely presented component units, and the College Savings Program in the aggregate remaining fund information, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2009 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 combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

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

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

January 16, 2009  
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, 2008. 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, 2008 by \$11.1 billion (presented as "net assets"). Of this amount, \$104.9 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 \$1 million (0.01% increase) in fiscal year 2008. Net assets of governmental activities increased by \$9.9 million (0.1% increase), and net assets of the business-type activities decreased \$8.9 million (0.8% decrease).

#### Fund highlights:

- For fiscal year 2008, the governmental funds reported a combined ending fund balance of \$1.2 billion, a decrease of \$241.7 million in comparison with the prior year. Of the total amount, \$641.2 million represents the fund balance of the Transportation Fund. There is \$280.7 million in the "unreserved fund balances". The reserved balances of \$873.4 million include the reserve for advances to other funds of \$117.2 million and the reserve for encumbrances of \$697.9 billion.

#### Long-term debt:

- The State's total long-term debt obligation showed a net decrease of \$16.1 million (0.3%) during the current year. This decrease was primarily due to a \$42.9 million decrease in revenue bonds, a \$32.5 million decrease in STAR bonds, and a \$59.3 million increase in other long-term obligations.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Basic Financial Statements

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

### **Government-wide Financial Statements**

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

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

State of Kansas  
**Management's Discussion and Analysis**  
June 30, 2008

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

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

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

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

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

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

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

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

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

*Notes to the Financial Statements*

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

**Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, 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 2008, and at the end of the previous year .

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, 2008

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 2,762,901	\$ 3,042,366	\$ 1,986,881	\$ 2,015,140	\$ 4,749,782	\$ 5,057,506
Capital assets	11,529,174	11,314,518	364	256	11,529,538	11,314,774
Other assets	15,035	15,470	21,601	13,402	36,636	28,872
Total assets	<u>14,307,110</u>	<u>14,372,354</u>	<u>2,008,846</u>	<u>2,028,798</u>	<u>16,315,956</u>	<u>16,401,152</u>
Non-current liabilities	2,520,288	2,576,518	846,070	862,527	3,366,358	3,439,045
Other liabilities	<u>1,812,415</u>	<u>1,831,313</u>	<u>77,146</u>	<u>71,789</u>	<u>1,889,561</u>	<u>1,903,102</u>
Total liabilities	<u>4,332,703</u>	<u>4,407,831</u>	<u>923,216</u>	<u>934,316</u>	<u>5,255,919</u>	<u>5,342,147</u>
Invested in capital assets, net of related debt	9,800,244	9,538,694	364	256	9,800,608	9,538,950
Restricted	87,640	93,923	1,066,936	1,087,458	1,154,576	1,181,381
Unrestricted	<u>86,523</u>	<u>331,906</u>	<u>18,330</u>	<u>6,768</u>	<u>104,853</u>	<u>338,674</u>
Total net assets	<u>\$ 9,974,407</u>	<u>\$ 9,964,523</u>	<u>\$ 1,085,630</u>	<u>\$ 1,094,482</u>	<u>\$ 11,060,037</u>	<u>\$ 11,059,005</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	
	2008	2007
Current assets	\$ 2,813,348	\$ 2,405,143
Capital assets	1,637,466	1,546,814
Other assets	<u>804,206</u>	<u>1,139,648</u>
Total assets	<u>5,255,020</u>	<u>5,091,605</u>
Non-current liabilities	894,730	897,220
Other liabilities	<u>642,762</u>	<u>631,162</u>
Total liabilities	<u>1,537,492</u>	<u>1,528,382</u>
Invested in capital assets, net of related debt	1,075,982	1,024,004
Restricted	1,104,706	1,060,882
Unrestricted	<u>1,536,840</u>	<u>1,478,337</u>
Total net assets	<u>\$ 3,717,528</u>	<u>\$ 3,563,223</u>

State of Kansas  
**Management's Discussion and Analysis**  
June 30, 2008

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**Changes in Net Assets – Primary Government**

Net assets increased by \$1million or 0.01%. Approximately 60% of the total revenue came from taxes, while 28.5% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 9.9% of the total revenues. Expenses cover a range of services. The largest expenses of total expenses were for education (42.1%), human resources (27.5%), and general government (8.3%).

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 646,339	\$ 735,690	\$ 530,026	\$ 580,302	\$ 1,176,365	\$ 1,315,992
Operating grants and contributions	3,051,325	2,777,991	1,200	4,101	3,052,525	2,782,092
Capital grants and contributions	341,706	314,463	7,912	12,638	349,618	327,101
General revenues:						
Taxes						
Property taxes	613,222	593,229	0	0	613,222	593,229
Income and inheritance taxes	3,431,970	3,210,696	0	0	3,431,970	3,210,696
Sales and excise taxes	2,949,551	2,863,794	0	0	2,949,551	2,863,794
Gross receipts taxes	138,094	134,872	0	0	138,094	134,872
Investment earnings	35,563	106,727	44,956	45,914	80,519	152,641
Other revenue	106,339	218,482	33,014	31,624	139,353	250,106
<b>Total revenues</b>	<b>11,314,109</b>	<b>10,955,944</b>	<b>617,108</b>	<b>674,579</b>	<b>11,931,217</b>	<b>11,630,523</b>
<b>Expenses:</b>						
General government	1,002,719	1,074,391	0	0	1,002,719	1,074,391
Human resources	3,279,850	3,080,465	0	0	3,279,850	3,080,465
Education	5,011,242	4,696,343	0	0	5,011,242	4,696,343
Public safety	742,254	607,343	0	0	742,254	607,343
Agriculture and natural resources	111,445	102,471	0	0	111,445	102,471
Highways and other transportation	848,375	639,384	0	0	848,375	639,384
Health and environment	225,740	199,996	0	0	225,740	199,996
Economic development	251	3,125	0	0	251	3,125
Interest expense	145,246	149,550	0	0	145,246	149,550
Water pollution and safety	0	0	33,794	33,845	33,794	33,845
Health care stabilization	0	0	56,030	24,013	56,030	24,013
Employment security	0	0	277,545	245,910	277,545	245,910
Workers' compensation	0	0	5,050	4,342	5,050	4,342
Lottery	0	0	171,216	170,928	171,216	170,928
Intergovernmental transfer program	0	0	470	583	470	583
Transportation revolving fund	0	0	2,681	1,977	2,681	1,977
<b>Total expenses</b>	<b>11,367,122</b>	<b>10,553,068</b>	<b>546,786</b>	<b>481,598</b>	<b>11,913,908</b>	<b>11,034,666</b>
Increase (decrease) in net assets before transfers	(53,013)	402,876	70,322	192,981	17,309	595,857
Transfers	78,160	69,881	(78,160)	(69,881)	0	0
<b>Change in net assets</b>	<b>25,147</b>	<b>472,757</b>	<b>(7,838)</b>	<b>123,100</b>	<b>17,309</b>	<b>595,857</b>
Net assets, beginning of year	9,964,526	9,551,078	1,094,482	971,382	11,059,008	10,522,460
Revisions to beginning net assets	(15,266)	(59,312)	(1,014)	0	(16,280)	(59,312)
Net assets, beginning of year (restated)	9,949,260	9,491,766	1,093,468	971,382	11,042,728	10,463,148
<b>Net assets, end of year</b>	<b>\$ 9,974,407</b>	<b>\$ 9,964,523</b>	<b>\$ 1,085,630</b>	<b>\$ 1,094,482</b>	<b>\$ 11,060,037</b>	<b>\$ 11,059,005</b>

State of Kansas  
**Management's Discussion and Analysis**  
June 30, 2008

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**Changes in Net Assets – Component Units**

Component unit net assets increased by \$154.3 million or 4.3%. Charges for various goods and services provided 49.1% of the total revenues. Approximately 35.3% of the total revenue came from Other revenue, while 15.7% resulted from grants and contributions (including federal aid). Expenses cover a range of services and are shown below by component unit below.

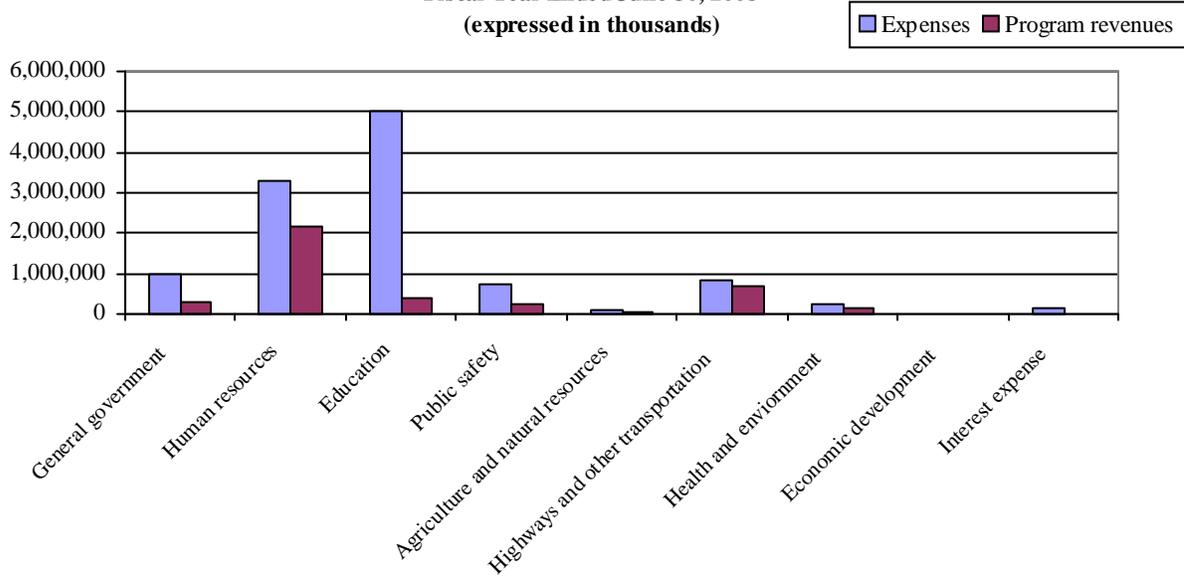
**State of Kansas Changes in Net Assets – Component Unit**  
(expressed in thousands)

	Component Units	
	2008	2007
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 976,344	\$ 1,071,678
Operating grants and contributions	312,619	289,062
Capital grants and contributions	0	696
General revenues:		
Taxes:		
Gross receipts taxes	943	934
Investment earnings	(2,098)	327,128
Other revenue	702,413	331,666
Total revenues	1,990,221	2,021,164
<b>Expenses:</b>		
Kansas Development Finance Authority	1,277	1,280
Kansas Technology Enterprise Corp.	16,501	13,670
Kansas Bioscience Authority	8,983	3,737
State University System	1,725,676	1,521,080
Kansas Housing Resources Corp.	75,193	64,321
Total expenses	1,827,630	1,604,088
Change in net assets	162,591	417,076
Net assets, beginning of year	3,563,222	3,159,615
Revisions to beginning net assets	(8,285)	(13,468)
Net assets, beginning of year (restated)	3,554,937	3,146,147
Net assets, end of year	\$ 3,717,528	\$ 3,563,223

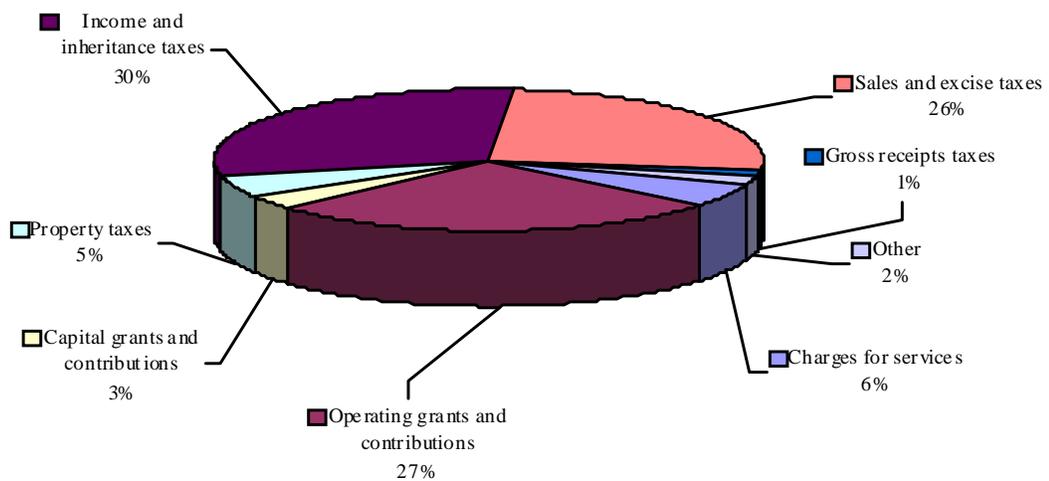
**Governmental Activities**

Governmental activities increased net assets by \$9.9 million in fiscal year 2008. 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, 2008**  
 (expressed in thousands)

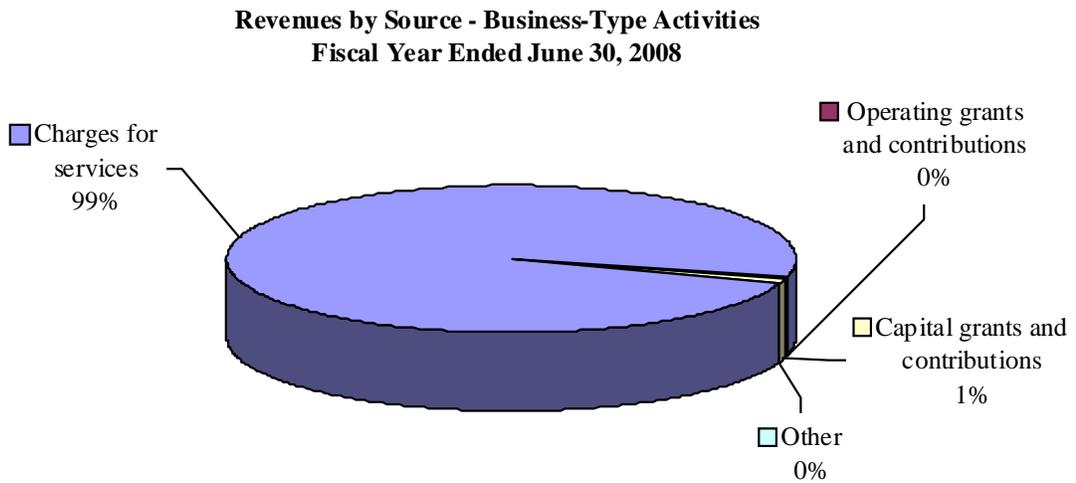
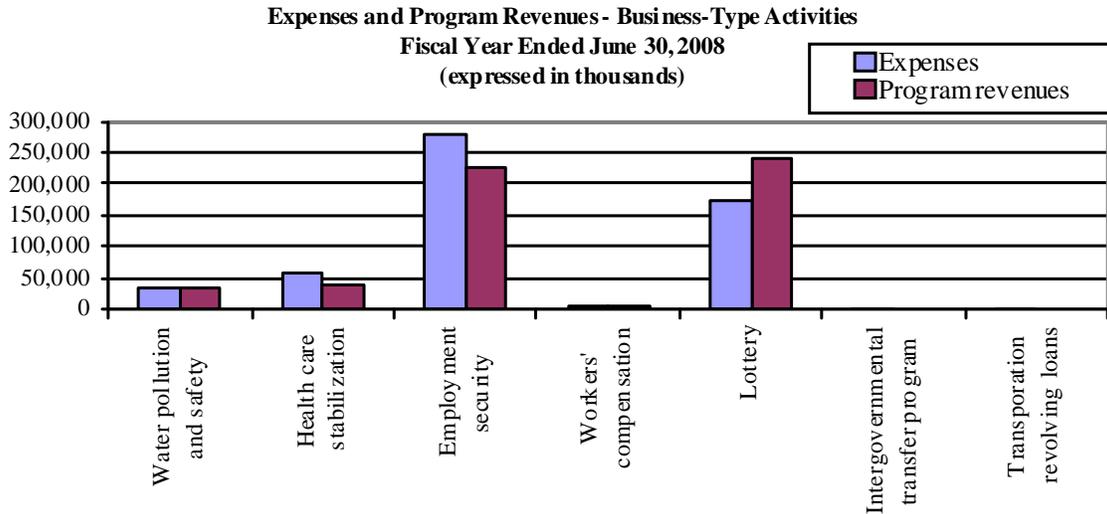


**Revenues by Source - Governmental Activities**  
**Fiscal Year Ended June 30, 2008**



**Business-Type Activities**

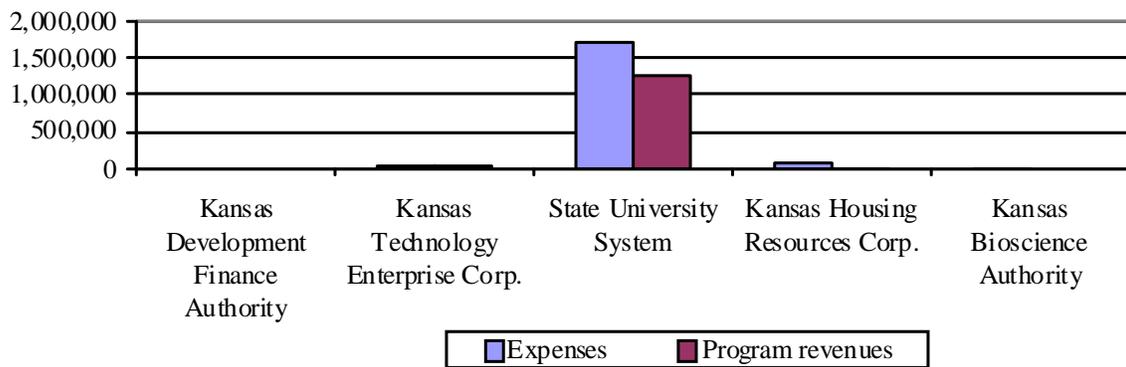
The State's business-type activities decreased the net assets of the State by \$8.9 million. For the State's business-type activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:



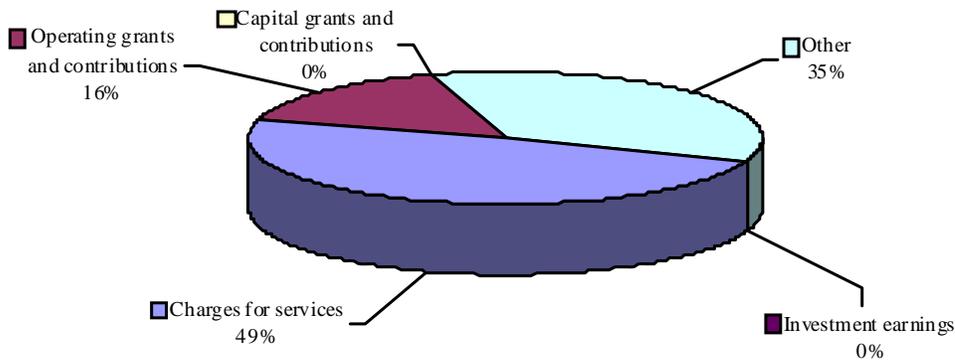
**Component Units**

The State's component units increased the net assets of the State by \$154.3 million. For the State's component units a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

**Expenses and Program Revenues - Component Units**  
**Fiscal Year Ended June 30, 2008**  
 (expressed in thousands)



**Revenues by Source - Component Units**  
**Fiscal Year Ended June 30, 2008**



## **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 2008, the governmental funds reported a combined ending fund balance of \$1.2 billion, a decrease of \$241.7 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 \$697.9 million and for advances in the amount of \$117.2 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 \$414.7 million, while the total fund balance reached \$422 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 6.3% of total General Fund expenditures, while total fund balance represents 6.4% of that same amount. The fund balance in the General Fund decreased by \$398.8 million during the current fiscal year.

### **Proprietary Funds**

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

As discussed in the business-type activities above, the State's net assets decreased by \$8.9 million as a result of operations in the proprietary funds. This resulted from a \$15.5 million decrease in net assets by the Health Care Stabilization Fund, a decrease of net assets of \$6.2 million by Unemployment Insurance Fund and an increase of net assets of \$13.5 million by the State's program for making local loans to local government units for water pollution and public water supply projects.

### **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 \$154.3 million. Most of this increase resulted from the State University System with an increase of \$110.8 million and the addition of the Kansas Bioscience Authority with \$37 million in net assets. The other three component units accounted for \$6.5 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 \$19.3 million and expenditure estimates were raised by approximately \$68.1 million. The original estimates provided for an excess of revenues under expenditures of \$368.3 million. The final budget provided for an excess of \$417 million of revenues under expenditures. Subsequently, fiscal year 2008 was closed with an excess of revenues under expenditures of \$406.8 million.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

State investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$11.5 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 1.9% 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 \$76.6 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 \$75.4 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 \$20 million for Post Secondary Education Institution Infrastructure, KDFA Series 2008 A, \$59.5 million for State Kansas Projects, KDFA Series 2007 K, \$18.2 million for KU Law Enforcement Training Center, KDFA Series 2007M, \$17.9 million for KSU Parking System, KFDA 2007 H, \$150.9 million for Retirement of Series 2003C, KDOT Series 2008 A, and \$1.6 million for Saline Student Life Center, KDFA Series 2008 D.

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 2008, employment for nonfarm jobs in the State of Kansas for June 2008 is decreasing. Compared to June 2007, employment decreased by 4,400 jobs for a total of 1.39 million nonfarm jobs. The unemployment rate was 4.4% for June 2008, compared to 4.8% in June 2007.

