

State of Kansas
Notes to the Financial Statements
June 30, 2008

III. Detailed Notes On All Funds

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 th 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
	<u>3,000</u>	<u>469,868</u>	<u>465,536</u>	<u>7,332</u>
Total short-term obligations	<u>\$ 3,000</u>	<u>\$ 469,868</u>	<u>\$ 465,536</u>	<u>\$ 7,332</u>

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later than June 30, immediately following the issuance of the indebtedness. No interest is accrued or paid. A Certificate of Indebtedness of \$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 27th 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
Governmental Activities									
<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 st Lien 2005B Turbo	2006	3.75%	2012	36,281	33,387	0	25,139	8,248	0
1 st Lien 2005C Turbo	2006	3.85%	2013	12,409	12,409	0	0	12,409	0
2 nd 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
Business-type Activities									
<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>\$ 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
Revenue bonds payable:									
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
Plus deferred amounts:									
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
Notes payable:									
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

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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	<u>2,726,970</u>	<u>1,188,960</u>	<u>677,472</u>	<u>270,480</u>	<u>692,025</u>	<u>300,596</u>
<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	<u>185,924</u>	<u>93,190</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<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	<u>17,597</u>	<u>8,872</u>	<u>0</u>	<u>0</u>	<u>119,073</u>	<u>65,368</u>
Capital leases payable	140,106	57,370	0	0	15,019	4,275
<u>Long-term debt without scheduled debt service:</u>						
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
Total long-term obligations	<u>\$ 3,292,004</u>	<u>\$ 1,348,392</u>	<u>\$ 899,841</u>	<u>\$ 270,480</u>	<u>\$ 1,006,869</u>	<u>\$ 370,239</u>

III. Detailed Notes On All Funds

General Obligation Bonds

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

Revenue Bonds

The Kansas Development Finance Authority (KDFA) was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses. The KDFA has issued numerous outstanding series of bonds. 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

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 J, Long-term Obligations - Primary Government, Governmental Funds and Section I, Short-term Obligations.

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal Government over the past 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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III. Detailed Notes On All Funds

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>\$ 75,803</u>
Rent expenditures/expenses for operating leases for the year ended June 30, 2008	<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>

Master Lease Purchase Program

III. Detailed Notes On All Funds

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
Governmental Activities			
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	<u>\$ 577,770</u>	<u>\$ 27,770</u>	<u>\$ 550,000</u>
Business-type Activities			
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	<u>\$ 176,275</u>	<u>\$ 16,110</u>	<u>\$ 160,165</u>

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.

Component Unit

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III. Detailed Notes On All Funds

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 to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable (expressed in thousands).

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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 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

III. Detailed Notes On All Funds

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.