**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, 2008

*State of Kansas*  
**Government Wide - Statement of Net Assets**  
**June 30, 2008**  
*(expressed in thousands)*

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,558,316	\$ 127,159	\$ 1,685,475	\$ 491,277
Investments	264,273	226,421	490,694	2,110,157
Receivables (net)	766,024	855,674	1,621,698	272,937
Due from primary government:				
Investment in direct financing leases, due within one year	0	0	0	14,805
Investment in direct financing leases, due in more than one year	0	0	0	202,270
Internal balances	10,621	(10,621)	0	0
Inventories	26,527	11,019	37,546	13,729
Other current assets	0	0	0	84,769
Restricted cash and cash equivalents	137,140	686,109	823,249	101,301
Restricted investments	0	91,120	91,120	117,996
Capital assets (net of accumulated depreciation)	2,170,770	364	2,171,134	1,637,466
Infrastructure	9,358,404	0	9,358,404	0
Other non-current assets	15,035	21,601	36,636	208,313
<b>Total assets</b>	<u>14,307,110</u>	<u>2,008,846</u>	<u>16,315,956</u>	<u>5,255,020</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	784,448	23,297	807,745	414,247
Due to component unit:				
Lease revenue bonds payable, due within one year	14,805	0	14,805	0
Lease revenue bonds payable, due in more than one year	202,270	0	202,270	0
Deferred revenue	31,843	78	31,921	116,376
Bonds payable on demand	755,115	0	755,115	0
Short-term notes payable	7,332	0	7,332	0
Noncurrent liabilities:				
Due within one year	218,872	53,771	272,643	112,139
Due in more than one year	2,267,322	655,113	2,922,435	882,955
Other post employment benefits obligation	16,813	89	16,902	11,775
Claims and judgements	33,883	190,868	224,751	0
<b>Total liabilities</b>	<u>4,332,703</u>	<u>923,216</u>	<u>5,255,919</u>	<u>1,537,492</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,800,244	364	9,800,608	1,075,982
Restricted for:				
Capital projects	0	0	0	45,527
Debt service	87,640	17,617	105,257	24,574
Other purposes	0	1,049,319	1,049,319	1,034,605
Unrestricted	86,523	18,330	104,853	1,536,840
<b>Total net assets</b>	<u>\$ 9,974,407</u>	<u>\$ 1,085,630</u>	<u>\$ 11,060,037</u>	<u>\$ 3,717,528</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2008

*State of Kansas*

**Government Wide - Statement of Activities**

**For the Fiscal Year Ended June 30, 2008**

*(expressed in thousands)*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
<b>1 Primary government:</b>				
2 Governmental activities:				
3 General government	\$ 1,002,719	\$ 224,985	\$ 83,045	\$ 0
4 Human resources	3,279,850	116,946	2,046,354	0
5 Education	5,011,242	5,869	401,847	21
6 Public safety	742,254	26,200	229,483	0
7 Agriculture and natural resources	111,445	49,308	18,712	0
8 Highways and other transportation	848,375	195,073	160,475	341,685
9 Health and environment	225,740	27,958	111,409	0
10 Economic development	251	0	0	0
11 Interest expense	145,246	0	0	0
12 Total governmental activities	<u>11,367,122</u>	<u>646,339</u>	<u>3,051,325</u>	<u>341,706</u>
13 Business-type activities:				
14 Water pollution and safety	33,794	24,227	0	7,912
15 Health care stabilization	56,030	38,079	0	0
16 Employment security	277,545	223,545	1,200	0
17 Workers' compensation	5,050	5,508	0	0
18 Lottery	171,216	238,349	0	0
19 Intergovernmental transfer program	470	191	0	0
20 Transportation revolving loans	2,681	127	0	0
21 Total business-type activities	<u>546,786</u>	<u>530,026</u>	<u>1,200</u>	<u>7,912</u>
22 <b>Total primary government</b>	<u>\$ 11,913,908</u>	<u>\$ 1,176,365</u>	<u>\$ 3,052,525</u>	<u>\$ 349,618</u>
23				
24 <b>Component units:</b>				
25 Kansas Development Finance Authority	\$ 1,277	\$ 1,431	\$ 0	\$ 0
26 Kansas Technology Enterprise Corporation	16,501	1,252	14,628	0
27 Kansas Bioscience Authority	8,983	0	0	0
28 State University System	1,725,676	968,257	296,560	0
29 Kansas Housing Resources Corporation	75,193	5,404	1,431	0
30 <b>Total component units</b>	<u>\$ 1,827,630</u>	<u>\$ 976,344</u>	<u>\$ 312,619</u>	<u>\$ 0</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2008

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units	
				1
				2
\$ (694,689)	\$ 0	\$ (694,689)	\$ 0	3
(1,116,550)	0	(1,116,550)	0	4
(4,603,505)	0	(4,603,505)	0	5
(486,571)	0	(486,571)	0	6
(43,425)	0	(43,425)	0	7
(151,142)	0	(151,142)	0	8
(86,373)	0	(86,373)	0	9
(251)	0	(251)	0	10
(145,246)	0	(145,246)	0	11
<u>(7,327,752)</u>	<u>0</u>	<u>(7,327,752)</u>	<u>0</u>	12
				13
0	(1,655)	(1,655)	0	14
0	(17,951)	(17,951)	0	15
0	(52,800)	(52,800)	0	16
0	458	458	0	17
0	67,133	67,133	0	18
0	(279)	(279)	0	19
0	(2,554)	(2,554)	0	20
<u>0</u>	<u>(7,648)</u>	<u>(7,648)</u>	<u>0</u>	21
<u>\$ (7,327,752)</u>	<u>\$ (7,648)</u>	<u>\$ (7,335,400)</u>	<u>\$ 0</u>	22
				23
				24
\$ 0	\$ 0	\$ 0	\$ 154	25
0	0	0	(621)	26
0	0	0	(8,983)	27
0	0	0	(460,859)	28
0	0	0	(68,358)	29
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (538,667)</u>	30

**General revenues:**

Taxes:

Property tax	\$ 613,222	\$ 0	\$ 613,222	\$ 0
Income and inheritance tax	3,431,970	0	3,431,970	0
Sales and excise tax	2,949,551	0	2,949,551	0
Gross receipts tax	138,094	0	138,094	943
Investment earnings	35,563	44,956	80,519	(2,098)
Other revenue	106,339	33,014	139,353	702,413
Transfers	78,160	(78,160)	0	0
<b>Total general revenues</b>	<u>7,352,899</u>	<u>(190)</u>	<u>7,352,709</u>	<u>701,258</u>

Change in net assets 25,147 (7,838) 17,309 162,591

Net assets - beginning 9,964,526 1,094,482 11,059,008 3,563,222

Revisions to beginning net assets (15,266) (1,014) (16,280) (8,285)

Net assets - beginning (restated) 9,949,260 1,093,468 11,042,728 3,554,937

Net assets - ending \$ 9,974,407 \$ 1,085,630 \$ 11,060,037 \$ 3,717,528

State of Kansas  
**Financial Statements**  
June 30, 2008

*State of Kansas*  
**Balance Sheet - Governmental Funds**  
**June 30, 2008**  
*(expressed in thousands)*

	General	Transporta- tion	Health Policy Authority	Transporta- tion-Capital Projects	Other Governmental	Total Governmental
<b>ASSETS</b>						
Cash and cash equivalents	\$ 580,033	\$ 258,236	\$ 16,481	\$ 0	\$ 671,158	\$ 1,525,908
Investments	0	217,420	0	0	46,853	264,273
Receivables, net	343,211	199,274	83,638	0	139,901	766,024
Due from other funds	6,000	37,517	0	0	21,724	65,241
Inventories	7,324	18,697	0	0	0	26,021
Advances to other funds	0	30,897	0	0	78,530	109,427
Restricted cash and cash equivalents	63	0	0	0	137,077	137,140
<b>Total assets</b>	<b>\$ 936,631</b>	<b>\$ 762,041</b>	<b>\$ 100,119</b>	<b>\$ 0</b>	<b>\$ 1,095,243</b>	<b>\$ 2,894,034</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other current liabilities	\$ 346,551	\$ 71,179	\$ 98,655	\$ 0	\$ 242,464	\$ 758,849
Due to other funds	49,274	0	0	0	1,639	50,913
Deferred revenue	15,370	49,624	0	0	1,560	66,554
Advances from other funds	103,399	0	0	0	5,107	108,506
Bonds payable on demand	0	0	0	755,115	0	755,115
Total liabilities	514,594	120,803	98,655	755,115	250,770	1,739,937
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	32,224	32,224
Inventory	7,324	18,697	0	0	0	26,021
Encumbrances	0	686,337	0	0	11,575	697,912
Advances to other funds	0	30,896	0	0	78,530	109,426
Unreserved, reported in:						
General Fund	414,713	0	0	0	0	414,713
Social and Rehabilitation	0	0	0	0	31,213	31,213
Transportation	0	(94,692)	0	0	0	(94,692)
Health Policy Authority	0	0	1,464	0	0	1,464
Transportation - Capital Projects	0	0	0	(755,115)	0	(755,115)
Special Revenue Funds	0	0	0	0	481,252	481,252
Capital Project Funds	0	0	0	0	105,638	105,638
Debt service	0	0	0	0	104,041	104,041
Total fund balance	422,037	641,238	1,464	(755,115)	844,473	1,154,097
<b>Total liabilities and fund balance</b>	<b>\$ 936,631</b>	<b>\$ 762,041</b>	<b>\$ 100,119</b>	<b>\$ 0</b>	<b>\$ 1,095,243</b>	<b>\$ 2,894,034</b>

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

*(Continued)*

State of Kansas  
**Financial Statements**  
June 30, 2008

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***State of Kansas***  
**Balance Sheet - Governmental Funds - Continued**  
**June 30, 2008**  
*(expressed in thousands)*

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	<u>Total Governmental</u>
<b>Reconciliation to the Statement of Net Assets:</b>	
Total fund balance from previous page	\$ 1,154,097
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Infrastructure	9,358,404
Capital assets	2,086,421
Other non-current assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	15,936
Deferred revenue (not on statement of net assets)	34,711
Accrued Interest	(21,578)
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	(2,260,769)
Compensated absences	(119,529)
Due to component unit (lease revenue bonds payable)	(217,075)
In the statement of net assets, a long term liability is recorded for the unfunded portion of post employment benefits other than pensions, while in the governmental funds liabilities that do not require satisfaction with current resources are not recorded.	(16,814)
Internal Service Funds: the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(39,397)
Net assets of governmental activities as reported on the Statement of Net Assets.	<u>\$ 9,974,407</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2008

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

**For the Fiscal Year Ended June 30, 2008**

*(expressed in thousands)*

	General	Transporta- tion	Health Policy Authority	Transporta- tion-Capital Projects	Other Governmental	Total Governmental
<b>Revenues:</b>						
Property tax	\$ 562,113	\$ 0	\$ 0	\$ 0	\$ 49,994	\$ 612,107
Income and inheritance tax	3,401,604	0	0	0	17,059	3,418,663
Sales and excise tax	2,355,215	567,571	0	0	47,075	2,969,861
Gross receipts tax	119,467	0	0	0	18,625	138,092
Charges for services	47,906	192,917	32,396	0	381,525	654,744
Operating grants	0	161,957	1,477,196	0	1,414,013	3,053,166
Capital grants	0	333,123	0	0	5,579	338,702
Investment earnings	21,911	0	462	0	13,200	35,573
Other revenues	(72,126)	8,116	105,710	0	85,560	127,260
<b>Total revenues</b>	<u>6,436,090</u>	<u>1,263,684</u>	<u>1,615,764</u>	<u>0</u>	<u>2,032,630</u>	<u>11,348,168</u>
<b>Expenditures:</b>						
Current:						
General government	685,229	0	0	0	359,546	1,044,775
Human resources	916,000	0	915,644	0	1,457,451	3,289,095
Education	4,514,145	0	0	0	500,015	5,014,160
Public safety	409,601	0	0	0	339,564	749,165
Agriculture and natural resources	25,021	0	0	0	86,398	111,419
Highways and other transportation	0	1,015,454	0	0	17,965	1,033,419
Health and environment	44,697	0	0	0	182,405	227,102
Economic development	0	0	0	0	251	251
Debt service:						
Principal	0	0	0	0	135,524	135,524
Interest	0	0	0	0	145,694	145,694
<b>Total expenditures</b>	<u>6,594,693</u>	<u>1,015,454</u>	<u>915,644</u>	<u>0</u>	<u>3,224,813</u>	<u>11,750,604</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(158,603)</u>	<u>248,230</u>	<u>700,120</u>	<u>0</u>	<u>(1,192,183)</u>	<u>(402,436)</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of debt	0	0	0	150,870	74,301	225,171
Transfers, net	(244,197)	(228,667)	(722,845)	(595)	1,279,471	83,167
Other financing sources (uses)	0	0	0	(150,275)	0	(150,275)
<b>Total other financing sources (uses)</b>	<u>(244,197)</u>	<u>(228,667)</u>	<u>(722,845)</u>	<u>0</u>	<u>1,353,772</u>	<u>158,063</u>
<b>Net change in fund balances</b>	<u>(402,800)</u>	<u>19,563</u>	<u>(22,725)</u>	<u>0</u>	<u>161,589</u>	<u>(244,373)</u>
Fund balances, beginning of year	820,851	620,458	24,189	(755,115)	685,452	1,395,835
Revisions to beginning fund balances	3,617	0	0	0	(2,568)	1,049
Fund balances, beginning of year (restated)	<u>824,468</u>	<u>620,458</u>	<u>24,189</u>	<u>(755,115)</u>	<u>682,884</u>	<u>1,396,884</u>
Change in reserves for inventory	369	1,217	0	0	0	1,586
<b>Fund balances, end of year</b>	<u>\$ 422,037</u>	<u>\$ 641,238</u>	<u>\$ 1,464</u>	<u>\$ (755,115)</u>	<u>\$ 844,473</u>	<u>\$ 1,154,097</u>

*(Continued)*

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

State of Kansas  
**Financial Statements**  
June 30, 2008

***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, 2008**  
*(expressed in thousands)*

	<u>Total Governmental</u>
<b>Reconciliation to the Statement of Activities:</b>	
Total net change in fund balance from previous page	\$ (244,373)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	(7,013)
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	(210,325)
Bond premiums and discounts	(1,443)
Loan proceeds	(7,332)
Other borrowings	(6,071)
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.	135,524
Retirement of Bonds	150,275
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	290,404
Depreciation expense	(70,842)
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:	
Arbitrage rebate expense	(449)
Compensated Absences	24,143
Other expenses	(12,210)
Gain (Loss) on asset disposal and other items	(2,755)
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.	(12,386)
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities	\$ 25,147

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

State of Kansas  
**Financial Statements**  
June 30, 2008

*State of Kansas*  
**Statement of Net Assets - Proprietary Funds**  
**June 30, 2008**  
*(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	\$ 88,926	\$ 9,166	\$ 3,921	\$ 25,146	\$ 127,159	\$ 32,405
Investments	0	0	23,339	0	23,339	0
Receivables, net	46,110	2,845	5,227	15,419	69,601	0
Inventories	0	0	0	11,019	11,019	506
Total current assets	<u>135,036</u>	<u>12,011</u>	<u>32,487</u>	<u>51,584</u>	<u>231,118</u>	<u>32,911</u>
Noncurrent assets:						
Investments	0	0	187,805	15,277	203,082	0
Receivables, net	734,977	0	0	51,096	786,073	0
Restricted cash and cash equivalents	27,035	654,977	0	4,097	686,109	0
Restricted investments	91,120	0	0	0	91,120	0
Advances to other funds	0	0	0	2,000	2,000	0
Capital assets (net of accumulated depreciation)	0	0	4	360	364	84,350
Other noncurrent assets	21,089	0	0	512	21,601	0
Total noncurrent assets	<u>874,221</u>	<u>654,977</u>	<u>187,809</u>	<u>73,342</u>	<u>1,790,349</u>	<u>84,350</u>
<b>Total assets</b>	<u>\$ 1,009,257</u>	<u>\$ 666,988</u>	<u>\$ 220,296</u>	<u>\$ 124,926</u>	<u>\$ 2,021,467</u>	<u>\$ 117,261</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other current liabilities	\$ 6,949	\$ 7,370	\$ 995	\$ 7,983	\$ 23,297	\$ 4,918
Deferred revenue	0	0	0	78	78	0
Due to other funds	0	0	0	12,621	12,621	1,706
Short-term compensated absences	0	0	39	10	49	1,493
Short-term portion of long-term liabilities	35,079	0	10,164	8,479	53,722	50,887
Total current liabilities	<u>42,028</u>	<u>7,370</u>	<u>11,198</u>	<u>29,171</u>	<u>89,767</u>	<u>59,004</u>
Noncurrent liabilities:						
Compensated absences	0	0	6	2	8	234
Claims and judgements	0	0	164,306	26,562	190,868	33,883
Bonds, notes and loans payable	605,116	0	0	51,268	656,384	60,614
Arbitrage Rebate Payable	1,290	0	0	206	1,496	0
Advances from other funds	0	0	0	0	0	2,923
Other post employment benefits obligation	0	0	9	80	89	0
Other noncurrent liabilities	(2,775)	0	0	0	(2,775)	0
Total noncurrent liabilities	<u>603,631</u>	<u>0</u>	<u>164,321</u>	<u>78,118</u>	<u>846,070</u>	<u>97,654</u>
<b>Total liabilities</b>	<u>645,659</u>	<u>7,370</u>	<u>175,519</u>	<u>107,289</u>	<u>935,837</u>	<u>156,658</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	0	0	4	360	364	84,350
Restricted for:						
Debt service	0	0	0	17,617	17,617	0
Other purposes	363,598	661,137	44,777	(20,193)	1,049,319	0
Unrestricted	0	(1,519)	(4)	19,853	18,330	(123,747)
<b>Total net assets</b>	<u>363,598</u>	<u>659,618</u>	<u>44,777</u>	<u>17,637</u>	<u>1,085,630</u>	<u>(39,397)</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,009,257</u>	<u>\$ 666,988</u>	<u>\$ 220,296</u>	<u>\$ 124,926</u>	<u>\$ 2,021,467</u>	<u>\$ 117,261</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2008

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2008**

*(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	\$ 24,227	\$ 223,545	\$ 38,079	\$ 244,173	\$ 530,024	\$ 107,934
Other revenue	3,287	26,256	1,499	1,974	33,016	(19,013)
<b>Total operating revenues</b>	<u>27,514</u>	<u>249,801</u>	<u>39,578</u>	<u>246,147</u>	<u>563,040</u>	<u>88,921</u>
<b>Operating expenses:</b>						
Salaries and wages	0	0	940	5,876	6,816	27,131
Supplies and services	0	0	4,911	34,827	39,738	39,192
Lottery prize awards	0	0	0	132,970	132,970	0
Depreciation	0	0	1	134	135	5,609
Insurance claims and expenses	0	277,510	0	1,937	279,447	21,068
Program administration - Water Funds	3,200	0	0	0	3,200	0
Other expenses	314	34	49,378	990	50,716	24
<b>Total operating expenses</b>	<u>3,514</u>	<u>277,544</u>	<u>55,230</u>	<u>176,734</u>	<u>513,022</u>	<u>93,024</u>
<b>Operating income (loss)</b>	<u>24,000</u>	<u>(27,743)</u>	<u>(15,652)</u>	<u>69,413</u>	<u>50,018</u>	<u>(4,103)</u>
<b>Nonoperating revenues (expenses):</b>						
Operating grants	0	1,200	0	0	1,200	0
Capital grants	7,912	0	0	0	7,912	0
Investment earnings	11,834	31,389	0	1,733	44,956	0
Interest expense	(30,281)	0	0	(2,432)	(32,713)	(2,896)
Other expenses	0	0	(800)	(250)	(1,050)	(380)
<b>Total nonoperating revenues (expenses)</b>	<u>(10,535)</u>	<u>32,589</u>	<u>(800)</u>	<u>(949)</u>	<u>20,305</u>	<u>(3,276)</u>
<b>Net income (loss)</b>	<u>13,465</u>	<u>4,846</u>	<u>(16,452)</u>	<u>68,464</u>	<u>70,323</u>	<u>(7,379)</u>
Transfers in	0	(10,375)	917	(68,047)	(77,505)	(1,113)
Transfers out	0	(651)	0	(5)	(656)	(3,896)
<b>Net change in net assets</b>	<u>13,465</u>	<u>(6,180)</u>	<u>(15,535)</u>	<u>412</u>	<u>(7,838)</u>	<u>(12,388)</u>
Total net assets - beginning	350,133	665,798	60,326	18,225	1,094,482	(27,015)
Revisions to beginning net assets	0	0	(14)	(1,000)	(1,014)	6
Net assets - beginning (restated)	<u>350,133</u>	<u>665,798</u>	<u>60,312</u>	<u>17,225</u>	<u>1,093,468</u>	<u>(27,009)</u>
<b>Total net assets - ending</b>	<u>\$ 363,598</u>	<u>\$ 659,618</u>	<u>\$ 44,777</u>	<u>\$ 17,637</u>	<u>\$ 1,085,630</u>	<u>\$ (39,397)</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2008

*State of Kansas*  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2008**  
*(expressed in thousands)*

	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor funds	Totals	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>						
Cash receipts from customers	\$ 23,040	\$ 249,385	\$ 40,125	\$ 244,004	\$ 556,554	\$ 88,921
Cash payments to suppliers for goods and services	(2,142)	(729)	(53,542)	(44,291)	(100,704)	(39,895)
Cash payments to employees for services	0	0	(934)	(5,876)	(6,810)	(27,032)
Cash payments for lottery prizes	0	0	0	(133,817)	(133,817)	0
Claims paid	0	(277,510)	24,869	(1,843)	(254,484)	197
Other operating revenues	49,808	0	0	(13,102)	36,706	0
Other operating expenses	(84,641)	0	0	(1,009)	(85,650)	0
<b>Net cash provided (used) by operating activities</b>	<u>(13,936)</u>	<u>(28,854)</u>	<u>10,518</u>	<u>44,066</u>	<u>11,794</u>	<u>22,191</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating grants receipts	0	1,200	0	0	1,200	0
Other non-operating expenses	0	0	(800)	(6,125)	(6,925)	(380)
Net transfers to other funds	0	(11,138)	918	(59,181)	(69,401)	(4,865)
Other cash inflows from noncapital financing activities	7,912	0	0	0	7,912	0
Other cash outflows from noncapital financing activities	(63,982)	0	0	0	(63,982)	0
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(56,070)</u>	<u>(9,938)</u>	<u>118</u>	<u>(65,306)</u>	<u>(131,196)</u>	<u>(5,245)</u>
<b>Cash flows from capital and related financing activities:</b>						
Repayment of long-term debt	0	0	0	0	0	(1,116)
Interest payments	0	0	0	0	0	(2,896)
Proceeds from sale of fixed assets	0	0	0	13	13	1,563
(Gain) loss on disposal of fixed assets	0	0	0	(13)	(13)	(1,563)
Payments for purchase of fixed assets	0	0	0	(243)	(243)	(7,465)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(243)</u>	<u>(243)</u>	<u>(11,477)</u>
<b>Cash flows from investing activities:</b>						
Proceeds from sale and maturities of investment securities	972	0	30,432	14,846	46,250	0
Purchase of investments	(973)	0	(36,743)	0	(37,716)	0
Interest and dividends	12,233	31,389	(185)	1,767	45,204	0
Unrealized (gain) loss on investments	0	0	(4,496)	0	(4,496)	0
<b>Net cash provided (used) by investing activities</b>	<u>12,232</u>	<u>31,389</u>	<u>(10,992)</u>	<u>16,613</u>	<u>49,242</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	(57,774)	(7,403)	(356)	(4,870)	(70,403)	5,469
Cash and cash equivalents, beginning of year	173,735	671,546	4,277	34,113	883,671	26,936
<b>Cash and cash equivalents, end of year</b>	<u>\$ 115,961</u>	<u>\$ 664,143</u>	<u>\$ 3,921</u>	<u>\$ 29,243</u>	<u>\$ 813,268</u>	<u>\$ 32,405</u>
<b>Reconciliation of operating income (loss) to net cash provided by operations:</b>						
Operating income (loss)	\$ 24,000	\$ (27,743)	\$ (15,652)	\$ 69,413	\$ 50,018	\$ (4,103)
<b>Adjustment to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation and amortization	0	0	1	134	135	5,609
Changes in assets and liabilities:						
Receivables	(39,308)	(416)	547	(15,365)	(54,542)	0
Inventories	0	0	0	(9,267)	(9,267)	(35)
Accounts payable	1,371	(695)	747	(95)	1,328	(644)
Payroll liabilities	0	0	6	(1)	5	99
Claims and judgements	0	0	24,869	94	24,963	21,265
Lottery prize liability	0	0	0	(847)	(847)	0
Total adjustments	(37,936)	(1,111)	26,170	(25,347)	(38,224)	26,294
<b>Net cash provided (used) by operating activities</b>	<u>\$ (13,936)</u>	<u>\$ (28,854)</u>	<u>\$ 10,518</u>	<u>\$ 44,066</u>	<u>\$ 11,794</u>	<u>\$ 22,191</u>

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

State of Kansas  
**Financial Statements**  
June 30, 2008

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*State of Kansas*  
**Statement of Fiduciary Net Assets**  
**June 30, 2008**  
*(expressed in thousands)*

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	Pension Trust	Investment Trust	College Savings Program	Agency
<b>ASSETS</b>				
Cash and cash equivalents	\$ 407	\$ 959,704	\$ 1,567	\$ 702,864
Investments	15,732,252	0	2,042,072	909,170
Receivables, net	3,156,838	0	2,310	789,091
Inventories	21	0	0	0
Capital assets	6,647	0	0	0
<b>Total assets</b>	<b>18,896,165</b>	<b>959,704</b>	<b>2,045,949</b>	<b>\$ 2,401,125</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	5,703,101	0	651	\$ 2,401,125
<b>Total liabilities</b>	<b>5,703,101</b>	<b>0</b>	<b>651</b>	<b>\$ 2,401,125</b>
<b>NET ASSETS</b>				
Net assets held in trust	\$ 13,193,064	\$ 959,704	\$ 2,045,298	

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

State of Kansas  
**Financial Statements**  
June 30, 2008

*State of Kansas*

**Statement of Changes in Fiduciary Net Assets**

**For the Fiscal Year Ended June 30, 2008**

*(expressed in thousands)*

	Pension Trust	Investment Trust	College Savings Program Trust
<b>ADDITIONS</b>			
Contributions:			
Employer contributions	\$ 458,153	\$ 0	\$ 0
Employee contributions	269,603	0	0
College savings contributions	<u>0</u>	<u>0</u>	<u>784,981</u>
Total contributions	727,756	0	784,981
Deposits:			
Net investment income	(649,103)	30,655	(100,300)
MIP deposits	0	3,951,796	0
Other deposits	<u>226</u>	<u>0</u>	<u>0</u>
<b>Total additions</b>	<u>78,879</u>	<u>3,982,451</u>	<u>684,681</u>
<b>DEDUCTIONS</b>			
Benefits and refunds:			
Monthly benefits and refunds	945,705	0	0
Refunds of contributions	48,473	0	0
Death benefits	8,389	0	0
Distributions	<u>0</u>	<u>3,886,506</u>	<u>490,963</u>
Total benefits and refunds	1,002,567	3,886,506	490,963
Administrative expenses	<u>66,321</u>	<u>0</u>	<u>14,346</u>
<b>Total deductions</b>	<u>1,068,888</u>	<u>3,886,506</u>	<u>505,309</u>
Net increase (decrease)	(990,009)	95,945	179,372
Net assets - beginning of year	<u>14,183,073</u>	<u>863,759</u>	<u>1,865,926</u>
<b>Net assets - end of year</b>	<u><u>\$ 13,193,064</u></u>	<u><u>\$ 959,704</u></u>	<u><u>\$ 2,045,298</u></u>

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

State of Kansas  
**Financial Statements**  
June 30, 2008

*State of Kansas*  
**Combining Statement of Net Assets - Component Units**  
**June 30, 2008**  
*(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	\$ 554	\$ 3,272	\$ 1,319	\$ 2,578	\$ 483,554	\$ 491,277
Investments	5,777	0	6,995	9,001	2,001,585	2,023,358
Receivables, net	190	1,814	1,460	9,595	172,351	185,410
Due from primary government	14,805	0	0	0	0	14,805
Inventories	0	0	0	0	13,729	13,729
Other assets	71	0	1,650	36	83,012	84,769
Total current assets	<u>21,397</u>	<u>5,086</u>	<u>11,424</u>	<u>21,210</u>	<u>2,754,231</u>	<u>2,813,348</u>
Noncurrent assets:						
Investments	0	8,877	0	57,179	20,743	86,799
Receivables, net	27	1,526	1,353	2,090	82,531	87,527
Restricted cash and cash equivalents	0	0	4,329	0	96,972	101,301
Restricted investments	2,144	0	3,679	4,999	107,174	117,996
Due from primary government	202,270	0	0	0	0	202,270
Capital assets (net of accumulated depreciation)	25	120	367	383	1,636,571	1,637,466
Other noncurrent assets	0	0	5,230	0	203,083	208,313
Total noncurrent assets	<u>204,466</u>	<u>10,523</u>	<u>14,958</u>	<u>64,651</u>	<u>2,147,074</u>	<u>2,441,672</u>
<b>Total assets</b>	<u>\$ 225,863</u>	<u>\$ 15,609</u>	<u>\$ 26,382</u>	<u>\$ 85,861</u>	<u>\$ 4,901,305</u>	<u>\$ 5,255,020</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 95	\$ 767	\$ 720	\$ 1,036	\$ 411,629	\$ 414,247
Deferred revenue	323	0	1,609	0	114,444	116,376
Short-term compensated absences	0	0	141	39	51,165	51,345
Short-term portion of long-term liabilities	14,805	0	0	0	45,989	60,794
Total current liabilities	<u>15,223</u>	<u>767</u>	<u>2,470</u>	<u>1,075</u>	<u>623,227</u>	<u>642,762</u>
Noncurrent liabilities:						
Compensated absences	0	0	0	0	7,398	7,398
Bonds, notes and loans payable	202,270	0	0	0	605,041	807,311
Other post employment benefits obligation	9	10	28	0	11,728	11,775
Other noncurrent liabilities	2,108	0	5,230	0	60,908	68,246
Total noncurrent liabilities	<u>204,387</u>	<u>10</u>	<u>5,258</u>	<u>0</u>	<u>685,075</u>	<u>894,730</u>
<b>Total liabilities</b>	<u>219,610</u>	<u>777</u>	<u>7,728</u>	<u>1,075</u>	<u>1,308,302</u>	<u>1,537,492</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	25	120	367	383	1,075,087	1,075,982
Restricted for:						
Capital projects	0	0	0	0	45,527	45,527
Debt service	0	0	0	0	24,574	24,574
Other purposes	0	1,106	8,630	4,999	1,019,870	1,034,605
Unrestricted	6,228	13,606	9,657	79,404	1,427,945	1,536,840
<b>Total net assets</b>	<u>\$ 6,253</u>	<u>\$ 14,832</u>	<u>\$ 18,654</u>	<u>\$ 84,786</u>	<u>\$ 3,593,003</u>	<u>\$ 3,717,528</u>

State of Kansas  
**Financial Statements**  
June 30, 2008

*State of Kansas*  
**Combining Statement of Activities-Component Units**  
**For the Fiscal Year Ended June 30, 2008**  
*(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	\$ 863	\$ 1,436	\$ 2,650	\$ 1,054	\$ 620,347	\$ 626,350
Supplies and services	317	5,258	1,150	1,114	426,169	434,008
Depreciation	22	88	97	37	108,977	109,221
Interest expense	0	0	0	0	21,144	21,144
Other expenses	75	9,719	71,296	6,778	549,039	636,907
<b>Total expenses</b>	<u>1,277</u>	<u>16,501</u>	<u>75,193</u>	<u>8,983</u>	<u>1,725,676</u>	<u>1,827,630</u>
<b>Program Revenues:</b>						
Charges for services	1,431	1,252	5,404	0	968,257	976,344
Operating grants	0	14,628	1,431	0	296,560	312,619
<b>Total program revenues</b>	<u>1,431</u>	<u>15,880</u>	<u>6,835</u>	<u>0</u>	<u>1,264,817</u>	<u>1,288,963</u>
<b>Net (Expense) Revenue</b>	<u>154</u>	<u>(621)</u>	<u>(68,358)</u>	<u>(8,983)</u>	<u>(460,859)</u>	<u>(538,667)</u>
<b>General Revenue:</b>						
Taxes:						
Gross receipts tax	0	0	0	0	943	943
Investment earnings	368	116	0	2,379	(4,961)	(2,098)
Other revenue	0	298	74,579	43,642	583,894	702,413
<b>Total general revenues</b>	<u>368</u>	<u>414</u>	<u>74,579</u>	<u>46,021</u>	<u>579,876</u>	<u>701,258</u>
<b>Change in net assets</b>	<u>522</u>	<u>(207)</u>	<u>6,221</u>	<u>37,038</u>	<u>119,017</u>	<u>162,591</u>
Total net assets - beginning	5,731	15,086	12,433	47,748	3,482,224	3,563,222
Revisions to beginning net assets	0	(47)	0	0	(8,238)	(8,285)
Total net assets - beginning (restated)	<u>5,731</u>	<u>15,039</u>	<u>12,433</u>	<u>47,748</u>	<u>3,473,986</u>	<u>3,554,937</u>
<b>Total net assets - ending</b>	<u>\$ 6,253</u>	<u>\$ 14,832</u>	<u>\$ 18,654</u>	<u>\$ 84,786</u>	<u>\$ 3,593,003</u>	<u>\$ 3,717,528</u>

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

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

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

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2008 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, 2008

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**I. Summary of Significant Accounting Policies**

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<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 Employees 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 Employees Retirement System 611 S. Kansas Ave., Ste 100 Topeka, KS 66603-3803

**Kansas Development Finance Authority (KDFA)** was established by Chapter 57, 1987 Session Laws of Kansas. Its enabling statutes are found in K.S.A. 74-8901 et seq., as amended and supplements. KDFA is a public body politic and corporate, constituting an independent instrumentality of the State of Kansas. KDFA was created to enhance the ability

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## I. Summary of Significant Accounting Policies

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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.

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## I. Summary of Significant Accounting Policies

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**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**

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

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

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

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

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

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

### **D. Fund Accounting**

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

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

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

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### **Governmental Funds:**

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

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

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

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

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

### **Proprietary Funds:**

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

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

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

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

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

### **Fiduciary Funds:**

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

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

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

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

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

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

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

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

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

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

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

#### ***Cash and Investments***

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

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

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

- Direct obligations of, or obligations except mortgage backed securities, that are insured as to principal and interest by the U.S. Government, or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Loans as mandated by the Kansas Legislature limited to not more than the lesser of 10 percent or \$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
- U.S. Government agency securities
- Repurchase agreements

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

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

In addition to the above investments, short-term bond proceeds may be invested at the direction of K DFA 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 uncollectible.

### ***Inventories***

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

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

### ***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.

## I. Summary of Significant Accounting Policies

### ***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.

### ***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

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

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reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and deferred bond issuance costs are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred bond issuance costs are reported as other asset and amortized over the term of the related debt.

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

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

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

### ***Fund Equity***

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

## **F. Use of Estimates**

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

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

At June 30, 2008, 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. 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.

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

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GASB Statement No. 52, “Land and Other Real Estate Held as an Investment by Endowments” was issued 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.

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

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

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

For the year ended June 30, 2008, expenditures did not exceed appropriations or limitations.

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

The Transportation – Capital Projects Fund had a deficit fund balance in fiscal year 2008 due to reporting requirements of demand bonds with no long-term financing agreement in place.

State of Kansas  
**Notes to the Financial Statements**  
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**III. Detailed Notes On All Funds**

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**A. Deposits and Investments**

A summary of deposits and investments at June 30, 2008 is as follows (expressed in thousands):

	Govt and Business Type Activities	Pension Trust	Investment Trust	College Savings Program	Agency	Component units	Total
Pooled Cash and Investments							
Cash	\$ 30,502	\$ 407	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,909
Investments	1,551,741	0	959,704	0	711,228	447,568	3,670,241
Cash deposits with financial institutions	90,777	0	0	0	0	0	90,777
Cash with U.S. Treasury	654,977	0	0	0	0	0	654,977
Unclaimed Property invested by KPERS	199,547	0	0	0	0	0	199,547
Imprest funds and agency bank accounts	1,221	0	0	0	0	130	1,351
Canteen, members' benefit, members' money in agency's custody	0	0	0	0	10,523	0	10,523
Kansas Public Employees Retirement (KPERS)	0	15,732,252	0	0	0	0	15,732,252
Investments owned by other funds	581,930	0	0	0	753,431	25,537	1,360,898
Learning Quest investments	0	0	0	2,043,639	0	0	2,043,639
Security deposits held by Kansas Insurance Dept.	0	0	0	0	155,740	0	155,740
Star Bonds	48,441	0	0	0	0	0	48,441
Miscellaneous cash and other adjustments	(68,599)	0	0	0	(18,888)	2,347,497	2,260,010
Total	<u>\$ 3,090,537</u>	<u>\$ 15,732,659</u>	<u>\$ 959,704</u>	<u>\$ 2,043,639</u>	<u>\$ 1,612,034</u>	<u>\$ 2,820,732</u>	<u>\$ 26,259,305</u>

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

A reconciliation of deposits and investments for the State to the financial statements at June 30, 2008 is as follows (expressed in thousands):

**Disclosures Regarding Deposits and Investments:**

Total investments and deposits	\$ 22,403,433
Carrying amount of deposits	<u>3,855,872</u>
Total	<u><u>\$ 26,259,305</u></u>

**Statement of Net Assets**

*Governmental and Business-Type Activities*

Cash and cash equivalents	\$ 1,685,475
Investments at fair market value	490,694
Restricted Cash and Cash Equivalents	823,249
Restricted Investments	91,120

*Component Units*

Cash and cash equivalents	491,277
Investments at fair market value	2,110,157
Restricted Cash and Cash Equivalents	101,301
Restricted Investments	117,996

**Statement of Fiduciary Net Assets**

Cash and cash equivalents	1,664,542
Investments at fair market value	<u>18,683,494</u>
Total	<u><u>\$ 26,259,305</u></u>

**Investments Owned by Other Funds**

Investment Type	Primary Government				Total
	Governmental	Business-Type Activities	Component Units	Fiduciary	
U.S. Government Obligation	\$ 2,407	\$ 0	\$ 1,893	\$ 753,431	\$ 757,731
US Government Agency Securities	170,390	133,278	1,153	0	304,821
Mortgage Backed Securities	175	0	0	0	175
Municipal Bonds	375	0	0	0	375
Kansas Banks	0	0	2,820	0	2,820
Repurchase Agreements	3,887	101,341	4,389	0	109,617
Municipal Investment Pool	0	0	5,708	0	5,708
Guaranteed Investment Contracts	42,137	5,056	9,574	0	56,767
Corporate Securities	<u>45,018</u>	<u>77,866</u>	<u>0</u>	<u>0</u>	<u>122,884</u>
Total	<u>\$ 264,389</u>	<u>\$ 317,541</u>	<u>\$ 25,537</u>	<u>\$ 753,431</u>	<u>\$ 1,360,898</u>

State of Kansas  
**Notes to the Financial Statements**  
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**III. Detailed Notes On All Funds**

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**State Treasury and Municipal Investment Pool Balance**

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

Pooled Cash and Investments

Cash	
Kansas banks demand accounts	\$ 30,909
Investments at fair market value	
Kansas banks certificates of deposit	199,107
U.S. government agencies securities	1,578,393
Commercial paper	1,090,685
Repurchase agreements	734,500
Loans Receivable	7,889
Public water supply loan fund	5,000
Linked deposits	54,667
Cash deposits with financial institutions	
Moneys in custodial demand accounts	734
Cash items	59
Cash in transit	89,984
Unclaimed property invested by KPERS	199,547
Unemployment trust fund cash with U.S. Treasury	654,977
Total State Treasury and Municipal Investment Pool Balance	<u>\$ 4,646,451</u>

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

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At June 30, 2008, the carrying amount (book balance) of the deposits included in the State Treasury balance was \$3.8 billion. At June 30, 2008, the State Treasurer had \$285.4 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 are as follows:

- U.S. Treasury securities (T-Bills, T-Notes, and Treasury Strips) and Federal Agency securities (Discount Notes and Debentures) with a final maturity of five years and under will require pledging of 100% 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% collateralization.
- Any security with a final maturity longer than five years will require 105% 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, 2008, K DFA has \$257,007 invested in the State of Kansas Municipal Investment Pool. As of June 30, 2008, K DFA has \$1.6 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, 2008, totaled \$6.6 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, 2008, K DFA was invested in certificates of deposit, the Kansas Municipal Investment Pool, and a repurchase agreement with Morgan Stanley. As of June 30, 2008, 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% 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% may be invested in obligations greater than 18 months, but no more than 48 months.

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**III. Detailed Notes On All Funds**

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As of June 30, 2008, KDFA had the following investments, excluding certificates of deposit, with the noted investment maturities (expressed in thousands):

Investment Type	June 30, 2008		
	Fair Value	Less than 1 year	1 - 5 Years
Repurchase agreement	\$ 1,600	\$ 1,600	\$ 0
KMIP	257	257	0
<b>Total</b>	<b>\$ 1,857</b>	<b>\$ 1,857</b>	<b>\$ 0</b>

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

**Component Unit - KHRC**

As of June 30, 2008, KHRC had the following cash and Investments:

	Cost	Fair Value
<b>Cash</b>		
Kansas State Treasurer's Office	\$ 4,016,046	\$ 4,016,046
Financial Institution	685,449	685,449
Money market funds	458,396	458,396
Securities purchased under agreements to resell	476,000	476,000
US Treasury Bond and Agency obligations	10,650,032	10,674,412
<b>Total</b>	<b>\$ 16,285,923</b>	<b>\$ 16,310,303</b>

As of June 30, 2008, KHRC investments and maturities consist of the following:

Investment Type	Fair Value	Less than 1 year	1-5 Years
U.S Agency Securities	\$ 8,643,470	\$ 1,008,105	\$ 7,635,365
Mortgage backed securities	2,030,942	0	2,030,942
	<b>\$ 10,674,412</b>	<b>\$ 1,008,105</b>	<b>\$ 9,666,307</b>

*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

### III. Detailed Notes On All Funds

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.* The risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk. Per the investment policy, KHRC will minimize credit risk through pre-qualifying institutions, diversifying its portfolios, and maintaining a standard of quality of authorized eligible investments. As of June 30, 2008, KHRC's investments were rated A+ to AAA by Standard & Poor's.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, KHRC will not be able to recover the value of its deposits or investments that are in the possession of an outside party. KHRC's investment policy requires collateralization on all demand deposit accounts, and to secure investments in certificates of deposits and repurchase agreements. KHRC also minimizes custodial credit risk by pre-qualifying the custodial or depository institutions, broker/dealers, intermediaries and advisors with which KHRC will do business. Investments held at June 30, 2008, including the underlying securities on the repurchase agreement, are held by the investment's counterparty. The repurchase agreement and deposits held with a financial institution were fully collateralized at June 30, 2008.

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

#### Component Unit - KTEC

The following table summarizes the KTEC's cash and investments at June 30, 2008 (expressed in thousands):

Bank deposits and repurchase agreements	\$	1,972
Certificates of deposit		1,275
Cash held by the State		24
Total Deposits		3,271

Cash in the amount of \$22,571 held by the State, which is not categorized below, represents grant funds received but not yet expended at June 30, 2008.

*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, 2008, as indicated below (expressed in thousands):

Deposits covered by federal depository insurance or collateral held by KTEC or its agent in KTEC's name	\$	1,600
Deposits covered by collateral held by pledging financial institution's trust department or by its agent in KTEC's name		1,650
Total Deposits (Bank Balance)		3,250

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**III. Detailed Notes On All Funds**

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Investments in Limited Partners consisted of the following at June 30, 2008 (expressed in thousands):

*Investments in economic development LLCs*

Wichita Technology Ventures, LLC	\$	862
Manhattan Holdings, LLC		666
Quest Ventures, LLC		241
Milestone Ventures, LLC		129
Precede Fund, LLC		204

*Seed 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		101
Hiper Technology		300
Vasognix Pharmaceuticals, Inc.		249
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		226
Griffin Technology		100
IRR - Residential		200
NUVIO Corporation		150
Deciphera		113
Heartland Technologies		150
Innovia Medical		300
Proteon Therapeutics, LLC		182
Sportvision		42
Urigen		240
Community Wireless		100
Edenspace		250
Peak Vision Sports		150
Felton International		60
PS Holdings, LLC		38
TDP, Inc		496
Adaptive Ozone		300
Matrix Electronic Measuring , Inc		100
Rush Tracking		100
Total	<u>\$</u>	<u>8,876</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, Milestore 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, 2008, the Bioscience Authority had a balance of \$2.6 million of cash and money market investments.

*Deposit and Investment Policies.* The Bioscience Authority has 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. At June 30, 2008, \$75,746 was exposed to custodial risk as deposits are in excess of FDIC insurance coverage limits. Subsequent to June 30, 2008, the Bioscience Authority implemented a sweep option for its cash deposit account that transfers funds in excess of FDIC insurance coverage limits into a money market fund account for investment in government-backed securities. The investments in this money market account are protected from credit risk by \$500,000 in Securities Investor Protection Corporation (SPIC) insurance coverage. However, the underlying securities of \$61.7 million of investments are held by the investment's counterparty.

*Credit Risk.* As of June 30, 2008, the Authority was invested in government agency securities including FHMLC, FFCB, FHLB and FNMA securities. The government agency securities were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Under the Bioscience Authority's 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. As of June 30, 2008, more than 5% of the Bioscience Authority's investments are held in the following securities:

FHLB	55%
FHLMC	22%
FNMA	13%
FFCB	6%

*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% of the investment portfolio is limited to a maximum maturity of five years, with at least 20% , but no more than 80%, maturing in a two-year period. Also, no more than 20% of the investments may have a maximum maturity of up to eight years. As of June 30, 2008, 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	5-10 years
Government Securities	\$ 61,713	\$ 9,001	\$ 0	\$ 48,112	\$ 4,600

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**III. Detailed Notes On All Funds**

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The Bioscience Authority has land held for investment in the amount of \$5 million. Portfolio investments consisted of the following at June 30, 2008:

Debt securities:	
Ventria Bioscience	\$ 3,752
KC BioMediX, Inc.	163
Equity securities:	
Innovia Medical, LLC	<u>552</u>
	<u>\$ 4,467</u>

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### III. Detailed Notes On All Funds

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#### B. Investments

Investments in the State Treasury Balance and Municipal Investment Pool at June 30, 2008 are as follows (expressed in thousands):

U.S. Government agency securities	\$ 304,821
Mortgage backed securities	175
Repurchase agreements	109,616
U.S. Government obligations	757,731
Municipal securities	375
Kansas banks	2,820
State of Kansas Municipal Investment Pool	5,708
Guaranteed investment contracts	56,767
Corporate securities	122,885
Security deposits held by Kansas Insurance Department	155,740
College Savings Program	2,043,639
Less component units and other reconciling items	<u>(25,537)</u>
Total investments	<u>\$ 3,534,740</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% of the total PMIB investment portfolio, and that no more than 5% of that portfolio shall be invested in the commercial paper of any single business entity.

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### III. Detailed Notes On All Funds

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

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

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

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**Notes to the Financial Statements**  
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**III. Detailed Notes On All Funds**

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As of June 30, 2008, State agencies had the following investments (expressed in thousands):

Agency	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	\$ 6,000	\$ 6,000	\$ 0	\$ 0	\$ 0
173	Dept. of Administration	Guaranteed Investment Contracts	8,967	8,967	0	0	0
246	Fort Hays State University	Guaranteed Investment Contracts	468	0	0	468	0
264	Dept. of Health and Environment	Repurchase Agreements	59,559	0	0	4,801	54,758
264	Dept. of Health and Environment	Guaranteed Investment Contracts	5,055	0	0	5,055	0
264	Dept. of Health and Environment	Investment Agreements	26,505	0	0	0	26,505
276	Dept. of Transportation	Repurchase Agreements	15,277	0	0	0	15,277
300	Dept. of Commerce	Repurchase Agreements	3,447	3,447	0	0	0
300	Dept. of Commerce	Guaranteed Investment Contracts	26,036	0	19,768	6,268	0
367	Kansas State University	Repurchase Agreements	932	0	0	932	0
367	Kansas State University	Guaranteed Investment Contracts	4,597	0	639	84	3,874
379	Emporia State University	Guaranteed Investment Contracts	227	0	0	0	227
385	Pittsburg State University	Guaranteed Investment Contracts	1,020	0	0	0	1,020
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	2,567	0	445	1,350	772
683	University of KS Medical Center	Guaranteed Investment Contracts	696	0	0	0	696
715	Wichita State University	Repurchase Agreements	1,517	0	0	555	962
	<b>Total</b>		<b>\$ 166,383</b>	<b>\$ 18,414</b>	<b>\$ 21,987</b>	<b>\$ 20,630</b>	<b>\$ 105,352</b>

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

<u>Agency Name</u>	<u>Debt Service Reserve Fund</u>	<u>Other Investments</u>	<u>Total</u>
Adjutant General	\$ 0	\$ 6,000	\$ 6,000
Dept. of Administration	0	8,967	8,967
Fort Hays State University	468	0	468
Department of Health and Environment	85,186	5,933	91,119
Dept. of Transportation	15,277	0	15,277
Dept. of Commerce	12,954	16,529	29,483
Kansas State University	5,529	0	5,529
Emporia State University	227	0	227
Pittsburg State University	1,020	0	1,020
Dept. of Corrections	1,574	0	1,574
University of Kansas	4,506	0	4,506
University of Kansas Medical Center	696	0	696
Wichita State University	1,517	0	1,517
<b>Total</b>	<b>\$ 128,954</b>	<b>\$ 37,429</b>	<b>\$ 166,383</b>

*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.

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*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, 2008 (expressed in thousands):

<u>Agency Name</u>	<u>Investment Provider</u>	<u>Fair Value</u>	<u>Percent of Total for Agency</u>
Adjutant General	MBIA	\$ 6,000	100%
Dept. of Administration	MBIA	8,967	100%
Fort Hays State University	Natixis Funding Corp.	468	100%
Dept. of Health & Environ.	AIG	25,593	28.09%
Dept. of Health & Environ.	Citigroup	17,557	19.27%
Dept. of Health & Environ.	MBIA	18,328	20.11%
Dept. of Health & Environ.	Morgan Guaranty	1,007	1.11%
Dept. of Health & Environ.	Socoete Generale	5,895	6.47%
Dept. of Health & Environ.	Trinity Plus Funding	11,384	12.49%
Dept. of Health & Environ.	Westdietscje	11,355	12.46%
Dept. of Transportation	FSA Capital Mgmt. Serv.	15,277	100%
Dept. of Commerce	Trinity Plus	16,529	56.06%
Dept. of Commerce	AIG	3,447	11.69%
Dept. of Commerce	MBIA	3,451	11.70%
Dept. of Commerce	Bayerische	3,239	10.99%
Dept. of Commerce	FSA Capital Mgmt. Serv.	2,817	9.56%
Kansas State University	MBIA	3,874	70.06%
Kansas State University	JP Morgan Chase	932	16.86%
Kansas State University	Bayerische	723	13.08%
Emporia State University	Trinity Plus	227	100%
Pittsburg State University	AIG	814	79.83%
Pittsburg State University	Trinity Plus	206	20.17%
Dept. of Corrections	AIG	1,574	100%
University of Kansas	Bayerische	1,760	39.06%
University of Kansas	FSA Capital Mgmt. Serv.	1,872	41.54%
University of Kansas	Natixis	445	9.88%
University of Kansas	Trinity Plus	429	9.52%

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<u>Agency Name</u>	<u>Investment Provider</u>	<u>Fair Value</u>	<u>Percent of Total for Agency</u>
University of KS Medical Ctr.	Natixis Funding Corp.	464	66.70%
University of KS Medical Ctr.	Societe Generale	232	33.30%
Wichita State University	MBIA	962	63.40%
Wichita State University	AIG	555	36.60%
<b>Total</b>		<u>\$ 166,383</u>	

**Component Unit-Universities**

The following table summarizes the State University System's cash and investments at June 30, 2008 (expressed in thousands):

	<u>Fair Value</u>
U.S. Government obligations	\$ 372
Kansas banks	2,820
Invested with PMIB	8,383
Invested with KDFA	13,962
Imprest funds	130
Cash held with the State Treasurer	443,507
Cash and other investments	<u>2,240,854</u>
Total cash and investments	<u>\$ 2,710,028</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**

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#### **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% of the total book value of the fund.
- The annual allowance for new alternative(non-publicly traded) investments is limited to 1% of the market value of the total investment assets of the fund as measured from the end of the preceding calendar year.
- Establishes limits on the structure of future investments in real estate or alternative investments.
- Requires that the Board develop investment policies and objectives to invest fund assets.
- Authorizes the Board to hire qualified professionals/firms to assist in investing the fund and requires that such professionals/firms obtain errors and omissions insurance coverage and fidelity bond insurance coverage.
- Authorizes the Board to pay for the services of retained professionals/firms at the rates fixed by the Board, excluding any reimbursement for expenses and subject to the provisions of the appropriations acts.
- Provides for an annual audit and requires that the Board annually examine the investment program, specific investments, and its policies and practices.

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 future contracts is minimal. At June 30, 2008, 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**

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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% of fair value on domestic securities and 105% 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, 2008, the maturities of securities in this dedicated bond portfolio are as follows: 44% of the fair values of the securities mature within 30 days; 26% mature between 31 and 180 days; and 30% 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, 2007, and June 30, 2008, were \$2.5 billion and \$2.8 billion respectively. Collateral held by the Retirement System for June 30, 2007, and June 30, 2008, was \$2.6 billion and \$2.9 billion respectively. Net income produced from securities lending activities for fiscal year 2007 was \$4.1 million and for fiscal year 2008 was \$3.3 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, 2008, the System had sold forward currency contracts with a fair value of \$2.9 billion and had bought forward currency contracts with a fair value of \$2.9 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, 2008, the Retirement System had invested in TIPS with a fair value of approximately \$1.3 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.

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Concentration Risk – The System has investments in Federal National Mortgage Association issued securities that represent 5.7% of the total net asset value. KPERS investment policy does not prohibit holdings above 5% in the debt securities of U.S. government issuers. Government sponsored enterprises (GSEs, such as FNMA) are considered government issuers for the purpose of implementing KPERS investment policy. No other single issuer represents 5% 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, 2008, were distributed among the following currencies (expressed in thousands):

	<u>USD Equivalent</u>	<u>Currency</u>	<u>Percent</u>
\$	181,969,386	Australian Dollar	1.16%
	90,681,401	Brazil Real	0.58%
	464,942,945	British Pound Sterling	2.94%
	223,224,386	Canadian Dollar	1.42%
	1,824,365	Chilean Peso	0.01%
	16,394,655	Chinese Yuan Renminbi	0.10%
	3,199,635	Colombian Peso	0.02%
	7,756,815	Czech Koruna	0.05%
	17,564,556	Danish Krone	0.11%
	3,924,581	Egyptian Pound	0.02%
	887,389,414	Euro Currency Unit	5.64%
	76,004,188	Hong Kong Dollar	0.48%
	3,153,057	Hungarian Forint	0.02%
	2,730,990	Iceland Krona	0.02%
	9,650,359	Indian Rupee	0.06%
	14,077,718	Indonesian Rupian	0.09%
	7,360,533	Israeli Shekel	0.05%
	672,601,969	Japanese Yen	4.27%
	12,071,507	Malaysian Ringgit	0.08%
	58,077,299	Mexican New Peso	0.37%
	8,552,075	Moroccan Dirham	0.05%
	43,916,170	New Taiwan Dollar	0.28%
	21,765,426	New Turkish Lira	0.14%
	4,007,083	New Zealand Dollar	0.03%
	48,112,322	Norwegian Krone	0.31%
	1,875,050	Philippines Peso	0.01%
	10,961,646	Polish Zloty	0.07%
	28,122,827	Russian Rubel	0.18%
	36,815,760	S African Comm Rand	0.23%
	42,871,584	Singapore Dollar	0.27%
	88,154,148	South Korean Won	0.56%
	59,852,065	Swedish Krona	0.38%
	161,513,437	Swiss Franc	1.03%
	7,230,837	Thailand Baht	0.05%
	1,434,752	Uruguayan Peso	0.01%
	1,596,722	Other currencies	0.01%
	<u>12,410,869,949</u>	U.S. Dollar *	<u>78.90%</u>
\$	<u>15,732,251,612</u>		<u>100.00%</u>

\* Includes securities lending collateral of \$2,205,187,750

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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% of assets (excluding securities lending collateral) in dedicated international equities. The System also has 8% of assets targeted to Global Equities which are expected to be between 40 and 60% international. Core Plus bond managers are allowed to invest up to 20% of their portfolio in non-dollar securities. The System utilizes a currency overlay manager to reduce risk by hedging up to 50% of the foreign currency for selected international equity portfolios. At June 30, 2008, the System's total foreign currency exposure was 22.4% hedged.

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 investments are held in the System's name and are not subject to creditors of the custodial bank.

Concentration Risk - The System has investments in Federal National Mortgage Association issued securities that represent 5.7% of the total net asset value. KPERS investment policy does not prohibit holdings above 5% in the debt securities of U.S. government issuers. Government sponsored enterprises (GSEs, such as FNMA) are considered government issuers for the purpose of implementing KPERS investment policy. No other single issuer represents 5% or more of System assets other than the U.S Government.

Credit Risk - 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% of holdings in investment grade securities. Each portfolio is required to maintain a reasonable risk level relative to its benchmark. System assets (expressed in thousands), as of June 30, 2008, subject to credit risk, are shown with current credit ratings below:

Quality Rating	Commercial Paper		U.S. Government		Securities Lending Collateral	Total
		Corporate	Agency			
NR	\$ 244,290	\$ 200,159	\$ 0	\$ 0	\$ 706,427	\$ 1,150,876
AAA	1,459	469,448	54,894	1,452,410	201,784	2,179,995
AA	117,724	205,661	1,204,862	80,266	1,125,480	2,733,993
A	0	381,161	0	0	165,380	546,541
BBB	0	474,932	0	0	6,117	481,049
BB	0	108,203	0	0	0	108,203
B	0	99,498	0	0	0	99,498
CCC	0	48,736	0	0	0	48,736
Total	<u>\$ 363,473</u>	<u>\$ 1,987,798</u>	<u>\$ 1,259,756</u>	<u>\$ 1,532,676</u>	<u>\$ 2,205,188</u>	<u>\$ 7,348,891</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% 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% 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% 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):

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Effective Duration	Commercial			U.S.		Securities	Total
	Paper	Corporate	Agency	Government	Lending	Collateral	
0-1 yr	\$ 363,473	\$ 722,751	\$ 290,663	\$ 44,407	\$ 2,201,611		\$ 3,622,905
1-3 yrs	0	455,404	88,688	5,032	3,577		552,701
3-5 yrs	0	252,970	581,186	43,873	0		878,029
5-10 yrs	0	393,596	296,421	101,891	0		791,908
10-20 yrs	0	163,077	2,798	1,337,473	0		1,503,348
Total	<u>\$ 363,473</u>	<u>\$ 1,987,798</u>	<u>\$ 1,259,756</u>	<u>\$ 1,532,676</u>	<u>\$ 2,205,188</u>		<u>\$ 7,348,891</u>

Treasury Inflation Protected Securities (TIPS) comprise 97.5% of the U.S. Government, 10-20 yrs group. Total TIPS for all duration ranges were valued at \$1.3 billion at June 30, 2008. Securities lending collateral policy limit the maximum average portfolio maturity of 90 days. Only floating rate and fixed rate asset-backed securities may mature beyond thirteen months.

**C. External Investment Pool**

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

The MIP is considered a mixed pool because agencies of the State of Kansas are participants in the pool. At June 30, 2008, the State's participation in the Pool was \$6.4 million. Deposits in the MIP are combined with State moneys to form the Pooled Money Investment Portfolio (PMIP). Investments subject to categorization of the PMIP are all category 1. As of March 15, 2004, the Pooled Money Investment Portfolio was rated AAAf/S1+ 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.

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**D. Receivables**

Accounts receivable as of June 30, 2008, 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	\$ 343,389	\$ 0	\$ 343,389	\$ 0
Loan receivable	0	734,977	734,977	27,759
Accrued interest	524	13,266	13,790	2,594
Other receivables	422,111	107,431	529,542	242,584
<b>Total</b>	<b>\$ 766,024</b>	<b>\$ 855,674</b>	<b>\$ 1,621,698</b>	<b>\$ 272,937</b>

Taxes receivable are shown net of allowances for uncollectible taxes of \$348.5 million and net of estimated individual and corporate refunds of \$243.6 million.

**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 lease transactions. Contained in the trust indenture or resolution and loan agreement for each series of bonds is a pledge of revenue agreement by which revenues paid by the various governmental units, as loan obligors to 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, 2008, are as follows (expressed in thousands):

Total minimum lease payments to be received	\$ 299,581
Less: unearned income	(82,506)
Net investment in direct financing leases	\$ 217,075

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.

### III. Detailed Notes On All Funds

**F. Restricted Assets**

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

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

**G. Equity**

Invested in capital assets, restricted for capital projects, restricted for debt service and restricted for other purposes are each shown separately on the Statement of Net Assets. The majority of restrictions are within the component units, with \$382.4 million from the Kansas University Endowment. Restrictions as of June 30, 2008, from component units are as follows (expressed in thousands):

**Component Units**

	Kansas Development Finance Authority	Kansas Technology Enterprise Corporation	Kansas Housing Resources Corporation	Kansas Bioscience Authority	State University System	Total
Invested in capital assets, net of related debt	\$ 25	\$ 120	\$ 367	\$ 383	\$ 1,075,087	\$ 1,075,982
Restricted for capital projects	0	0	0	0	45,527	45,527
Restricted for debt service	0	0	0	0	24,574	24,574
Restricted for other purposes	0	1,106	8,630	4,999	1,019,870	1,034,605
Unrestricted	6,228	13,606	9,657	79,404	1,427,945	1,536,840
Total	<u>\$ 6,253</u>	<u>\$ 14,832</u>	<u>\$ 18,654</u>	<u>\$ 84,786</u>	<u>\$ 3,593,003</u>	<u>\$ 3,717,528</u>

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**H. Capital Assets**

**Primary Government**

	(expressed in thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental activities</i>				
Capital assets, not being depreciated:				
Land	\$ 175,402	\$ 10,078	\$ 18	\$ 185,462
Land improvements	83,326	3,744	0	87,070
Construction in progress	836,177	320,335	352,078	804,434
Infrastructure (including construction in progress)	9,163,009	370,791	175,396	9,358,404
Total capital assets, not being depreciated	<u>10,257,914</u>	<u>704,948</u>	<u>527,492</u>	<u>10,435,370</u>
Capital assets, being depreciated:				
Buildings and improvements	1,130,284	37,392	22,099	1,145,577
Equipment and furnishings	451,976	65,454	30,081	487,349
Vehicles	66,511	13,542	8,908	71,145
Water rights	27,273	0	0	27,273
Total	<u>1,676,044</u>	<u>116,388</u>	<u>61,088</u>	<u>1,731,344</u>
Less accumulated depreciation for:				
Buildings and improvements	338,832	29,800	22,097	346,535
Equipment and furnishings	224,691	35,900	27,345	233,246
Vehicles	42,498	10,149	8,908	43,739
Water rights	13,419	601	0	14,020
Total	<u>619,440</u>	<u>76,450</u>	<u>58,350</u>	<u>637,540</u>
Total capital assets, being depreciated, net	<u>1,056,604</u>	<u>39,938</u>	<u>2,738</u>	<u>1,093,804</u>
Governmental activity capital assets, net	<u>\$ 11,314,518</u>	<u>\$ 744,886</u>	<u>\$ 530,230</u>	<u>\$ 11,529,174</u>
 <i>Business-type activities</i>				
Capital assets, being depreciated:				
Equipment and furnishings	\$ 4,334	\$ 243	\$ 138	\$ 4,439
Less accumulated depreciation for:				
Equipment and furnishings	4,078	135	138	4,075
Business-type activity capital assets, net	<u>\$ 256</u>	<u>\$ 108</u>	<u>\$ 0</u>	<u>\$ 364</u>

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

*Governmental activities*

General government	\$	12,421
Human resources		9,773
Education		1,566
Public safety		23,876
Agriculture and natural resources		4,267
Highways and other transportation		23,433
Health and environment		1,114
Total depreciation expense – Government activities	\$	<u>76,450</u>

*Business-type activities*

Health care stabilization	\$	1
Lottery		134
Total depreciation expense – Business-type activities	\$	<u>135</u>

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**Component Units**

	(expressed in thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Kansas Development Finance Authority</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 173	\$ 24	\$ 6	\$ 191
Buildings and improvements	108	0	0	108
Less accumulated depreciation	<u>258</u>	<u>22</u>	<u>6</u>	<u>274</u>
Total capital assets, being depreciated, net	<u>\$ 23</u>	<u>\$ 2</u>	<u>\$ 0</u>	<u>\$ 25</u>
 <i>Kansas Technology Enterprise Corporation</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 952	\$ 97	\$ 35	\$ 1,014
Less accumulated depreciation	<u>843</u>	<u>85</u>	<u>35</u>	<u>893</u>
Total capital assets, being depreciated, net	<u>\$ 109</u>	<u>\$ 12</u>	<u>\$ 0</u>	<u>\$ 121</u>
 <i>Kansas Housing Resources Corporation</i>				
Capital assets, being depreciated				
Furniture and equipment	\$ 483	\$ 223	\$ 157	\$ 549
Vehicles	12	0	0	12
Buildings and improvements	49	0	0	49
Less accumulated depreciation	<u>177</u>	<u>97</u>	<u>30</u>	<u>244</u>
Total capital assets, being depreciated, net	<u>\$ 367</u>	<u>\$ 126</u>	<u>\$ 127</u>	<u>\$ 366</u>
 <i>Kansas Bioscience Authority</i>				
Capital assets, not being depreciated				
Land	\$ 0	\$ 254	\$ 0	\$ 254
Total capital assets, not being depreciated	<u>0</u>	<u>254</u>	<u>0</u>	<u>254</u>
Capital assets, being depreciated				
Furniture and equipment	99	66	0	165
Buildings and improvements	6	0	0	6
Less accumulated depreciation	<u>10</u>	<u>32</u>	<u>0</u>	<u>42</u>
Total capital assets being depreciated, net	<u>95</u>	<u>34</u>	<u>0</u>	<u>129</u>
Total capital assets, net	<u>\$ 95</u>	<u>\$ 288</u>	<u>\$ 0</u>	<u>\$ 383</u>

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	(expressed in thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>University System</i>				
Capital assets, not being depreciated				
Land	\$ 35,735	\$ 8,810	\$ 288	\$ 44,257
Land improvements	34,725	3,818	5	38,538
Construction in progress	75,629	117,864	92,348	101,145
Total capital assets, not being depreciated	<u>146,089</u>	<u>130,492</u>	<u>92,641</u>	<u>183,940</u>
Capital assets, being depreciated				
Buildings and improvements	2,083,096	109,726	13,355	2,179,467
Equipment and furnishings	430,927	55,020	16,789	469,158
Vehicles	42,383	6,161	1,547	46,997
Total capital assets, being depreciated	<u>2,556,406</u>	<u>170,907</u>	<u>31,691</u>	<u>2,695,622</u>
Less accumulated depreciation for:				
Buildings and improvements	846,578	68,612	10,800	904,390
Equipment and furnishings	274,261	43,707	15,988	301,980
Vehicles	35,316	2,726	1,441	36,601
Totals	<u>1,156,155</u>	<u>115,045</u>	<u>28,229</u>	<u>1,242,971</u>
Total capital assets, being depreciated, net	<u>1,400,251</u>	<u>55,862</u>	<u>3,462</u>	<u>1,452,651</u>
University system capital assets, net	<u>\$ 1,546,340</u>	<u>\$ 186,354</u>	<u>\$ 96,103</u>	<u>\$ 1,636,591</u>
<i>All Component Units</i>				
Capital assets, not being depreciated				
Land	\$ 35,735	\$ 9,064	\$ 288	\$ 44,511
Land improvements	34,725	3,818	5	38,538
Construction in progress	75,629	117,864	92,348	101,145
Total capital assets, not being depreciated	<u>146,089</u>	<u>130,746</u>	<u>92,641</u>	<u>184,194</u>
Capital assets, being depreciated				
Buildings and improvements	2,083,259	109,726	13,355	2,179,630
Equipment and furnishings	432,634	55,430	16,987	471,077
Vehicles	42,395	6,161	1,547	47,009
Total capital assets, being depreciated	<u>2,558,288</u>	<u>171,317</u>	<u>31,889</u>	<u>2,697,716</u>
Less accumulated depreciation for:				
Buildings and improvements	846,701	68,629	10,800	904,530
Equipment and furnishings	275,417	43,924	16,059	303,282
Vehicles	35,325	2,728	1,441	36,612
Totals	<u>1,157,443</u>	<u>115,281</u>	<u>28,300</u>	<u>1,244,424</u>
Total capital assets, being depreciated, net	<u>1,400,845</u>	<u>56,036</u>	<u>3,589</u>	<u>1,453,292</u>
All Component Units capital assets, net	<u>\$ 1,546,934</u>	<u>\$ 186,782</u>	<u>\$ 96,230</u>	<u>\$ 1,637,486</u>

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**Construction Commitments**

The State has active construction projects as of June 30, 2008. The projects include road projects, dam repair, building remodeling and restoration, and new juvenile correctional facilities. At year-end, the State's commitments with contractors are as follows (expressed in thousands):

Agency – Project	Spent -to- Date	Remaining Commitment	Funding Source
<b>Primary Government</b>			
<b>Kansas Department of Correction</b>			
Construction of New Clinic & Infirmary – Lansing Correctional Facility (exterior shell only)	\$ 884	\$ 1,126	Correctional Facilities Infrastructure Project fund
Locking System Replacement, A,B, & C Cellhouses - Hutchinson Correctional Facility	783	1,566	Correctional Facilities Infrastructure Project fund
<b>Department of Social and Rehabilitation Services</b>			
Construction of new Larned State Security Hospital	47,283	2,838	Bonds 2002N-1
Dept. of Social and Rehabilitation Service Projects.	34,902	98	Bonds 2004A-1
State Hospitals Rehabilitation Construction Project - Osawatomie State Hospital	0	2,166	Debt Service - SIBF
<b>Department of Administration</b>			
Statehouse restoration and renovation and underground parking garage	126,339	24,888	Lease Revenue Bonds secured by lease rents
Capitol Complex Maintenance Tunnel Replacement	0	3,001	State General Fund
Landon State Office Building Inspection & Façade Repair	2,405	125	State General Fund
<b>Kansas Department of Transportation</b>			
Various Roadway Projects (over 3,000 projects)	n/a	697,900	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 Wildlife and Parks</b>			
Prairie Spirit Trail Development	1,805	8	State and Federal fund
Cheyenne Bottoms Visitor Center	1,787	1,152	State fund, Federal fund, gifts and donations
Milford Hatchery Improvements	923	40	State fund
<b>Adjutant General's Department</b>			
Great Plains Training Center	0	5,044	State bond funds and federal funds
Pittsburg State University/Pittsburg Readiness Ctr	6,086	478	State bond funds and federal funds

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Agency – Project	Spent -to- Date	Remaining Commitment	Funding Source
<b>Component Units</b>			
<b>Kansas State University</b>			
Jardine Apartments Housing Project	58,150	14,135	Bonds and state funds
Parking Garage	5,600	12,255	Bonds
Salina Student Life Center	794	5,106	Bonds and restricted fees funds
McCain Entry Drive	0	1,700	Parking fees funds
<b>Emporia State University</b>			
WAW Library HVAC	63	167	State funds
WAW Library Elec	128	283	State funds
Utility Tunnel	303	36	State funds
Roosevelt Hall Foundation	116	156	State funds
Roosevelt Hall HVAC	149	26	State funds
Campus HVAC	153	109	State funds
Welch East Stadium	16	139	State funds
<b>Pittsburg State University</b>			
KS Army National Guard Readiness/Recreation Center	9,086	691	Bonds, education building fund, general fund student fee/gifts and auxiliary funds.
Mc Cray Hall Renovation	568	2,219	R&R fund, education building fund & student fees/gifts
Construction of New Student Health Center	110	2,390	Bonds and private funds
<b>University of Kansas</b>			
Deferred Maintenance – Tunnels	964	7,836	Infrastructure maintenance program & university interest
KLETC Capital Improvement Project	2,749	13,673	Revenue Bonds secured by KLETC docket fees
Krehbiel Scholarship Hall	3,003	997	Private gifts
Student Recreation Center Expansion	4,191	2,109	Revenue Bonds secured by pledged revenue from KU Athletics
<b>University of Kansas Medical Center</b>			
Miscellanies	4,284	Unknown	University funds
<b>Wichita State University</b>			
Engineering Research Lab Building	10,055	0	KDFA Bond series WSU 2003C and WSU 2005D
Engineering Research Lab Building	39	0	Private Local Funds (sponsored Research)
<b>Total</b>	<u>\$ 323,718</u>	<u>\$ 804,457</u>	

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

**Due from/to other funds**

Due from/to other funds represent interfund accounts receivable and payable. The total of due from/to other funds at June 30, 2008, is as follows (expressed in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 6,000	\$ 49,274
Transportation Fund	37,517	0
Non-major Governmental Funds	21,723	1,639
Non-major Enterprise Funds	0	12,621
Internal Service Funds	0	1,706
Fiduciary Funds	6,000	6,000
Total	<u>\$ 71,240</u>	<u>\$ 71,240</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, 2008, were as follows (expressed in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 0	\$ 103,399
Transportation Fund	30,897	0
Non-major Governmental Funds	78,530	5,106
Non-major Enterprise Funds	2,000	0
Internal Service Funds	0	2,922
Total	<u>\$ 111,427</u>	<u>\$ 111,427</u>

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

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

Fund	Net Transfers In	Net Transfers Out
General	\$ 0	\$ 244,197
Transportation	0	228,667
Transportation-Capital Projects	0	595
Health Policy Authority	0	722,844
Non-Major Governmental	1,279,473	0
Unemployment Insurance	0	11,026
Health Care Stabilization	917	0
Non-Major Enterprise	0	68,052
Internal Service Fund	0	5,009
Total	<u>\$ 1,280,390</u>	<u>\$ 1,280,390</u>

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**J. Short-term Obligations**

Short-term obligations at June 30, 2008, and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/07 Beginning Balance	Additions	Deletions	6/30/08 Ending Balance
<i>Governmental Activities</i>				
Certificates of Indebtedness	\$ 0	\$ 350,000	\$ 350,000	\$ 0
Accrued receivables:				
State Building Fund	0	40,649	40,649	0
Children's Initiatives Fund	0	23,861	23,861	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	208	208	0
27 <sup>th</sup> Paycheck	0	22,608	22,608	0
Expanded Lottery Operations	0	2,632	0	2,632
Bond Anticipation Notes:				
K DFA Series 2007-1, 5.80%	3,000	0	3,000	0
K DFA Series 2008-1, 3.23%	0	1,700	0	1,700
K DFA Series 2008-2, 3.86%	0	3,000	0	3,000
<b>Total short-term obligations</b>	<b>\$ 3,000</b>	<b>\$ 469,868</b>	<b>\$ 465,536</b>	<b>\$ 7,332</b>

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 \$350 million was issued on December 10, 2007, and redeemed on June 30, 2008.

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 2008, \$27.1 million was posted to the Kansas Educational Building Fund and \$13.5 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in June 2008.

Per House Bill 2368, Section 107(g) of the 2007 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% of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2008 a receivable was posted for \$23.9 million and was reduced to zero in April 2008.

Per House Bill 2368, Section 107(i) of the 2007 Session, on July 1, 2007, 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% of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2008, a receivable was posted for \$4 million and was reduced to zero in March, 2008.

Per House Bill 2368, Section 107(h) of the 2007 Session, on July 1, 2007, 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% of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2008, a receivable was posted for \$21.2 million and was reduced to zero in December 2007.

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Per House Bill 2368, Section 107(j) of the 2007 Session, on July 1, 2007, 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% 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 2008, a receivable was posted for \$200 thousand and was reduced to zero in April 2008.

Per House Bill 2368, Section 107(p) of the 2007 Session, on July 1, 2007, receivables are to be posted to the State Treasurer's receivables for the 27<sup>th</sup> Payroll in the amount of \$22.6 million. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2008, a receivable was posted for \$22.6 million and was reduced to zero in June 2008.

Senate Bill 357, Section 10 of the 2007 Session, allowed the executive director of the Kansas Racing and Gaming Commission to request loans from the Pooled Money Investment Board through June 30, 2008, for operating expenditures related to expanded lottery operations. Ten loans were requested which totaled \$2.6 million at interest rates from 8.12% to 5.94%. All loans are due by June 30, 2009.

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

The \$3 million KDFA 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%.

The \$1.7 million KDFA Bond Anticipation Note, Series 2008-1, was issued to fund a capital improvement project for the department of Corrections. The loan was provided by the Pooled Money Investment Board for a term of 365 days (due February 15, 2009) at an interest rate of 3.23%.

The \$3 million KDFA Bond Anticipation Note, Series 2008-2, was issued to fund a capital improvement project for the Kansas Army National Guard Armory. The loan was provided by the Pooled Money Investment Board for a term of 183 days (due December 23, 2008) at an interest rate of 3.86%.

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**K. Long-term Obligations**

A summary of long-term obligations at June 30, 2008, for the fiscal year then ended is as follows (expressed in thousands):

	Government Activities	Business-type Activities	Component Units	Total
Revenue bonds payable	\$ 2,726,970	\$ 677,472	\$ 692,025	\$ 4,096,467
Sales tax limited obligation bonds	185,924	0	0	185,924
Notes payable	17,597	0	119,073	136,670
Capital leases payable	140,106	0	15,019	155,125
Arbitrage rebate payable	481	1,755	163	2,399
Claims and judgments	82,858	205,766	0	288,624
Compensated absences	121,255	56	58,743	180,054
Other post employment benefits	16,813	89	11,775	28,677
Other	0	14,703	110,071	124,774
Total long-term obligations	<u>\$ 3,292,004</u>	<u>\$ 899,841</u>	<u>\$ 1,006,869</u>	<u>\$ 5,198,714</u>

Long-term obligations at June 30, 2008, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/07 Beginning Balance	Additions	Deletions	6/30/08 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	\$ 1,505	\$ 0	\$ 1,505	\$ 0	\$ 0
KDFA Series 1999 E	1999	4.00 - 5.00%	2009	34,470	7,965	0	3,900	4,065	4,065
KDFA Series 2001 M	2002	3.50 - 5.00%	2011	32,390	15,405	0	3,575	11,830	3,755
KDFA Series 2003 H	2004	1.41 - 5.21%	2014	40,250	29,740	0	3,710	26,030	3,855
KDFA Series 2004 A	2004	2.00 - 5.00%	2024	44,920	40,205	0	1,680	38,525	1,720
KDFA Series 2004 C	2004	3.43 - 5.50%	2034	500,000	500,000	0	0	500,000	10,070
KDFA Series 2004 G-1 & G-2	2005	2.50 - 5.13%	2024	1,545	850	0	270	580	280
KDFA Series 2005 H	2006	3.25 - 5.00%	2032	88,175	84,880	0	3,010	81,870	3,130
KDFA Series 2005 N	2006	3.50 - 4.00%	2015	28,165	22,840	0	2,500	20,340	2,590
KDFA Series 2006 A	2006	4.00 - 5.00%	2027	209,490	209,490	0	6,735	202,755	7,010
KDFA Series 2006 L	2007	4.00 - 4.25%	2026	13,210	13,210	0	615	12,595	640
KDFA Series 2007 F	2007	4.00 - 4.97%	2017	34,505	34,505	0	2,590	31,915	2,970
KDFA Series 2007 K	2008	4.00 - 5.25%	2028	59,455	0	59,455	0	59,455	1,880
KDOT Series 1993 A	1993	2.65 - 5.63%	2012	147,405	7,160	0	7,160	0	0
KDOT Series 1998	1998	3.65 - 5.50%	2015	189,195	75,005	0	16,740	58,265	11,595
KDOT Series 2000 A, 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	103,470	0	26,430	77,040	21,125
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	20,270
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	150,275	0	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
KDOT Series 2008 A	2008	3.36%	2016	150,870	0	150,870	0	150,870	0
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	39,776	1,443	5,566	35,653	0
Unamortized deferred refunding difference				0	(45,294)	(461)	(7,632)	(38,123)	0
Total revenue bonds payable				<u>3,388,420</u>	<u>2,744,292</u>	<u>211,307</u>	<u>228,629</u>	<u>2,726,970</u>	<u>94,955</u>
<u>Sales tax limited obligation bonds:</u>									
1999 KISC	1999	4.20 - 5.25%	2027	17,496	17,314	0	198	17,116	295
2001 Project Area B	2001	4.00 - 5.10%	2020	20,639	17,262	0	493	16,769	716
2002 Subordinate KISC	2002	5.00 - 8.00%	2022	4,550	2,703	0	385	2,318	266
400 Acres Refunding	2005	3.25 - 5.54%	2020	3,931	3,859	0	93	3,766	112
1 <sup>st</sup> Lien 2005B Turbo	2006	3.75%	2012	36,281	33,387	0	25,139	8,248	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>220,604</u>	<u>212,232</u>	<u>0</u>	<u>26,308</u>	<u>185,924</u>	<u>1,389</u>
<u>Notes payable:</u>									
Water supply storage in Federal reservoirs				27,417	17,550	0	510	17,040	581
Printing plant				3,857	728	0	171	557	177
Total notes payable				<u>31,274</u>	<u>18,278</u>	<u>0</u>	<u>681</u>	<u>17,597</u>	<u>758</u>
Capital leases payable					145,366	6,071	11,331	140,106	11,961
Arbitrage rebate payable					97	416	32	481	0
Claims and judgments					61,593	285,873	264,608	82,858	48,975
Compensated absences					118,796	2,459	0	121,255	60,834
Other post employment benefits					0	21,898	5,085	16,813	0
Total Governmental Activities					<u>\$ 3,300,654</u>	<u>\$ 528,024</u>	<u>\$ 536,674</u>	<u>\$ 3,292,004</u>	<u>\$ 218,872</u>

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	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/07 Beginning Balance	Additions	Deletions	6/30/08 Ending Balance	Amounts Due In One Year
<b>Business-type Activities</b>									
<u>Revenue bonds payable:</u>									
KDFA Series 1997 1 & 2	1998	4.13 - 5.00%	2020	\$ 45,420	\$ 12,825	\$ 0	\$ 0	\$ 12,825	\$ 0
KDFA Series 1998 1 & 2	1999	3.88 - 5.25%	2021	39,690	14,725	0	1,620	13,105	0
KDFA Series 1998 II	1998	3.75 - 5.25%	2020	80,500	35,515	0	2,875	32,640	5,930
KDFA Series 2000 I & II	2000	4.60 - 6.13%	2022	82,915	15,210	0	3,450	11,760	3,520
KDFA Series 2000 1 & 2	2000	4.75 - 5.75%	2023	53,500	21,260	0	1,945	19,315	2,045
KDFA Series 2001 I & II	2002	3.00 - 5.50%	2022	141,045	125,825	0	4,835	120,990	5,175
KDFA Series 2002 1 & 2	2002	4.00 - 5.50%	2024	51,805	26,480	0	1,800	24,680	1,880
KDFA Series 2002 II	2003	2.26 - 5.50%	2024	101,575	63,095	0	4,875	58,220	2,850
KDFA Series 2004 I & II	2004	2.00 - 5.25%	2023	50,140	47,140	0	1,000	46,140	1,000
KDFA Series 2004 1 & 2	2005	3.00 - 5.00%	2026	176,010	172,460	0	5,150	167,310	6,880
KDFA Series 2005 CW	2006	3.00 - 5.00%	2027	118,860	113,815	0	4,820	108,995	5,540
KDFA Series 2005 TR	2006	3.00 - 5.00%	2026	32,690	32,490	0	2,000	30,490	2,035
KDFA Series 2006 TR	2007	4.00 - 5.00%	2027	24,755	24,755	0	1,450	23,305	1,710
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	28,314	0	3,140	25,174	0
Unamortized deferred refunding difference				0	(19,052)	0	(1,575)	(17,477)	0
Total revenue bonds payable				<u>998,905</u>	<u>714,857</u>	<u>0</u>	<u>37,385</u>	<u>677,472</u>	<u>38,565</u>
Arbitrage rebate payable					1,340	520	105	1,755	259
Claims and judgments					180,801	24,965	0	205,766	14,898
Compensated absences					59	0	3	56	48
Other post employment benefits					0	93	4	89	0
Other					13,730	973	0	14,703	0
Total Business-type Activities					<u>\$ 910,787</u>	<u>\$ 26,551</u>	<u>\$ 37,497</u>	<u>\$ 899,841</u>	<u>\$ 53,770</u>

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Component Units	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/07 Beginning Balance	Additions	Deletions	6/30/08 Ending Balance	Amounts Due In One Year
<b>Revenue bonds payable:</b>									
Board of Regents Series 1969	1970	3.00 - 7.13%	2009	\$ 1,100	\$ 80	\$ 0	\$ 50	\$ 30	\$ 30
KDFA Series 1989 E	1990	6.00 - 7.25%	2010	1,401	358	20	131	247	128
KDFA Series 1993 L	1994	3.40 - 5.15%	2009	3,975	495	0	50	445	445
KDFA Series 1995 K	1996	3.75 - 5.40%	2016	3,835	2,390	0	180	2,210	190
KDFA Series 1996 A	1996	4.00 - 5.20%	2008	5,105	155	0	155	0	0
KDFA Series 1996 J	1997	3.85 - 5.40%	2010	5,600	500	0	255	245	175
KDFA Series 1997 C	1997	4.70 - 5.30%	2011	3,255	1,115	0	275	840	290
KDFA Series 1997 G-1 & G-2	1998	3.75 - 5.50%	2012	69,126	8,011	52	7,000	1,063	0
KDFA Series 1998 B	1998	3.90 - 5.00%	2018	9,320	6,490	0	390	6,100	410
KDFA Series 1998 D	1998	3.70 - 5.05%	2023	4,290	3,350	0	120	3,230	130
KDFA Series 1998 E	1999	3.40 - 4.90%	2024	4,750	3,980	0	130	3,850	135
KDFA Series 1998 H	1998	3.75 - 4.80%	2013	2,320	1,235	0	1,235	0	0
KDFA Series 1998 L	1999	3.80 - 5.00%	2019	5,590	3,990	0	250	3,740	260
KDFA Series 1998 P	1999	3.00 - 4.85%	2019	3,650	2,705	0	145	2,560	150
KDFA Series 1999 A-1 & A-2	1999	3.20 - 5.00%	2012	28,210	12,860	0	3,480	9,380	1,980
KDFA Series 1999 B	1999	3.60 - 5.00%	2019	2,920	2,175	0	125	2,050	130
KDFA Series 1999 C	1999	4.00 - 5.10%	2019	3,085	2,310	0	130	2,180	135
KDFA Series 1999 D	1999	4.00 - 4.75%	2014	11,170	5,210	0	150	5,060	750
KDFA Series 1999 H	2000	3.75 - 5.63%	2020	17,830	3,780	0	690	3,090	715
KDFA Series 1999 N	2000	4.00 - 5.88%	2035	21,645	1,005	0	320	685	335
KDFA Series 2000 B	2000	4.70 - 5.90%	2015	5,705	3,780	0	335	3,445	350
KDFA Series 2000 D	2001	4.60 - 5.60%	2015	1,735	1,140	0	100	1,040	105
KDFA Series 2000 V	2001	4.35 - 5.38%	2021	16,370	4,100	0	1,025	3,075	900
KDFA Series 2001 B	2001	3.65 - 5.20%	2021	2,805	2,220	0	115	2,105	120
KDFA Series 2001 D	2001	4.25 - 5.25%	2021	48,895	39,025	0	1,975	37,050	2,075
KDFA Series 2001 F	2001	3.30 - 5.50%	2012	29,905	15,790	0	3,215	12,575	3,380
KDFA Series 2001 J	2002	3.50 - 4.30%	2013	5,300	2,750	0	485	2,265	505
KDFA Series 2001 N	2001	4.25 - 5.25%	2014	11,640	5,485	0	1,575	3,910	565
KDFA Series 2001 S	2002	4.13 - 5.50%	2021	18,955	13,025	0	1,215	11,810	795
KDFA Series 2001 U	2002	3.10 - 5.00%	2021	10,295	7,360	0	595	6,765	620
KDFA Series 2001 W	2002	3.00 - 5.00%	2022	47,855	40,870	0	1,855	39,015	2,110
KDFA Series 2002 A	2002	3.50 - 5.00%	2027	26,560	21,445	0	1,190	20,255	1,235
KDFA Series 2002 C	2002	3.00 - 5.00%	2022	15,830	13,415	0	650	12,765	675
KDFA Series 2002 H	2003	2.50 - 4.70%	2022	3,765	3,030	0	155	2,875	160
KDFA Series 2002 J-1 & J-2	2003	3.39 - 3.58%	2035	33,355	31,260	0	820	30,440	845
KDFA Series 2002 K	2003	4.30 - 5.00%	2023	5,120	5,120	0	0.00	5,120	0
KDFA Series 2002 N	2003	3.00 - 5.25%	2023	52,075	45,545	0	1,985	43,560	2,080
KDFA Series 2002 P	2003	3.00 - 5.00%	2021	12,150	10,265	0	510	9,755	520
KDFA Series 2003 A-1 & A-2	2003	1.80 - 5.50%	2023	2,610	2,255	0	100	2,155	100
KDFA Series 2003 C	2003	4.67 - 5.00%	2033	72,670	66,695	0	1,660	65,035	1,740
KDFA Series 2003 D-1 & D-2	2003	2.00 - 4.70%	2028	6,470	5,665	0	215	5,450	225
KDFA Series 2003 J	2004	2.00 - 5.25%	2025	34,100	30,650	0	1,095	29,555	1,160
KDFA Series 2004 D	2005	3.00 - 4.75%	2020	1,195	1,195	0	55	1,140	85
KDFA Series 2004 F	2005	2.00 - 5.25%	2012	44,860	42,630	0	1,830	40,800	9,285
KDFA Series 2004 G-1 & G-2	2005	2.50 - 5.13%	2024	19,795	17,385	0	750	16,635	750
KDFA Series 2005 A	2005	3.00 - 5.00%	2035	44,535	43,695	0	865	42,830	895
KDFA Series 2005 D	2005	3.79 - 5.18%	2022	66,530	58,710	0	4,630	54,080	4,820
KDFA Series 2005 E-1 & E-2	2005	3.00 - 5.00%	2030	19,360	18,960	0	515	18,445	525
KDFA Series 2005 F	2006	3.25 - 4.40%	2026	8,930	8,930	0	0.00	8,930	350
KDFA Series 2005 G	2006	3.30 - 4.60%	2026	7,790	7,790	0	285	7,505	300
KDFA Series 2006 B	2006	3.50 - 4.13%	2021	9,790	9,790	0	0.00	9,790	140
KDFA Series 2007 A	2007	3.75 - 4.39%	2037	27,750	27,750	0	385	27,365	510
KDFA Series 2007 E	2007	3.75 - 4.30%	2027	6,275	6,275	0	200	6,075	220
KDFA Series 2007 H	2008	3.60 - 4.50%	2037	17,855	0	17,855	0	17,855	335
KDFA Series 2007 M	2008	3.20 - 4.60%	2027	18,220	0	18,220	0	18,220	670
KDFA Series 2008 A	2008	3.00 - 4.00%	2016	20,000	0	20,000	0	20,000	2,500
KDFA Series 2008 D	2008	5.1%	2038	1,600	0	1,600	0	1,600	0
<b>Plus deferred amounts:</b>									
Net unamortized premium (discount)				0	4,055	444	731	3,768	0
Unamortized Deferred Refunding Difference				0	(45)	0	(7)	(38)	0
Total Revenue Bonds Payable				986,827	680,204	58,191	46,370	692,025	48,038
<b>Notes payable:</b>									
KSU Grain Science Center				3,875	1,350	0	1,350	0	0
Component units of university system				199,344	119,093	6,275	6,295	119,073	6,697
Total notes payable				203,219	120,443	6,275	7,645	119,073	6,697
Arbitrage rebate payable					69	112	18	163	0
Capital leases					16,143	0	1,124	15,019	1,180
Compensated absences					52,503	6,240	0	58,743	51,346
Other post employment benefits					0	11,791	16	11,775	0
Other					127,836	4,052	21,817	110,071	4,879
Total Component Units				\$ 997,198	\$ 86,661	\$ 86,661	\$ 76,990	\$ 1,006,869	\$ 112,140

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

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The following table presents annual debt service requirements for those long-term debts outstanding at June 30, 2008, 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>						
2009	\$ 94,955	\$ 111,422	\$ 38,565	\$ 32,356	\$ 48,038	\$ 30,810
2010	139,325	106,134	40,460	30,663	49,404	28,772
2011	145,585	99,786	42,635	28,737	50,665	26,571
2012	149,000	93,159	43,940	26,745	50,523	24,375
2013	148,045	86,070	45,290	24,647	34,690	22,473
2014-2018	646,980	349,555	224,325	88,482	170,725	88,615
2019-2023	820,085	217,482	188,620	35,949	160,505	47,751
2024-2028	391,725	87,431	45,940	2,901	65,240	20,211
2029-2033	159,635	36,044	0	0	40,330	9,079
2034-2038	34,105	1,877	0	0	18,175	1,939
Unamortized premium	35,653	0	25,174	0	3,768	0
Unamortized deferred refunding	(38,123)	0	(17,477)	0	(38)	0
Totals	2,726,970	1,188,960	677,472	270,480	692,025	300,596
<u>Sales tax limited obligation bonds:</u>						
2009	1,389	8,802	0	0	0	0
2010	1,608	8,791	0	0	0	0
2011	1,963	8,742	0	0	0	0
2012	2,044	8,689	0	0	0	0
2013	10,374	8,478	0	0	0	0
2014-2018	88,520	32,629	0	0	0	0
2019-2023	72,686	10,043	0	0	0	0
2024-2028	7,340	7,016	0	0	0	0
Totals	185,924	93,190	0	0	0	0
<u>Notes payable:</u>						
2009	758	835	0	0	6,697	4,542
2010	731	608	0	0	6,834	6,438
2011	760	590	0	0	6,701	6,152
2012	584	570	0	0	6,720	5,584
2013	605	549	0	0	6,973	5,329
2014-2018	3,358	2,413	0	0	42,753	15,698
2019-2023	3,997	1,774	0	0	28,381	19,001
2024-2028	3,653	1,040	0	0	14,014	2,624
2029-2033	2,291	385	0	0	0	0
2034-2038	516	89	0	0	0	0
2039-2043	344	19	0	0	0	0
Totals	17,597	8,872	0	0	119,073	65,368
Capital leases payable	140,106	57,370	0	0	15,019	4,275
Long-term debt without scheduled debt service:						
Arbitrage rebate payable	481	0	1,755	0	163	0
Claims and judgments	82,858	0	205,766	0	0	0
Compensated absences	121,255	0	56	0	58,743	0
Other post employment benefits	16,813	0	89	0	11,775	0
Other	0	0	14,703	0	110,071	0
Totals	3,292,004	1,348,392	899,841	270,480	1,006,869	370,239

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

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#### **General Obligation Bonds**

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

#### **Revenue Bonds**

**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. These revenue bonds are secured by and payable from various pledged revenues, which include selected tax receipts such as withholding taxes, fees for services such as parking and residential halls, and appropriations. Please reference Note K. above for KDFA revenue bonds and future principal and interest payments.

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

The coupon interest rate on outstanding bonds varies from 3.00% to 5.5%. In addition, various bonds were issued as variable rate instruments whose rates change on a daily, weekly, or 28-day basis depending on their respective individual modes. During the year, interest rates ranged from 0.6% to 4.13% on the daily adjustable bonds, from 0.96% to 10.0% on the weekly adjustable bonds, and from 2.85% to 4.35% on the 28-day adjustable bonds. The 2000 B and C Bonds, 2002 B, C and D Bonds 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, 2008, all bonds tendered have been remarketed. However, since there is not a long-term financing option in place at June 30, 2008, 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. Please reference Note K. above for KDOT revenue bonds and future principal and interest payments.

#### **Sales Tax Limited Obligation Bonds**

In March 1998, the Unified Government of Wyandotte County/Kansas City, KS established the Prairie Delaware Redevelopment District. The District was created for development of a major tourism area, including the Kansas International Speedway. In connection with various projects in the District, the Unified Government has issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the Unified Government and the State 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%. Therefore, 72% 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 K.

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

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

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special limited obligations of KDFFA, where neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by KDFFA or the State. Accordingly, such special obligation bonds are not included in KDFFA's June 30, 2008, balance sheet. KDFFA's special obligation bonds at June 30, 2008, 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, 2008, balance sheet. KDFFA's private activity bonds at June 30, 2008, 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 K, 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 34 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, 2008, for portions of the storage designated as "future use" storage.

#### **Lease Commitments**

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

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**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, 2008, are as follows (expressed in thousands):

<u>Fiscal Year</u>		
2009	\$	10,928
2010		9,233
2011		8,525
2012		7,846
2013		7,124
2014-2018		22,022
2019-2023		10,125
Total future minimum lease payments	<u>\$</u>	<u>75,803</u>
Rent expenditures/expenses for operating leases for the year ended June 30, 2008	<u>\$</u>	<u>9,669</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, 2008 (expressed in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 11,980	\$ 5,904
2010	11,421	5,392
2011	10,146	4,907
2012	9,201	4,462
2013	9,509	4,891
2014-2018	35,061	17,797
2019-2023	24,951	9,217
2024-2028	20,729	4,381
2029-2033	7,108	419
Total	<u>\$ 140,106</u>	<u>\$ 57,370</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2008, include the following (expressed in thousands):

	<u>Governmental Activities</u>
Land (non-depreciable)	\$ 9,926
Buildings	91,474
Equipment	60,883
Less: Accumulated depreciation	(39,464)
Total	<u>\$ 122,819</u>

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

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#### Master Lease Purchase Program

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

#### *Defeasance of Debt*

##### Primary Government

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2008, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/07 Beginning Balance	Payments	6/30/08 Ending Balance
<b>Governmental Activities</b>			
KDOT Series 1993 A	\$ 11,830	\$ 11,830	\$ 0
KDOT Series 1994	36,350	8,435	27,915
KDOT Series 1994 A	6,715	0	6,715
KDOT Series 1998	58,190	0	58,190
KDOT Series 1999	303,990	6,850	297,140
KDOT Series 2000 A	150,000	0	150,000
KDFA Series 2003 J	5,435	365	5,070
KDFA Series 2004 A	5,260	290	4,970
Total governmental activities	\$ 577,770	\$ 27,770	\$ 550,000
<b>Business-type Activities</b>			
KDFA Series 1998 1 & 2	\$ 16,110	\$ 16,110	\$ 0
KDFA Series 1998 II	28,670	0	28,670
KDFA Series 2000 I	1,965	0	1,965
KDFA Series 2000 II (Nov.)	54,945	0	54,945
KDFA Series 2000 1 & 2	24,635	0	24,635
KDFA Series 2001 II	2,790	0	2,790
KDFA Series 2002 II	26,845	0	26,845
KDFA Series 2002 1 & 2	20,315	0	20,315
Total business-type activities	\$ 176,275	\$ 16,110	\$ 160,165

In May 2008, the Department of Transportation issued \$151 million Adjustable Tender Highway Revenue Bonds Series 2008 A. The proceeds were used to refund the Series 2003 C Bonds and the pay the associated cost of issuance. The Series 2003 C Bonds were auction rate securities and have been retired. The Series 2008 A Bonds were issued in the weekly interest rate adjustment mode with similar maturities as the Series 2003 C Bonds, ranging from September 2013 to September 2015. The purpose of this bond issuance and retirement was to minimize adverse financial impacts that could result from market disruptions.

No bonds were defeased in the current fiscal year.

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**III. Detailed Notes On All Funds**

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**Component Unit**

For financial reporting purposes, the Kansas Development Finance Authority has in substance defeased certain lease revenue bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased lease revenue bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2008, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/07 Beginning Balance	Payments	6/30/08 Ending Balance
FHSU Series 1968	\$ 20	\$ 20	\$ 0
KDFA Series 1997 G-1 & G-2	27,500	27,500	0
KDFA Series 1999 D	1,630	570	1,060
KDFA Series 1999 H	10,030	0	10,030
KDFA Series 1999 N	19,240	0	19,240
KDFA Series 2000 T	1,415	130	1,285
KDFA Series 2000 V	7,215	0	7,215
KDFA Series 2001 N	930	330	600
KDFA Series 2001 W	1,490	120	1,370
Total component units	<u>\$ 69,470</u>	<u>\$ 28,670</u>	<u>\$ 40,800</u>

No bonds were defeased in the current fiscal year.

**Arbitrage Rebate Payable**

Estimated arbitrage rebate payables have been calculated and liabilities recorded of \$481,000 for Governmental Activities, \$1.8 million for Business-type Activities, and \$163,000 for Component Units.

**Derivative Instruments**

*Interest rate swap*

**KDFA Series 2002 J-2**

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

*Terms.* The lease revenue bonds mature in December 2034 and the related swap agreement matures in December 2009. The swap's notional amount of \$22.0 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% and receives a variable payment computed on the Bond Market Association Municipal Swap Index™ (BMA).

*Fair Value.* Because interest rates declined subsequent to the date of execution, the swap had an indicative value of \$315,860 as of June 30, 2008.

**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, 2008, are included below. The Department of Transportation's swap agreements contain scheduled reductions

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### III. Detailed Notes On All Funds

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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	\$(6,428)	03/01/12	A1/A
KDOT Series 2002 B & C*	200,000	10/23/02	3.164%	67% of USD-LIBOR	(3,563)	09/01/19	Aa3/AA-
KDOT Series 2002 B & C*	120,005	10/23/02	3.164%	67% of USD-LIBOR	(2,153)	09/01/19	Aa3/AA-
KDOT Series 2003 C	150,275	12/03/03	3.359%	71% of USD-LIBOR**	(3,007)	09/01/15	A1/A
KDOT Series 2004 B & C***	72,000	11/23/04	3.571%	63.5% of USD-LIBOR + .29%	(2,341)	09/01/24	Aa3/AA-
KDOT Series 2004 B & C	75,000	07/01/07	3.571%	63.329% of 10 Year LIBOR	(1,306)	09/01/24	Aa3/AA-
KDOT Series 2004 B	75,000	7/10/07	67% of USD-Libor	61.56% of 10 Year LIBOR	1,402	9/01/24	Aaa/AAA
	<u>\$779,155</u>				<u>\$(17,396)</u>		

\*-two counterparties

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

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

*KDOT Series 2002 D Swap* - In connection with the issuance of \$86.9 million of variable-rate bonds to refund outstanding KDOT Series 1993A Bonds, on August 27, 2002 the Department of Transportation competitively bid the sale of an option on a floating-to-fixed 67% 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 % of the Bonds' par amount). Merrill Lynch has since exercised the option resulting in a floating-to-fixed 67% of LIBOR interest rate swap, whereby the Department pays a fixed rate of 5.24%.

*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% 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 3.16% and receives 67% of LIBOR. The Department was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the 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% and receives the lesser of the Actual Bond Rate and 71% of one month LIBOR until September 1, 2010, and 71% 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% and receives 63.5% of LIBOR plus 29 basis points. The Department was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the 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

### III. Detailed Notes On All Funds

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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% plus 29 basis points to 62.33% of the ten year LIBOR CMS rate on \$75 million of the existing \$147 million swap. On July 10, 2007, a CMS became effective on the previously unhedged 2004 B Series bonds so the Department pays Bears Stearns 67% of one month LIBOR and receives 61.56% of the 10 year LIBOR CMS rate on \$75,000.

*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, 2008, the Department of Transportation has credit risk exposure to Bears Stearns Financial Products Inc. on the swap associated with the KDOT Series 2004 B Revenue Bonds. This is because the transaction has a positive fair value, meaning the Department is exposed to the counterparty in the amount of the derivative's fair value. However, should interest rates change and the fair value of the swap become negative, the Department would not be exposed to credit risk.

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

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

*Basis risk.* Basis risk is the risk that the interest rate paid by 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.

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**L. Revisions to Beginning Net Assets**

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

	Governmental Funds	Business Type	Component Units
June 30, 2007 fund balance as previously reported	\$ 9,964,526	\$ 1,094,482	\$ 3,563,222
<i>Revisions</i>			
Implementation of other post employment benefits	(18,956)	(1,014)	(11,741)
Prior year Star bond correction	6,188	0	0
Interfund loan balance corrections	(2,498)	0	0
Regent component unit beginning balance adjustments	0	0	3,479
KTEC	0	0	(23)
June 30, 2007 fund balance as restated	<u>\$ 9,949,260</u>	<u>\$ 1,093,468</u>	<u>\$ 3,554,937</u>

Beginning balances were adjusted in order to comply with GASB 45, Other Post Employment Obligations. This change caused the State to record a liability in Governmental, Business-type and Component Units. Details regard OPEB liability can be found in Note IV.

A correction of \$6.2 million to the beginning liability amount of Star bonds was made. In addition, a correction to interfund loans was processed which reduced fund balance by \$2.5 million. Together these two adjustments increased the governmental fund balance by \$3.7 million.

The State University System increased fund balance by \$3.5 million. The two items that comprised most of this change are Kansas State University Endowment Association which increased fund balance by \$4.6 million due to a change in real estate valuation and Kansas University Physicians which has changed management structure causing it to no longer be considered a component unit of the State. Kansas University Physicians fund balance was reduced in the amount of \$2.9 million. The Component Units also decreased fund balance for \$23,000 due to changes in KTEC beginning balance.

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## **IV. Other Information**

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### **A. Risk Management**

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

Coverage for health care claims for prescription drugs and dental claims plus three of seven medical health plan options 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, 2008, there were no material claims incurred but unpaid.

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

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

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The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2008 (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	\$ 41,200	\$ 30,432	\$ (21,067)	\$ 50,565	\$ 33,575	\$ 16,990
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund*	16,984	221,266	(209,600)	28,650	274	28,376
Post Employment Health and Dental Care Claims Health and Hospitalization Fund**	3,409	34,174	(33,940)	3,643	34	3,609
Total	<u>\$ 61,593</u>	<u>\$ 285,872</u>	<u>\$ (264,607)</u>	<u>\$ 82,858</u>	<u>\$ 33,883</u>	<u>\$ 48,975</u>
<b><i>Prior 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>

\* Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the active employee participant component and based on Mercer IBNR modeling estimates using Medstat claims data through June 30, 2008.

\*\* Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the post-employment participant component and based on Mercer IBNR modeling estimates using Medstat claims data through June 30, 2008.

**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 \$55.9 million of child welfare Medicaid claims for the period April 1, 2004 to June 30, 2007 (13 quarters). The state has appealed each deferral and is close to reaching a partial settlement with CMS for a portion of the deferral amount.

The Kansas Department of Revenue has potential liabilities of \$1.3 million in for corporate income tax credits including accrued interest, \$16.9 million of sales tax refunds and \$1 million in tax assessments.

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## IV. Other Information

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### *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. Other Post-Employment Benefits**

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

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

The State appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditure on a pay-as-you-go basis through the Self Insurance Fund. In fiscal year 2008, non-Medicare retired plan members receiving benefits contributed \$14,541,101 to the plan and the State contributed \$5,104,755 to the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The State's annual OPEB (Other Post Employment Benefits) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the State's annual OPEB cost for the year, the contributed to the plan, and changes in the State's net OPEB obligation (expressed in thousands):

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	Primary Government	Component Units	Pension Trust	Total
Annual required contribution- amortized liability	\$ 11,261	\$ 4,746	\$ 32	\$ 16,039
Interest on amortized liability	10,313	6,846	36	17,195
Normal cost (with interest)	434	183	1	618
Annual OPEB cost (expense)	22,008	11,775	69	33,852
Contributions made	(5,105)	0	0	(5,105)
Increase in net OPEB obligation	16,903	11,775	69	28,747
Net OPEB obligation July 1, 2007	0	0	0	0
Net OPEB obligation June 30, 2008	\$ 16,903	\$ 11,775	\$ 69	\$ 28,747

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

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2008	\$33,852	\$5,105	15.08%	\$28,747

*Funded Status and Funding Progress.* As of June 30, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$316.6 million. The State's policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$316.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.97 million, and the ratio of the UAAL to the covered payroll was 16.08 %.

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/2008	\$0	\$316,640	\$316,640	0%	\$1,969,392	16.08%

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

In the June 30, 2008 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 5.5 to 10 percent in the first ten years and an ultimate rate of 5.0 percent after ten years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period in level dollar amounts.

**Primary Government**

In addition to the pension benefits described in the Employee Retirement Systems and Pension Plans note, the State provided post-employment health care benefits to retirees who elect the Kansas medical option. This subsidy was ended for post-employment retirees as of December 31, 2006. Retirees that elected the health insurance that state provides now paid 100% of the premium. The monthly amount of premium cost individual ranges from \$408.67 to \$475.68 for early retirees. Early retirees are defined as those retirees not yet Medicare eligible. The employer contribution, according to GASB Statement #45, is the aggregate amount of the subsidies, which is calculated into the employer contribution for active employees.

	Eligible State Retiree Participants	Eligible State Retiree and Family Participants	Enabling Legislation
Kansas Major Medical Post-Employment Benefits	1,865	2,261	K.S.A. 75-6504

The State funds post-employment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit ending on June 30, 2008. 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 \$5.9 billion. The State's total salaries and wages paid were approximately \$3 billion of which approximately \$954.5 million or approximately 28.5 % relates to employees participating in the System. The remaining approximately 71.5 % 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, 2008, unless otherwise noted is as follows:

<u>Participating Employers</u>	<u>Membership</u>
KPERS	1,396
KP&F	86
Judges	1
Total	<u>1,483</u>

#### MEMBERSHIP BY RETIREMENT SYSTEMS

	KPERS	KP&F	Judges	Total
Retirees and beneficiaries currently receiving benefits	63,167	3,755	180	67,102
Terminated employees entitled to benefits but not yet receiving them	9,623	132	14	9,769
Inactive members, deferred disabled	2,911	175	0	3,086
Inactive members not entitled to benefits	27,517	1,011	0	28,528
Current employees	146,406	7,137	261	153,804
Total	249,624	12,210	455	262,289

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## **IV. Other Information**

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### ***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 % of their salary, up to the maximum dollar amount permitted by the Internal Revenue Code. During fiscal year 2008, employees contributed approximately \$37 million. During fiscal year 2008, the 8.5 % employer contribution totaled \$58.2 million, representing covered wages of approximately \$693.7 million. These employees, along with employees who participate in the KPERS retirement program, may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the Regents' voluntary retirement plan, which allows the member to purchase a 403(b) contract to supplement the mandatory retirement plan. These employees, along with employees who participate in the KPERS retirement program, may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code in the State's 457 deferred compensation program, to supplement to the mandatory retirement plan.

The retirement plan for the School for the Blind and the School for the Deaf are also covered by KPERS in the 401(a) defined benefit plan. The KPERS employee rate is 4% and 7.37% employer rate (6.37% employer and 1% death & disability).

### **E. Subsequent Events**

#### **Bonds and Notes**

##### **Short-term Debt**

*Certificate of Indebtedness* – On July 1, 2008 the Pooled Money Investment Board (PMIB) issued a \$300 million Certificate of Indebtedness per K.S.A. 75- 3725a, subject to redemption not later than June 30, 2009. See Section III-I, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

*Certificate of Indebtedness* – On December 17, 2008 the Pooled Money Investment Board (PMIB) issued a \$250 million Certificate of Indebtedness per K.S.A. 75- 3725a, subject to redemption not later than June 30, 2009. 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 2008, receivables were posted to the State Treasurer's receivables in the amount of \$28.6 million for the Kansas Educational Building Fund and \$14.3 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 2008, receivables were posted to the State Treasurer's receivables for the Children's Initiatives Fund in the amount of \$32.6 million per Senate Bill No. 534, Section 85(f), Session of 2008. See Section III-I, Short-term Obligations, for additional information.

*Accrued Receivables for Economic Development Initiatives Fund* – In July 2008, receivables were posted to the State Treasurer's receivables for the Economic Development Initiatives Fund in the amount of \$21.2 million per Senate Bill No. 534, Section 85(g), Session of 2008.

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## **IV. Other Information**

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*Accrued Receivables for Correctional Institutions' Building Fund* – In July 2008, receivables were posted to the State Treasurer's receivables for the Correctional Institutions' Building Fund in the amount of \$4.0 million per Senate Bill No. 534, Section 85(h), Session of 2008.

*Accrued Receivables for Kansas Endowment for Youth Fund* – In July 2008, receivables were posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund in the amount of \$207.6 thousand per Senate Bill No. 534, Section 85(i), Session of 2008.

*Accrued Receivables for 27<sup>th</sup> Payroll* – In July 2008, receivables were posted to the State Treasurer's receivables for the 27<sup>th</sup> Payroll in the amount of \$16.1 million per Senate Bill No. 534, Section 85(p), Session of 2008.

*Loans* – Senate Bill No. 534, Section 89, and Senate Substitute for House Bill No. 2946, Section 20, Session of 2008 allows the Kansas Racing and Gaming Commission to borrow from the Pooled Money Investment Board during fiscal year 2009 for operating expenses for expanded lottery operations. In addition, the borrowing limitation over fiscal years 2008 and 2009 increased from \$3 million to \$5 million. In October 2008, \$500,000 was borrowed at an interest rate of 5.9%. In December 2008, \$100,000 was borrowed at an interest rate of 6.1%. The loans are due June 30, 2009.

*Bond Anticipation Note* – In December 2008, the K DFA issued Bond Anticipation Note Series 2008-3 for \$1.5 million to Pittsburg State University for the Student Health Center project. The note is due December 1, 2009 and has an interest rate of 2.8%.

*Bond Anticipation Note* – In December 2008, the K DFA issued Bond Anticipation Note Series 2008-4 for \$5.0 million to Kansas University for housing system project. The note is due December 1, 2009 and has an interest rate of 2.0%.

### Long-term Debt

*Revenue Bonds* – In July 2008, the K DFA issued Series 2008C for Kansas Athletics Incorporated, a component unit of the State, for improvements to athletic facilities and administrative offices. The bonds totaled \$32.8 million with interest rates ranging from 3.0 to 5.0%. The bonds final maturity is June 1, 2033.

*Revenue Bonds* – In September 2008, the Department of Transportation converted Highway Revenue Bonds, Series 2004 B bonds from variable rate to fixed rate bonds. Interest rates range from 4.3 to 5.0%. The bonds final maturity remains September 1, 2024.

*Revenue Bonds* – In October 2008, the K DFA issued Series 2008L for various State projects including continued renovation of the State Capitol, payment of Bond Anticipation Note Series 2008-1 and 2, renovations and repairs to Army National Guard armories, Department of Correction prison expansion, and Kansas University School of Pharmacy projects. The bonds totaled \$64.3 million with interest rates ranging from 2 to 5.3%. The bonds final maturity is on November 1, 2028.

*Revenue Bonds* – In October 2008, the K DFA issued the Kansas Public Water Supply Revolving Loan Fund Revenue Bonds Series 2008 DW for the Department of Health and Environment. The bonds totaled \$36.7 million with interest rates ranging from 2.3 to 6.0%. The bonds final maturity is on April 1, 2029.

*Revenue Bonds* – In October 2008, the K DFA issued the Kansas Department of Transportation Communication System Lease Program Series 2008G bonds for the Department of Transportation. The bonds totaled \$14.2 million with interest rates ranging from 4.6 to 5.1%. The bonds final maturity is on April 1, 2023.

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## **IV. Other Information**

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*Revenue Bonds* – In December 2008, the KDFA issued the Kansas Water Pollution Control Revolving Fund Revenue Bonds Series 2008 CW for the Department of Health and Environment. The bonds totaled \$66.5 million with interest rates ranging from 3.0 to 5.1%. The bonds final maturity is on November 1, 2029.

### Economy

The slowing of the national and State economies that began in 2007 has taken a significant turn for the worse this fall. Recent measures of consumer spending and confidence indicate that the economy is sliding deeper into a major downturn, the depth and severity of which remains unclear as of early November. The accelerating financial crisis engulfing the housing, credit, and stock markets makes the level of uncertainty regarding the November Consensus estimate much higher than normal. Although forecasts of virtually all major income-related economic variables for the nation and the State have been lowered since April, the possibility remains that the relative health of certain key sectors of the State's economy, including aviation manufacturing and energy, could enable Kansas to experience a milder contraction than the country as a whole.

### Risk and Uncertainties

The State invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result the State's investments have likely incurred a significant decline in fair value since June 30, 2008.

**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, 2008

*State of Kansas*

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

***General Fund***

**For the Fiscal Year Ended June 30, 2008**

*(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	\$ 28,500	30,500	\$ 29,032	\$ (1,468)
Income and inheritance tax	3,434,000	3,453,000	3,406,138	(46,862)
State sales tax	1,700,000	1,712,000	1,711,398	(602)
Consumer's and retailer's compensating use tax	275,000	272,000	246,277	(25,723)
Tobacco and liquor taxes	197,100	195,100	196,946	1,846
Severance taxes	128,500	140,400	148,172	7,772
Insurance premiums taxes	119,000	119,000	117,588	(1,412)
Other taxes	43,500	45,500	51,892	6,392
Investment earnings	108,000	104,000	111,258	7,258
Transfers	(376,300)	(387,200)	(377,653)	9,547
Charges for services, other revenues and financing sources	60,000	52,300	53,875	1,575
Total revenues and other financing sources	<u>5,717,300</u>	<u>5,736,600</u>	<u>5,694,923</u>	<u>(41,677)</u>
<b>Expenditures and other financing uses:</b>				
Current:				
General government	764,721	753,686	746,220	7,466
Human resources	937,109	944,037	935,399	8,638
Education	3,893,170	3,954,659	3,934,011	20,648
Public safety	417,250	428,410	415,291	13,119
Agriculture and natural resources	27,738	27,255	25,921	1,334
Health and environment	45,582	45,579	44,848	731
Total expenditures and other financing uses	<u>6,085,570</u>	<u>6,153,626</u>	<u>6,101,690</u>	<u>51,936</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(368,270)</u>	<u>(417,026)</u>	<u>(406,767)</u>	<u>\$ 10,259</u>
Fund balances, beginning of year	<u>911,752</u>	<u>911,752</u>	<u>911,752</u>	
Fund balances, end of year	<u>\$ 543,482</u>	<u>\$ 494,726</u>	<u>\$ 504,985</u>	

State of Kansas  
**Required Supplementary Information**  
June 30, 2008

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*State of Kansas*

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**Reconciliation of the Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual with the Statement of  
Revenues, Expenditures, and Changes in Fund Balances- Governmental  
Funds for the State General Fund  
For the Fiscal Year Ended June 30, 2008**

*(expressed in thousands)*

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	<u>State General Fund</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$ (406,767)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	24,056
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(27,419)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	(489,640)
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>496,970</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u><u>\$ (402,800)</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2008

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, 2008  
(expressed in thousands)

	Budgeted Amounts		Actual & Encum- brances	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Motor fuel taxes	\$ 293,843	\$ 290,337	\$ 283,792	\$ (6,545)
Vehicle registrations and permits	175,787	172,499	171,343	(1,156)
Intergovernmental	457,739	422,457	480,875	58,418
Sales and use taxes	152,023	282,812	273,446	(9,366)
Investment earnings	6,647	14,322	22,294	7,972
Other	7,141	5,568	7,867	2,299
Transfers from other state funds	33,911	33,896	36,712	2,816
<b>Total revenues</b>	<b>1,127,091</b>	<b>1,221,891</b>	<b>1,276,329</b>	<b>54,438</b>
<b>Expenditures, with legal limits:</b>				
<b>Current operating:</b>				
Maintenance	137,705	142,309	140,660	1,649
Construction	64,117	62,313	55,617	6,696
Local support	9,033	7,942	7,084	858
Management	58,854	59,651	57,973	1,678
Capital improvements	10,660	12,190	7,370	4,820
Transfers to other state funds	99,520	98,110	98,004	106
<b>Expenditures with legal limits</b>	<b>379,889</b>	<b>382,515</b>	<b>366,708</b>	<b>15,807</b>
<b>Expenditures, without legal limits:</b>				
<b>Current operating:</b>				
Maintenance	179,301	183,186	173,584	9,602
Local support	22,629	24,185	12,803	11,382
Management	1,155	973	956	17
Capital improvements	440,351	606,388	352,443	253,945
Transfers to other state funds	3,366	3,603	3,615	(12)
<b>Expenditures without legal limits</b>	<b>646,802</b>	<b>818,335</b>	<b>543,401</b>	<b>274,934</b>
<b>Total expenditures</b>	<b>1,026,691</b>	<b>1,200,850</b>	<b>910,109</b>	<b>290,741</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>100,400</b>	<b>21,041</b>	<b>366,220</b>	<b>345,179</b>
<b>Other financing sources (uses):</b>				
Transfers-out	(137,152)	(135,424)	(134,243)	1,181
<b>Total other financing sources (uses)</b>	<b>(137,152)</b>	<b>(135,424)</b>	<b>(134,243)</b>	<b>1,181</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>\$ (36,752)</b>	<b>\$ (114,383)</b>	<b>\$ 231,977</b>	<b>\$ 346,360</b>

State of Kansas  
**Required Supplementary Information**  
June 30, 2008

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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, 2008  
(expressed in thousands)

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Excess (deficiency) of revenues and other sources over expenditures and other uses - budgetary basis	\$ 231,978
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	(10,783)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	374,871
Expenditures on prior year encumbrances are not reported for budgetary reporting	(582,250)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	<u>5,747</u>
Net Change in Fund Balance as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u><u>\$ 19,563</u></u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2008

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*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, 2008**

*(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	\$ 1,461,829	\$ 1,483,829	\$ 1,476,181	\$ (7,648)
Investment earnings	1,445	1,445	462	(983)
Transfers	475	(731,902)	(728,189)	3,713
Charges for services, other revenues & financing sources	506,557	506,557	158,881	(347,676)
Total revenues and other financing sources	<u>1,970,306</u>	<u>1,259,929</u>	<u>907,335</u>	<u>(352,594)</u>
<b>Expenditures and Other Financing Uses:</b>				
Current:				
Human resources	1,412,972	1,359,471	1,397,972	(38,501)
Total expenditures and other financing uses	<u>1,412,972</u>	<u>1,359,471</u>	<u>1,397,972</u>	<u>(38,501)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 557,334</u>	<u>\$ (99,542)</u>	<u>\$ (490,637)</u>	<u>\$ (391,095)</u>

State of Kansas  
**Required Supplementary Information**  
June 30, 2008

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***State of Kansas***

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**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, 2008  
(expressed in thousands)**

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	<u>Health Policy Authority</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$ (490,637)
Current year encumbrances are reported as expenditures for budgetary reporting purposes	6,523
Expenditures on prior year encumbrances are not reported for budgetary reporting purposes	(5,580)
Budgetary expenditures and transfers to other state funds have been adjusted to GAAP basis	481,385
Budgetary basis revenues and transfers from other state funds have been adjusted to GAAP basis	<u>(14,416)</u>
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	<u>\$ (22,725)</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*
2006	80%	94%	75%	86%
2007	80%	97%	75%	90%
2008	80%	96%	75%	85%

\*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
2004	\$ 110,000	\$ 155,711	\$ 260,000	\$ 348,849
2005	110,000	144,603	260,000	348,629
2006	110,000	115,820	260,000	380,988
2007	110,000	62,935	260,000	384,627
2008	110,000	68,654	260,000	363,582

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, 2008

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**Bridges**

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

The goal of 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.

<u>Fiscal Year</u>	<u>Minimum Acceptable Health Index</u>	<u>Actual Health Index</u>
2004	80	92
2005	80	93
2006	80	93
2007	80	94
2008	80	94

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).

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

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.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**Listing of Non-Major Governmental Funds**

**Special Revenue Funds**

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

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

**Capital Projects Funds**

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

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

### **Debt Service Funds**

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

Bond and Interest  
Highway Debt Service  
STAR bond liability fund for GAAP purposes

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds**  
**June 30, 2008**  
*(expressed in thousands)*

	Special Revenue Funds					
	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Social and Rehabili- tation	Adjutant General	Aging
<b>ASSETS</b>						
Cash and cash equivalents	\$ 53,699	\$ 10,867	\$ 29,951	\$ 50,037	\$ 14,623	\$ 4,877
Investments	0	0	0	0	0	0
Receivables, net	0	621	0	49,231	0	24,635
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	20	3,319	0	0	0	0
<b>Total assets</b>	<u>\$ 53,719</u>	<u>\$ 14,807</u>	<u>\$ 29,951</u>	<u>\$ 99,268</u>	<u>\$ 14,623</u>	<u>\$ 29,512</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other liabilities	\$ 7,129	\$ 3,169	\$ 3,741	\$ 65,860	\$ 8,294	\$ 26,907
Due to other funds	0	17	0	188	0	0
Deferred revenue	0	0	0	35	0	0
Advances from other funds	0	69	0	1,972	0	0
Total liabilities	<u>7,129</u>	<u>3,255</u>	<u>3,741</u>	<u>68,055</u>	<u>8,294</u>	<u>26,907</u>
Fund balances:						
Reserved for debt service	20	3,320	0	0	0	0
Reserved for encumbrances	0	0	0	0	0	0
Reserved for advances to other funds	0	0	0	0	0	0
Unreserved	46,570	8,232	26,210	31,213	6,329	2,605
Total fund balance	<u>46,590</u>	<u>11,552</u>	<u>26,210</u>	<u>31,213</u>	<u>6,329</u>	<u>2,605</u>
<b>Total liabilities and fund balance</b>	<u>\$ 53,719</u>	<u>\$ 14,807</u>	<u>\$ 29,951</u>	<u>\$ 99,268</u>	<u>\$ 14,623</u>	<u>\$ 29,512</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2008**  
*(expressed in thousands)*

	Special Revenue Funds				
	Agriculture	Attorney General	Administration	Health and Environment	Highway Patrol
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,577	\$ 16,801	\$ 20,121	\$ 56,699	\$ 14,860
Investments	0	0	0	0	0
Receivables, net	0	0	0	211	0
Due from other funds	0	0	0	0	0
Advances to other funds	0	0	0	5,500	0
Restricted cash and cash equivalents	0	0	13	0	0
<b>Total assets</b>	<u>\$ 5,577</u>	<u>\$ 16,801</u>	<u>\$ 20,134</u>	<u>\$ 62,410</u>	<u>\$ 14,860</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 695	\$ 2,239	\$ (444)	\$ 12,243	\$ 3,323
Due to other funds	0	0	0	190	1,061
Deferred revenue	0	0	0	22	0
Advances from other funds	0	0	0	573	1,594
Total liabilities	<u>695</u>	<u>2,239</u>	<u>(444)</u>	<u>13,028</u>	<u>5,978</u>
Fund balances:					
Reserved for debt service	0	0	13	0	0
Reserved for encumbrances	0	0	0	0	0
Reserved for advances to other funds	0	0	0	5,500	0
Unreserved	4,882	14,562	20,565	43,882	8,882
Total fund balance	<u>4,882</u>	<u>14,562</u>	<u>20,578</u>	<u>49,382</u>	<u>8,882</u>
<b>Total liabilities and fund balance</b>	<u>\$ 5,577</u>	<u>\$ 16,801</u>	<u>\$ 20,134</u>	<u>\$ 62,410</u>	<u>\$ 14,860</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2008**  
*(expressed in thousands)*

	Special Revenue Funds				
	Historical Society	Labor	Commerce	Insurance	Judicial
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,870	\$ 6,739	\$ 61,413	\$ 23,661	\$ 10,904
Investments	0	0	29,482	0	0
Receivables, net	0	0	12,335	0	0
Due from other funds	0	0	0	0	0
Advances to other funds	0	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0	0
<b>Total assets</b>	<u>\$ 4,870</u>	<u>\$ 6,739</u>	<u>\$ 103,230</u>	<u>\$ 23,661</u>	<u>\$ 10,904</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 199	\$ 3,295	\$ 5,594	\$ 9,173	\$ 926
Due to other funds	0	100	0	83	0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	318	0	581	0
Total liabilities	<u>199</u>	<u>3,713</u>	<u>5,594</u>	<u>9,837</u>	<u>926</u>
Fund balances:					
Reserved for debt service	0	0	0	0	0
Reserved for encumbrances	0	0	0	0	0
Reserved for advances to other funds	0	0	0	0	0
Unreserved	4,671	3,026	97,636	13,824	9,978
Total fund balance	<u>4,671</u>	<u>3,026</u>	<u>97,636</u>	<u>13,824</u>	<u>9,978</u>
<b>Total liabilities and fund balance</b>	<u>\$ 4,870</u>	<u>\$ 6,739</u>	<u>\$ 103,230</u>	<u>\$ 23,661</u>	<u>\$ 10,904</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2008**  
*(expressed in thousands)*

	Special Revenue Funds				
	State Library	Revenue	Education	Secretary of State	State Treasurer
<b>ASSETS</b>					
Cash and cash equivalents	\$ 136	\$ 11,903	\$ 129,048	\$ 16,730	\$ 2,565
Investments	0	0	0	0	0
Receivables, net	0	19	0	0	0
Due from other funds	0	0	0	0	13,000
Advances to other funds	0	0	0	0	52,206
Restricted cash and cash equivalents	0	0	0	0	0
<b>Total assets</b>	<b>\$ 136</b>	<b>\$ 11,922</b>	<b>\$ 129,048</b>	<b>\$ 16,730</b>	<b>\$ 67,771</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 73	\$ 2,616	\$ 2,638	\$ 521	\$ 65,893
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Total liabilities	73	2,616	2,638	521	65,893
Fund balances:					
Reserved for debt service	0	0	0	0	(2)
Reserved for encumbrances	0	0	0	0	0
Reserved for advances to other funds	0	0	0	0	52,206
Unreserved	63	9,306	126,410	16,209	(50,326)
Total fund balance	63	9,306	126,410	16,209	1,878
<b>Total liabilities and fund balance</b>	<b>\$ 136</b>	<b>\$ 11,922</b>	<b>\$ 129,048</b>	<b>\$ 16,730</b>	<b>\$ 67,771</b>

State of Kansas  
**Other Supplementary Information**  
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*State of Kansas*

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

**June 30, 2008**

*(expressed in thousands)*

	Special Revenue Funds					
	Wildlife and Parks	Executive	Legislative	Transportation- special revenue	State Water Plan	Peace Officer Training
<b>ASSETS</b>						
Cash and cash equivalents	\$ 29,472	\$ 2,920	\$ 185	\$ 22,366	\$ 19,294	\$ 858
Investments	0	0	0	0	0	0
Receivables, net	0	0	0	7,747	2,886	0
Due from other funds	0	0	0	0	3,074	0
Advances to other funds	0	0	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0	0	0
<b>Total assets</b>	<u>\$ 29,472</u>	<u>\$ 2,920</u>	<u>\$ 185</u>	<u>\$ 30,113</u>	<u>\$ 25,254</u>	<u>\$ 858</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other liabilities	\$ 5,032	\$ 492	\$ 0	\$ 1,291	\$ 1,911	\$ 76
Due to other funds	0	0	0	0	0	0
Deferred revenue	0	0	0	0	1,503	0
Advances from other funds	0	0	0	0	0	0
Total liabilities	<u>5,032</u>	<u>492</u>	<u>0</u>	<u>1,291</u>	<u>3,414</u>	<u>76</u>
Fund balances:						
Reserved for debt service	0	0	0	0	0	0
Reserved for encumbrances	0	0	0	10,761	0	0
Reserved for advances to other funds	0	0	0	0	0	0
Unreserved	24,440	2,428	185	18,061	21,840	782
Total fund balance	<u>24,440</u>	<u>2,428</u>	<u>185</u>	<u>28,822</u>	<u>21,840</u>	<u>782</u>
<b>Total liabilities and fund balance</b>	<u>\$ 29,472</u>	<u>\$ 2,920</u>	<u>\$ 185</u>	<u>\$ 30,113</u>	<u>\$ 25,254</u>	<u>\$ 858</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2008**  
*(expressed in thousands)*

	Capital Projects Funds				
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program	Corrections	State Library
<b>ASSETS</b>					
Cash and cash equivalents	\$ 44,332	\$ 6	\$ 4,577	\$ 0	\$ 73
Investments	0	8,967	0	8,012	0
Receivables, net	0	144	41,826	122	0
Due from other funds	0	0	5,650	0	0
Advances to other funds	0	0	20,824	0	0
Restricted cash and cash equivalents	0	2,423	0	5,350	0
<b>Total assets</b>	<b>\$ 44,332</b>	<b>\$ 11,540</b>	<b>\$ 72,877</b>	<b>\$ 13,484</b>	<b>\$ 73</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 3,008	\$ 3,476	\$ 597	\$ 1,819	\$ 2
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Total liabilities	3,008	3,476	597	1,819	2
Fund balances:					
Reserved for debt service	1	2,302	0	5,227	0
Reserved for encumbrances	0	0	0	0	0
Reserved for advances to other funds	0	0	20,824	0	0
Unreserved	41,323	5,762	51,456	6,438	71
Total fund balance	41,324	8,064	72,280	11,665	71
<b>Total liabilities and fund balance</b>	<b>\$ 44,332</b>	<b>\$ 11,540</b>	<b>\$ 72,877</b>	<b>\$ 13,484</b>	<b>\$ 73</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Continued**  
**June 30, 2008**  
*(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	\$ 270	\$ 0	\$ 0	\$ 1	\$ 723	\$ 0
Investments	0	0	0	0	0	0
Receivables, net	0	0	0	0	0	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	<u>5,546</u>	<u>532</u>	<u>567</u>	<u>0</u>	<u>116</u>	<u>3,135</u>
<b>Total assets</b>	<u>\$ 5,816</u>	<u>\$ 532</u>	<u>\$ 567</u>	<u>\$ 1</u>	<u>\$ 839</u>	<u>\$ 3,135</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other liabilities	\$ 156	\$ 53	\$ 1	\$ 0	\$ 137	\$ 198
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	<u>156</u>	<u>53</u>	<u>1</u>	<u>0</u>	<u>137</u>	<u>198</u>
Fund balances:						
Reserved for debt service	5,539	520	567	0	0	3,131
Reserved for encumbrances	0	0	0	0	0	0
Reserved for advances to other funds	0	0	0	0	0	0
Unreserved	121	(41)	(1)	1	702	(194)
Total fund balance	<u>5,660</u>	<u>479</u>	<u>566</u>	<u>1</u>	<u>702</u>	<u>2,937</u>
<b>Total liabilities and fund balance</b>	<u>\$ 5,816</u>	<u>\$ 532</u>	<u>\$ 567</u>	<u>\$ 1</u>	<u>\$ 839</u>	<u>\$ 3,135</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*  
**Combining Balance Sheet - Governmental Funds - Concluded**  
**June 30, 2008**  
*(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	\$ 0	\$ 0	\$ 0	\$ 671,158
Investments	392	0	0	46,853
Receivables, net	8	116	0	139,901
Due from other funds	0	0	0	21,724
Advances to other funds	0	0	0	78,530
Restricted cash and cash equivalents	11,580	56,035	48,441	137,077
<b>Total assets</b>	<b>\$ 11,980</b>	<b>\$ 56,151</b>	<b>\$ 48,441</b>	<b>\$ 1,095,243</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 123	\$ 8	\$ 0	\$ 242,464
Due to other funds	0	0	0	1,639
Deferred revenue	0	0	0	1,560
Advances from other funds	0	0	0	5,107
Total liabilities	123	8	0	250,770
Fund balances:				
Reserved for debt service	11,580	6	0	32,224
Reserved for encumbrances	0	814	0	11,575
Reserved for advances to other funds	0	0	0	78,530
Unreserved	277	55,323	48,441	722,144
Total fund balance	11,857	56,143	48,441	844,473
<b>Total liabilities and fund balance</b>	<b>\$ 11,980</b>	<b>\$ 56,151</b>	<b>\$ 48,441</b>	<b>\$ 1,095,243</b>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*  
**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended June 30, 2008**  
*(expressed in thousands)*

	Special Revenue Funds					
	State Regulatory Boards and Commission	Correctional Facilities	Tobacco Settlement for Children's Initiative	Social and Rehabilitation	Adjutant General	Aging
<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	1	0	1	2,686	1	0
Gross receipts tax	6,698	0	0	0	0	0
Charges for services	75,158	14,307	66,348	79,690	2	(6,518)
Operating grants	6,749	5,989	0	532,328	194,679	12,429
Capital grants	0	0	0	0	0	0
Investment earnings	416	42	1,088	786	1	0
Other revenues	5,274	2,385	16	11,543	26	91
<b>Total revenues</b>	<u>94,296</u>	<u>22,723</u>	<u>67,453</u>	<u>627,033</u>	<u>194,709</u>	<u>6,002</u>
<b>Expenditures:</b>						
Current:						
General government	51,398	0	0	0	0	0
Human resources	14,961	0	40,445	1,064,689	0	274,303
Education	569	0	283	0	0	0
Public safety	6,965	33,639	9,000	0	214,530	0
Agriculture and natural resources	10,240	0	0	0	0	0
Highways and other transportation	0	0	0	0	0	0
Health and environment	0	0	2,637	0	0	0
Economic development	0	0	0	0	0	0
Debt service:						
Principal	1,630	485	0	0	0	0
Interest	1,773	109	0	0	0	0
<b>Total expenditures</b>	<u>87,536</u>	<u>34,233</u>	<u>52,365</u>	<u>1,064,689</u>	<u>214,530</u>	<u>274,303</u>
<b>Excess of revenues over (under) expenditures</b>	<u>6,760</u>	<u>(11,510)</u>	<u>15,088</u>	<u>(437,656)</u>	<u>(19,821)</u>	<u>(268,301)</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of debt	2,632	0	0	0	0	0
Transfers, net	(5,767)	16,661	57	444,413	16,947	268,017
<b>Total other financing sources (uses)</b>	<u>(3,135)</u>	<u>16,661</u>	<u>57</u>	<u>444,413</u>	<u>16,947</u>	<u>268,017</u>
<b>Net change in fund balances</b>	3,625	5,151	15,145	6,757	(2,874)	(284)
<b>Fund balances, beginning of year</b>	43,005	6,405	11,065	24,518	9,203	2,889
Revisions to beginning fund balances	(40)	(4)	0	(62)	0	0
Fund balances, beginning of year (restated)	<u>42,965</u>	<u>6,401</u>	<u>11,065</u>	<u>24,456</u>	<u>9,203</u>	<u>2,889</u>
<b>Fund balances, end of year</b>	<u>\$ 46,590</u>	<u>\$ 11,552</u>	<u>\$ 26,210</u>	<u>\$ 31,213</u>	<u>\$ 6,329</u>	<u>\$ 2,605</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2008**

*(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	(1)	(1)	703	2,533
Gross receipts tax	0	0	0	1,089	0
Charges for services	7,522	13,017	8,564	24,664	8,843
Operating grants	5,151	7,311	261	111,247	24,316
Capital grants	0	0	0	0	0
Investment earnings	68	48	409	1,421	137
Other revenues	469	2,288	(29,844)	34,711	355
<b>Total revenues</b>	<u>13,210</u>	<u>22,663</u>	<u>(20,611)</u>	<u>173,835</u>	<u>36,184</u>
<b>Expenditures:</b>					
Current:					
General government	0	11,404	20,274	0	0
Human resources	0	0	0	0	0
Education	0	0	0	0	0
Public safety	0	11,691	0	0	51,425
Agriculture and natural resources	13,001	0	0	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	0	176,065	0
Economic development	0	0	0	0	0
Debt service:					
Principal	0	0	250	0	0
Interest	0	0	26,264	0	0
<b>Total expenditures</b>	<u>13,001</u>	<u>23,095</u>	<u>46,788</u>	<u>176,065</u>	<u>51,425</u>
<b>Excess of revenues over (under) expenditures</b>	<u>209</u>	<u>(432)</u>	<u>(67,399)</u>	<u>(2,230)</u>	<u>(15,241)</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	121	4,840	67,643	2,619	17,596
<b>Total other financing sources (uses)</b>	<u>121</u>	<u>4,840</u>	<u>67,643</u>	<u>2,619</u>	<u>17,596</u>
<b>Net change in fund balances</b>	330	4,408	244	389	2,355
<b>Fund balances, beginning of year</b>	4,556	10,156	20,337	51,765	6,541
Revisions to beginning fund balances	(4)	(2)	(3)	(2,772)	(14)
Fund balances, beginning of year (restated)	<u>4,552</u>	<u>10,154</u>	<u>20,334</u>	<u>48,993</u>	<u>6,527</u>
<b>Fund balances, end of year</b>	<u>\$ 4,882</u>	<u>\$ 14,562</u>	<u>\$ 20,578</u>	<u>\$ 49,382</u>	<u>\$ 8,882</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2008**

*(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	17,059	0	0
Sales and excise tax	1,092	1	1	1	(1)
Gross receipts tax	0	0	32	10,631	0
Charges for services	1,027	1,337	5,964	10,041	10,144
Operating grants	857	20,944	58,940	59	325
Capital grants	21	0	0	0	0
Investment earnings	136	0	1,816	0	119
Other revenues	388	12,027	3,235	326	2,225
<b>Total revenues</b>	<u>3,521</u>	<u>34,309</u>	<u>87,047</u>	<u>21,058</u>	<u>12,812</u>
<b>Expenditures:</b>					
Current:					
General government	0	0	117,880	18,031	12,549
Human resources	0	42,865	0	0	0
Education	2,759	0	(4,853)	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	251	0	0
Debt service:					
Principal	0	0	14,140	0	0
Interest	0	0	3,976	0	0
<b>Total expenditures</b>	<u>2,759</u>	<u>42,865</u>	<u>131,394</u>	<u>18,031</u>	<u>12,549</u>
<b>Excess of revenues over (under) expenditures</b>	<u>762</u>	<u>(8,556)</u>	<u>(44,347)</u>	<u>3,027</u>	<u>263</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	(35)	8,623	38,301	(24)	7
<b>Total other financing sources (uses)</b>	<u>(35)</u>	<u>8,623</u>	<u>38,301</u>	<u>(24)</u>	<u>7</u>
<b>Net change in fund balances</b>	727	67	(6,046)	3,003	270
<b>Fund balances, beginning of year</b>	3,944	2,969	103,691	10,829	9,718
Revisions to beginning fund balances	0	(10)	(9)	(8)	(10)
Fund balances, beginning of year (restated)	<u>3,944</u>	<u>2,959</u>	<u>103,682</u>	<u>10,821</u>	<u>9,708</u>
<b>Fund balances, end of year</b>	<u>\$ 4,671</u>	<u>\$ 3,026</u>	<u>\$ 97,636</u>	<u>\$ 13,824</u>	<u>\$ 9,978</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2008**

*(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	6,227	(1)	0	(3)
Gross receipts tax	0	175	0	0	0
Charges for services	3	13,605	3,943	4,741	1,048
Operating grants	1,619	1,157	398,692	7	0
Capital grants	0	0	0	0	0
Investment earnings	0	0	8	625	3,442
Other revenues	0	2	31,710	0	12,668
<b>Total revenues</b>	<u>1,622</u>	<u>21,166</u>	<u>434,352</u>	<u>5,373</u>	<u>17,155</u>
<b>Expenditures:</b>					
Current:					
General government	0	66,445	0	6,547	14,444
Human resources	0	0	0	0	0
Education	1,637	0	499,867	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>1,637</u>	<u>66,445</u>	<u>499,867</u>	<u>6,547</u>	<u>14,444</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(15)</u>	<u>(45,279)</u>	<u>(65,515)</u>	<u>(1,174)</u>	<u>2,711</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	0	45,116	188,362	0	(2,966)
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>45,116</u>	<u>188,362</u>	<u>0</u>	<u>(2,966)</u>
<b>Net change in fund balances</b>	(15)	(163)	122,847	(1,174)	(255)
<b>Fund balances, beginning of year</b>	78	9,494	3,564	17,385	2,134
Revisions to beginning fund balances	0	(25)	(1)	(2)	(1)
Fund balances, beginning of year (restated)	<u>78</u>	<u>9,469</u>	<u>3,563</u>	<u>17,383</u>	<u>2,133</u>
<b>Fund balances, end of year</b>	<u>\$ 63</u>	<u>\$ 9,306</u>	<u>\$ 126,410</u>	<u>\$ 16,209</u>	<u>\$ 1,878</u>

State of Kansas  
**Other Supplementary Information**  
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*State of Kansas*

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

**For the Fiscal Year Ended June 30, 2008**

*(expressed in thousands)*

	Special Revenue Funds					
	Wildlife and Parks	Executive	Legislative	Transportation- special revenue	State Water Plan	Peace Officer Training
<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	992	0	0	0	0	0
Gross receipts tax	0	0	0	0	0	0
Charges for services	28,896	75	71	429	4,646	664
Operating grants	12,889	17,861	0	0	0	0
Capital grants	0	0	0	5,558	0	0
Investment earnings	758	127	0	0	0	0
Other revenues	203	41	128	1,857	6,192	436
<b>Total revenues</b>	<u>43,738</u>	<u>18,104</u>	<u>199</u>	<u>7,844</u>	<u>10,838</u>	<u>1,100</u>
<b>Expenditures:</b>						
Current:						
General government	0	16,051	101	0	0	0
Human resources	0	0	0	0	0	0
Education	0	0	0	0	(3)	0
Public safety	0	0	0	0	0	318
Agriculture and natural resources	49,542	0	0	0	13,615	0
Highways and other transportation	0	0	0	17,965	0	0
Health and environment	0	0	0	0	3,595	0
Economic development	0	0	0	0	0	0
Debt service:						
Principal	0	0	0	0	0	0
Interest	0	0	0	0	0	0
<b>Total expenditures</b>	<u>49,542</u>	<u>16,051</u>	<u>101</u>	<u>17,965</u>	<u>17,207</u>	<u>318</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(5,804)</u>	<u>2,053</u>	<u>98</u>	<u>(10,121)</u>	<u>(6,369)</u>	<u>782</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of debt	0	0	0	0	0	0
Transfers, net	4,814	(1,254)	0	12,197	10,626	0
<b>Total other financing sources (uses)</b>	<u>4,814</u>	<u>(1,254)</u>	<u>0</u>	<u>12,197</u>	<u>10,626</u>	<u>0</u>
<b>Net change in fund balances</b>	(990)	799	98	2,076	4,257	782
<b>Fund balances, beginning of year</b>	25,449	1,629	87	26,746	17,584	0
Revisions to beginning fund balances	(19)	0	0	0	(1)	0
Fund balances, beginning of year (restated)	<u>25,430</u>	<u>1,629</u>	<u>87</u>	<u>26,746</u>	<u>17,583</u>	<u>0</u>
<b>Fund balances, end of year</b>	<u>\$ 24,440</u>	<u>\$ 2,428</u>	<u>\$ 185</u>	<u>\$ 28,822</u>	<u>\$ 21,840</u>	<u>\$ 782</u>

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**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds - Continued**  
**For the Fiscal Year Ended June 30, 2008**  
*(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	\$ 49,994	\$ 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	887	0	385	0	0
Operating grants	0	0	0	0	203	0
Capital grants	0	0	0	0	0	0
Investment earnings	0	75	266	67	0	0
Other revenues	(15,000)	1	0	0	0	0
<b>Total revenues</b>	<u>34,994</u>	<u>963</u>	<u>266</u>	<u>452</u>	<u>203</u>	<u>0</u>
<b>Expenditures:</b>						
Current:						
General government	535	25,487	9	0	0	0
Human resources	3,357	0	0	0	0	0
Education	(744)	0	0	0	500	0
Public safety	3,224	0	0	5,712	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	5,000	9,171	6,145	0	115
Interest	0	6,876	2,623	3,042	0	10
<b>Total expenditures</b>	<u>6,372</u>	<u>37,363</u>	<u>11,803</u>	<u>14,899</u>	<u>500</u>	<u>125</u>
<b>Excess of revenues over (under) expenditures</b>	<u>28,622</u>	<u>(36,400)</u>	<u>(11,537)</u>	<u>(14,447)</u>	<u>(297)</u>	<u>(125)</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of debt	0	28,173	6,071	9,392	0	0
Transfers, net	(20,231)	10,207	0	14,539	0	125
<b>Total other financing sources (uses)</b>	<u>(20,231)</u>	<u>38,380</u>	<u>6,071</u>	<u>23,931</u>	<u>0</u>	<u>125</u>
<b>Net change in fund balances</b>	8,391	1,980	(5,466)	9,484	(297)	0
<b>Fund balances, beginning of year</b>	32,933	6,077	77,746	2,175	368	0
Revisions to beginning fund balances	0	7	0	6	0	0
Fund balances, beginning of year (restated)	<u>32,933</u>	<u>6,084</u>	<u>77,746</u>	<u>2,181</u>	<u>368</u>	<u>0</u>
<b>Fund balances, end of year</b>	<u>\$ 41,324</u>	<u>\$ 8,064</u>	<u>\$ 72,280</u>	<u>\$ 11,665</u>	<u>\$ 71</u>	<u>\$ 0</u>

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

**For the Fiscal Year Ended June 30, 2008**

*(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	(2)	0	2	1	0	(1)
Gross receipts tax	0	0	0	0	0	0
Charges for services	3	0	0	0	241	1
Operating grants	0	0	0	0	0	0
Capital grants	0	0	0	0	0	0
Investment earnings	185	32	30	1	260	179
Other revenues	0	0	0	0	0	0
<b>Total revenues</b>	<u>186</u>	<u>32</u>	<u>32</u>	<u>2</u>	<u>501</u>	<u>179</u>
<b>Expenditures:</b>						
Current:						
General government	0	246	0	0	0	0
Human resources	0	0	0	0	15,551	1,280
Education	0	0	0	0	0	0
Public safety	2,438	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	108	0	0	0
Economic development	0	0	0	0	0	0
Debt service:						
Principal	4,145	295	450	690	1,965	2,995
Interest	1,149	309	51	173	956	3,530
<b>Total expenditures</b>	<u>7,732</u>	<u>850</u>	<u>609</u>	<u>863</u>	<u>18,472</u>	<u>7,805</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(7,546)</u>	<u>(818)</u>	<u>(577)</u>	<u>(861)</u>	<u>(17,971)</u>	<u>(7,626)</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of debt	6,247	0	0	0	0	0
Transfers, net	2,319	578	467	861	2,380	6,273
<b>Total other financing sources (uses)</b>	<u>8,566</u>	<u>578</u>	<u>467</u>	<u>861</u>	<u>2,380</u>	<u>6,273</u>
<b>Net change in fund balances</b>	1,020	(240)	(110)	0	(15,591)	(1,353)
<b>Fund balances, beginning of year</b>	4,640	721	676	1	16,297	4,290
Revisions to beginning fund balances	0	(2)	0	0	(4)	0
Fund balances, beginning of year (restated)	<u>4,640</u>	<u>719</u>	<u>676</u>	<u>1</u>	<u>16,293</u>	<u>4,290</u>
<b>Fund balances, end of year</b>	<u>\$ 5,660</u>	<u>\$ 479</u>	<u>\$ 566</u>	<u>\$ 1</u>	<u>\$ 702</u>	<u>\$ 2,937</u>

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

**For the Fiscal Year Ended June 30, 2008**

*(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	\$ 49,994
Income and inheritance tax	0	0	0	17,059
Sales and excise tax	0	(1)	32,844	47,075
Gross receipts tax	0	0	0	18,625
Charges for services	50	1,727	0	381,525
Operating grants	0	0	0	1,414,013
Capital grants	0	0	0	5,579
Investment earnings	629	29	0	13,200
Other revenues	1,807	0	0	85,560
<b>Total revenues</b>	<u>2,486</u>	<u>1,755</u>	<u>32,844</u>	<u>2,032,630</u>
<b>Expenditures:</b>				
Current:				
General government	322	0	(2,177)	359,546
Human resources	0	0	0	1,457,451
Education	0	0	0	500,015
Public safety	622	0	0	339,564
Agriculture and natural resources	0	0	0	86,398
Highways and other transportation	0	0	0	17,965
Health and environment	0	0	0	182,405
Economic development	0	0	0	251
Debt service:				
Principal	4,675	57,065	26,308	135,524
Interest	2,707	82,763	9,383	145,694
<b>Total expenditures</b>	<u>8,326</u>	<u>139,828</u>	<u>33,514</u>	<u>3,224,813</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(5,840)</u>	<u>(138,073)</u>	<u>(670)</u>	<u>(1,192,183)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of debt	21,786	0	0	74,301
Transfers, net	(4,906)	129,945	0	1,279,471
<b>Total other financing sources (uses)</b>	<u>16,880</u>	<u>129,945</u>	<u>0</u>	<u>1,353,772</u>
<b>Net change in fund balances</b>	11,040	(8,128)	(670)	161,589
<b>Fund balances, beginning of year</b>	405	64,271	49,111	685,452
Revisions to beginning fund balances	412	0	0	(2,568)
Fund balances, beginning of year (restated)	<u>817</u>	<u>64,271</u>	<u>49,111</u>	<u>682,884</u>
<b>Fund balances, end of year</b>	<u>\$ 11,857</u>	<u>\$ 56,143</u>	<u>\$ 48,441</u>	<u>\$ 844,473</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  
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**Combining Statement of Net Assets - Nonmajor Proprietary Funds**

**June 30, 2008**

*(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	\$ 9,328	\$ 5,699	\$ 861	\$ 8,822	\$ 436	\$ 25,146
Receivables, net	0	9,726	0	5,620	73	15,419
Inventories	0	1,721	0	0	9,298	11,019
Total current assets	<u>9,328</u>	<u>17,146</u>	<u>861</u>	<u>14,442</u>	<u>9,807</u>	<u>51,584</u>
Noncurrent assets:						
Investments	0	0	0	15,277	0	15,277
Receivables, net:	0	0	0	50,518	578	51,096
Restricted cash and cash equivalents	0	0	0	4,097	0	4,097
Advances to other funds	2,000	0	0	0	0	2,000
Capital assets (net of accumulated depreciation)	0	360	0	0	0	360
Other noncurrent assets	0	0	0	512	0	512
Total noncurrent assets	<u>2,000</u>	<u>360</u>	<u>0</u>	<u>70,404</u>	<u>578</u>	<u>73,342</u>
<b>Total assets</b>	<u>\$ 11,328</u>	<u>\$ 17,506</u>	<u>\$ 861</u>	<u>\$ 84,846</u>	<u>\$ 10,385</u>	<u>\$ 124,926</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 213	\$ 7,199	\$ 0	\$ 571	\$ 0	\$ 7,983
Deferred revenue	0	0	0	0	78	78
Due to other funds	0	6,000	0	0	6,621	12,621
Short-term compensated absences	10	0	0	0	0	10
Short-term portion of long-term liabilities	4,734	0	0	3,745	0	8,479
Total current liabilities	<u>4,957</u>	<u>13,199</u>	<u>0</u>	<u>4,316</u>	<u>6,699</u>	<u>29,171</u>
Noncurrent liabilities:						
Compensated absences	2	0	0	0	0	2
Claims and judgements	26,562	0	0	0	0	26,562
Bonds, notes and loans payable	0	0	0	51,268	0	51,268
Arbitrage rebate payable	0	0	0	206	0	206
Other post employment benefits	0	80	0	0	0	80
Total noncurrent liabilities	<u>26,564</u>	<u>80</u>	<u>0</u>	<u>51,474</u>	<u>0</u>	<u>78,118</u>
<b>Total liabilities</b>	<u>31,521</u>	<u>13,279</u>	<u>0</u>	<u>55,790</u>	<u>6,699</u>	<u>107,289</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	0	360	0	0	0	360
Restricted for:						
Debt service	0	0	0	17,617	0	17,617
Other purposes	(20,193)	0	0	0	0	(20,193)
Unrestricted	0	3,867	861	11,439	3,686	19,853
<b>Total net assets</b>	<u>(20,193)</u>	<u>4,227</u>	<u>861</u>	<u>29,056</u>	<u>3,686</u>	<u>17,637</u>
<b>Total liabilities and net assets</b>	<u>\$ 11,328</u>	<u>\$ 17,506</u>	<u>\$ 861</u>	<u>\$ 84,846</u>	<u>\$ 10,385</u>	<u>\$ 124,926</u>

State of Kansas  
**Other Supplementary Information**  
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**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2008  
(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	\$ 5,509	\$ 238,347	\$ 190	\$ 82	\$ 45	\$ 244,173
Other revenue	124	13	137	1,700	0	1,974
<b>Total operating revenues</b>	<u>5,633</u>	<u>238,360</u>	<u>327</u>	<u>1,782</u>	<u>45</u>	<u>246,147</u>
<b>Operating expenses:</b>						
Personal services	272	5,604	0	0	0	5,876
Supplies and services	2,071	32,507	0	27	222	34,827
Lottery prize awards	0	132,970	0	0	0	132,970
Depreciation	0	134	0	0	0	134
Insurance claims and expenses	1,937	0	0	0	0	1,937
Other expenses	770	0	220	0	0	990
<b>Total operating expenses</b>	<u>5,050</u>	<u>171,215</u>	<u>220</u>	<u>27</u>	<u>222</u>	<u>176,734</u>
<b>Operating income (loss)</b>	<u>583</u>	<u>67,145</u>	<u>107</u>	<u>1,755</u>	<u>(177)</u>	<u>69,413</u>
<b>Nonoperating revenues (expenses):</b>						
Investment earnings	0	0	0	1,700	33	1,733
Interest expense	0	0	0	(2,432)	0	(2,432)
Other expenses	0	0	(250)	0	0	(250)
<b>Total nonoperating revenues (expenses)</b>	<u>0</u>	<u>0</u>	<u>(250)</u>	<u>(732)</u>	<u>33</u>	<u>(949)</u>
<b>Net income (loss)</b>	<u>583</u>	<u>67,145</u>	<u>(143)</u>	<u>1,023</u>	<u>(144)</u>	<u>68,464</u>
Transfers in	0	(70,047)	0	0	2,000	(68,047)
Transfers out	(5)	0	0	0	0	(5)
<b>Net change in net assets</b>	<u>578</u>	<u>(2,902)</u>	<u>(143)</u>	<u>1,023</u>	<u>1,856</u>	<u>412</u>
Total net assets - beginning	(19,771)	7,129	1,004	28,033	1,830	18,225
Revisions to beginning net assets	(1,000)	0	0	0	0	(1,000)
Total net assets - beginning (restated)	<u>(20,771)</u>	<u>7,129</u>	<u>1,004</u>	<u>28,033</u>	<u>1,830</u>	<u>17,225</u>
<b>Total net assets - ending</b>	<u>\$ (20,193)</u>	<u>\$ 4,227</u>	<u>\$ 861</u>	<u>\$ 29,056</u>	<u>\$ 3,686</u>	<u>\$ 17,637</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

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*State of Kansas*

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

**June 30, 2008**

*(expressed in thousands)*

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2,823	\$ 6,348	\$ 521	\$ 6,373	\$ 48	\$ 11,450
Inventories	0	0	0	506	0	0
<b>Total current assets</b>	<b>2,823</b>	<b>6,348</b>	<b>521</b>	<b>6,879</b>	<b>48</b>	<b>11,450</b>
Noncurrent assets:						
Capital assets (net of accumulated depreciation)	1,129	5	551	11,999	0	70,657
<b>Total noncurrent assets</b>	<b>1,129</b>	<b>5</b>	<b>551</b>	<b>11,999</b>	<b>0</b>	<b>70,657</b>
<b>Total assets</b>	<b>\$ 3,952</b>	<b>\$ 6,353</b>	<b>\$ 1,072</b>	<b>\$ 18,878</b>	<b>\$ 48</b>	<b>\$ 82,107</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 270	\$ 121	\$ 19	\$ 3,073	\$ 18	\$ 973
Due to other funds	0	0	541	1,105	0	60
Short-term compensated absences	133	195	3	667	0	350
Short-term portion of long-term liabilities	177	31,985	0	0	0	1,735
<b>Total current liabilities</b>	<b>580</b>	<b>32,301</b>	<b>563</b>	<b>4,845</b>	<b>18</b>	<b>3,118</b>
Noncurrent liabilities:						
Compensated absences	21	30	1	104	0	55
Claims and judgements	0	308	0	0	0	0
Bonds, notes and loans payable	380	0	0	0	0	60,234
Advances from other funds	0	0	1,834	980	0	109
<b>Total noncurrent liabilities</b>	<b>401</b>	<b>338</b>	<b>1,835</b>	<b>1,084</b>	<b>0</b>	<b>60,398</b>
<b>Total liabilities</b>	<b>981</b>	<b>32,639</b>	<b>2,398</b>	<b>5,929</b>	<b>18</b>	<b>63,516</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	1,129	5	551	11,999	0	70,657
Restricted for:						
Unrestricted	1,842	(26,291)	(1,877)	950	30	(52,066)
<b>Total net assets</b>	<b>2,971</b>	<b>(26,286)</b>	<b>(1,326)</b>	<b>12,949</b>	<b>30</b>	<b>18,591</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,952</b>	<b>\$ 6,353</b>	<b>\$ 1,072</b>	<b>\$ 18,878</b>	<b>\$ 48</b>	<b>\$ 82,107</b>

State of Kansas  
**Other Supplementary Information**  
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*State of Kansas*

**Combining Statement of Net Assets - Internal Service Funds - Concluded**  
**June 30, 2008**

(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	\$ 66	\$ 3,985	\$ 193	\$ 71	\$ 175	\$ 352	\$ 32,405
Inventories	0	0	0	0	0	0	506
Total current assets	<u>66</u>	<u>3,985</u>	<u>193</u>	<u>71</u>	<u>175</u>	<u>352</u>	<u>32,911</u>
Noncurrent assets:							
Capital assets (net of accumulated depreciation)	6	3	0	0	0	0	84,350
Total noncurrent assets	<u>6</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>84,350</u>
<b>Total assets</b>	<u>\$ 72</u>	<u>\$ 3,988</u>	<u>\$ 193</u>	<u>\$ 71</u>	<u>\$ 175</u>	<u>\$ 352</u>	<u>\$ 117,261</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and other liabilities	\$ 48	\$ 327	\$ 17	\$ 52	\$ 1	\$ (1)	\$ 4,918
Due to other funds	0	0	0	0	0	0	1,706
Short-term compensated absences	68	77	0	0	0	0	1,493
Short-term portion of long-term liabilities	0	16,990	0	0	0	0	50,887
Total current liabilities	<u>116</u>	<u>17,394</u>	<u>17</u>	<u>52</u>	<u>1</u>	<u>(1)</u>	<u>59,004</u>
Noncurrent liabilities:							
Compensated absences	11	12	0	0	0	0	234
Claims and judgements	0	33,575	0	0	0	0	33,883
Bonds, notes and loans payable	0	0	0	0	0	0	60,614
Advances from other funds	0	0	0	0	0	0	2,923
Total noncurrent liabilities	<u>11</u>	<u>33,587</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>97,654</u>
<b>Total liabilities</b>	<u>127</u>	<u>50,981</u>	<u>17</u>	<u>52</u>	<u>1</u>	<u>(1)</u>	<u>156,658</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	6	3	0	0	0	0	84,350
Restricted for:							
Unrestricted	(61)	(46,996)	176	19	174	353	(123,747)
<b>Total net assets</b>	<u>(55)</u>	<u>(46,993)</u>	<u>176</u>	<u>19</u>	<u>174</u>	<u>353</u>	<u>(39,397)</u>
<b>Total liabilities and net assets</b>	<u>\$ 72</u>	<u>\$ 3,988</u>	<u>\$ 193</u>	<u>\$ 71</u>	<u>\$ 175</u>	<u>\$ 352</u>	<u>\$ 117,261</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*State of Kansas*

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Assets - Internal Service Funds  
For the Fiscal Year Ended June 30, 2008**

*(expressed in thousands)*

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
<b>Operating revenues:</b>						
Charges for services	\$ 5,522	\$ 6,332	\$ 1,069	\$ 40,272	\$ 175	\$ 30,065
Other revenue	13	(11,480)	1,576	37	1	9
<b>Total operating revenues</b>	<u>5,535</u>	<u>(5,148)</u>	<u>2,645</u>	<u>40,309</u>	<u>176</u>	<u>30,074</u>
<b>Operating expenses:</b>						
Salaries and wages	2,474	2,223	50	11,764	0	7,905
Supplies and services	2,681	784	819	21,167	163	11,042
Depreciation	126	1	136	2,522	0	2,820
Insurance claims and expenses	0	0	0	0	0	0
Other expenses	0	0	24	0	0	0
<b>Total operating expenses</b>	<u>5,281</u>	<u>3,008</u>	<u>1,029</u>	<u>35,453</u>	<u>163</u>	<u>21,767</u>
<b>Operating income (loss)</b>	<u>254</u>	<u>(8,156)</u>	<u>1,616</u>	<u>4,856</u>	<u>13</u>	<u>8,307</u>
<b>Nonoperating revenues (expenses):</b>						
Interest expense	(28)	0	0	0	0	(2,868)
Other expenses	0	0	0	(380)	0	0
<b>Total nonoperating revenues (expenses)</b>	<u>(28)</u>	<u>0</u>	<u>0</u>	<u>(380)</u>	<u>0</u>	<u>(2,868)</u>
<b>Net income (loss)</b>	226	(8,156)	1,616	4,476	13	5,439
Transfers in	0	575	(1,462)	0	0	(226)
Transfers out	(121)	0	0	(221)	0	(3,554)
<b>Net change in net assets</b>	<u>105</u>	<u>(7,581)</u>	<u>154</u>	<u>4,255</u>	<u>13</u>	<u>1,659</u>
Total net assets - beginning	2,870	(18,701)	(1,479)	8,670	17	16,939
Revisions to beginning net assets	(4)	(4)	(1)	24	0	(7)
Total net assets - beginning (restated)	<u>2,866</u>	<u>(18,705)</u>	<u>(1,480)</u>	<u>8,694</u>	<u>17</u>	<u>16,932</u>
<b>Total net assets - ending</b>	<u>\$ 2,971</u>	<u>\$ (26,286)</u>	<u>\$ (1,326)</u>	<u>\$ 12,949</u>	<u>\$ 30</u>	<u>\$ 18,591</u>

State of Kansas  
**Other Supplementary Information**  
June 30, 2008

*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, 2008**

*(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	\$ 778	\$ 23,386	\$ 94	\$ 63	\$ 103	\$ 75	\$ 107,934
Other revenue	79	(9,324)	76	(1)	0	1	(19,013)
<b>Total operating revenues</b>	<u>857</u>	<u>14,062</u>	<u>170</u>	<u>62</u>	<u>103</u>	<u>76</u>	<u>88,921</u>
<b>Operating expenses:</b>							
Salaries and wages	908	1,660	166	0	0	(19)	27,131
Supplies and services	8	2,419	(37)	68	78	0	39,192
Depreciation	3	1	0	0	0	0	5,609
Insurance claims and expenses	0	21,068	0	0	0	0	21,068
Other expenses	0	0	0	0	0	0	24
<b>Total operating expenses</b>	<u>919</u>	<u>25,148</u>	<u>129</u>	<u>68</u>	<u>78</u>	<u>(19)</u>	<u>93,024</u>
<b>Operating income (loss)</b>	<u>(62)</u>	<u>(11,086)</u>	<u>41</u>	<u>(6)</u>	<u>25</u>	<u>95</u>	<u>(4,103)</u>
<b>Nonoperating revenues (expenses):</b>							
Interest expense	0	0	0	0	0	0	(2,896)
Other expenses	0	0	0	0	0	0	(380)
<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>(3,276)</u>
<b>Net income (loss)</b>	<u>(62)</u>	<u>(11,086)</u>	<u>41</u>	<u>(6)</u>	<u>25</u>	<u>95</u>	<u>(7,379)</u>
Transfers in	0	0	0	0	0	0	(1,113)
Transfers out	0	0	0	0	0	0	(3,896)
<b>Net change in net assets</b>	<u>(62)</u>	<u>(11,086)</u>	<u>41</u>	<u>(6)</u>	<u>25</u>	<u>95</u>	<u>(12,388)</u>
Total net assets - beginning	8	(35,906)	135	25	149	258	(27,015)
Revisions to beginning net assets	(1)	(1)	0	0	0	0	6
Total net assets - beginning (restated)	<u>7</u>	<u>(35,907)</u>	<u>135</u>	<u>25</u>	<u>149</u>	<u>258</u>	<u>(27,009)</u>
<b>Total net assets - ending</b>	<u>\$ (55)</u>	<u>\$ (46,993)</u>	<u>\$ 176</u>	<u>\$ 19</u>	<u>\$ 174</u>	<u>\$ 353</u>	<u>\$ (39,397)</u>

**STATISTICAL  
SECTION**

State of Kansas  
**Statistical Section**  
June 30, 2008

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	135
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>	145
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>	147
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>	149
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>	151
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, 2008

**Financial Trends**  
**Net Assets by Fund Type**  
**Last Seven 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, 2008

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

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

State of Kansas  
**Statistical Section**  
June 30, 2008

**Financial Trends**  
**Changes in Net Assets, Last Seven 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, 2008

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

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

State of Kansas  
**Statistical Section**  
June 30, 2008

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**Financial Trends**  
**Revenues and Other Changes in Net Assets**  
**Last Seven Fiscal Years**  
*(Expressed in thousands)*

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		2002	2003	2004
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, 2008

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**Financial Trends**  
**Revenues and Other Changes in Net Assets**  
**Last Seven Fiscal Years**  
*(Expressed in thousands)*

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2005	2006	2007	2008	
				50
				51
\$ 666,698	\$ 548,725	\$ 593,229	\$ 613,222	52
2,385,369	2,866,019	3,210,696	3,431,970	53
2,660,026	2,789,933	2,863,794	2,949,551	54
127,336	132,928	134,872	138,094	55
26,401	61,617	106,727	35,563	56
275,320	244,009	218,482	75,443	57
77,383	0	0	0	58
0	66,868	69,881	78,160	59
\$ 6,218,533	\$ 6,710,099	\$ 7,197,681	\$ 7,322,003	60
				61
29,507	37,446	45,914	44,956	62
55,757	35,972	31,624	33,014	63
(77,383)	(66,868)	(69,881)	(78,160)	64
7,881	6,550	7,657	(190)	65
\$ 6,226,414	\$ 6,716,649	\$ 7,205,338	\$ 7,321,813	66

State of Kansas  
**Statistical Section**  
June 30, 2008

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

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

State of Kansas  
**Statistical Section**  
June 30, 2008

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

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

State of Kansas  
**Statistical Section**  
June 30, 2008

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**Changes in Fund Balances, Governmental Funds**  
**Last Seven 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)	<u>177,028</u>	<u>161,081</u>	<u>309,115</u>
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	<u>73,861</u>	<u>92,026</u>	<u>73,448</u>
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	<u>0</u>	<u>45,710</u>	<u>0</u>
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, 2008

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

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

State of Kansas  
**Statistical Section**  
June 30, 2008

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

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

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

State of Kansas  
**Statistical Section**  
June 30, 2008

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

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

State of Kansas  
**Statistical Section**  
June 30, 2008

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

State of Kansas  
**Statistical Section**  
June 30, 2008

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

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

State of Kansas  
**Statistical Section**  
 June 30, 2008

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

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<b>Year</b>	<b>Population</b> (1)	<b>Per Capita Personal Income</b> (2)	<b>Median Age</b> (3)	<b>Education Level in Years of Formal Schooling</b> (4)	<b>K to 12 Public School Enrollment</b> (4)	<b>Unemployment Rate</b> (5)
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	2,775,997	36,483	36.70	-	465,135	4.8%
2008	2,802,134	(6)	(6)	-	471,263	4.4%

**Data Sources:**

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

State of Kansas  
**Statistical Section**  
June 30, 2008

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

Employer	2008			2000*		
	Local/Total Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State Government (excludes Regents)	22,375 / 22,375	1	1.57%	30,164	1	2.26%
Sprint	12,259 / 60,000	2	0.86%	23,197	2	1.74%
KU and KUMC	12,125 / 12,125	3	0.85%			
Embarq Corp.	11,964 / 18,000	4	0.84%			
Via Christi Regional Medical Ctr.	9,413 / 11,000	5	0.66%			
Cessna Aircraft Co.	8,000 / 44,000	6	0.56%	10,100	4	0.76%
Spirit Aerosystems Inc.	8,000 / 237,000	7	0.56%			
Hawker Beechcraft Corp.	7,000 / 7,000	8	0.49%	4,678	8	0.35%
Royal Caribbean Cruises Ltd.	4,900 / 46,543	9	0.34%			
United Parcel Service	4,000 / 425,300	10	0.28%			
University of Kansas Hospital				4,540	9	0.34%
Boeing Company	-	-	-	15,300	3	1.14%
Raytheon Aircraft Company	-	-	-	8,100	5	0.61%
IBP, Inc.	-	-	-	6,000	6	0.45%
Farmland Industries	-	-	-	5,850	7	0.44%
Southwestern Bell Telephone	-	-	-	4,500	10	0.34%
	-	-	-			
<b>Total</b>	<b>100,036 / 883,343</b>		<b>7.01%</b>	<b>112,429</b>		<b>8.43%</b>

Source: Dun & Bradstreet Corporation, Million Dollar Databases 2008 for current fiscal year and Marketplace Directory April - June 1999 for fiscal year 2000 annual financial report (\*earliest information reported). The base used to calculate the percentage is the average number of the total employment in FY08 from the Department of Labor website at <http://www.dol.ks.gov>.

State of Kansas  
**Statistical Section**  
June 30, 2008

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

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	<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
1	General Government	5,388	5,429	5,494	5,465	5,541
2	Public Safety	4,861	4,896	4,957	5,045	5,064
3	Education	18,183	18,288	16,421	16,406	16,305
4	Transportation	3,140	3,112	3,220	3,248	3,248
5	Agriculture and Natural	1,196	1,199	1,211	1,194	1,278
6	Resources					
7	Human Resources	9,177	8,609	8,675	8,472	8,730
8	Total	41,945	41,533	39,978	39,830	40,166

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

State of Kansas  
**Statistical Section**  
June 30, 2008

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

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<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	
5,551	5,518	5,745	5,843	5,659	1
5,083	5,083	5,114	5,102	5,111	2
16,452	15,901	15,562	16,770	17,076	3
3,248	3,248	3,252	3,238	3,238	4
1,286	1,281	1,287	1,266	1,271	5
					6
8,729	8,426	8,189	8,191	8,160	7
<u>40,349</u>	<u>39,457</u>	<u>39,149</u>	<u>40,410</u>	<u>40,515</u>	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**

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Legislative Post Audit Committee  
Kansas State Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (State) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 16, 2009. We did not audit the financial statements of the various component units of the six state universities which represent 53 percent and 30 percent, respectively, of the assets and revenues of the aggregate discretely presented component units, the Kansas Technology Enterprise Corporation (KTEC) which represents less than 1 percent of the assets and revenues of the aggregate discretely presented component units, and the College Savings Program (a State Fiduciary Fund) which represents 7 percent and 8 percent, respectively of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities and the KTEC in the aggregate discretely presented component units, and the College Savings Program in the aggregate remaining fund information, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits of the various component units of the six state universities and the College Savings Program were not conducted in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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

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

January 16, 2009  
Wichita, KS