

STATE OF KANSAS
Department of
Administration



Division of Accounts & Reports

ANNUAL FINANCIAL REPORT

A handwritten signature in cursive script, appearing to read "Dan Stanley".

Dan Stanley
Secretary

A handwritten signature in cursive script, appearing to read "Dale Brunton".

Dale Brunton
Director

July 1, 1999 to June 30, 2000

STATE OF KANSAS

Department of
Administration



Dan Stanley

Secretary
of
Administration

Dale Brunton

Director
Accounts & Reports



State of Kansas
Fiscal Year 2000 Financial Report
June 30, 2000

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INTRODUCTION





DEPARTMENT OF ADMINISTRATION

Division of Accounts and Reports

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October 27, 2000

The Honorable Bill Graves, 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 forty-seventh Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2000, as provided by Kansas Statutes Annotated (K.S.A.) 75-3735. 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 operations of the various funds and the general long-term obligations account group of the State of Kansas on a modified cash basis of accounting. All necessary disclosures to enable the reader to understand the State's financial activities have been included.

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, the combined financial statements and notes. The Statistical Section includes unaudited tables and financial trend information.

The State's combined financial statements include the funds and accounts of all organizational units of the State except student union, athletic, cafeteria, foundation and endowment funds, district court funds and the Kansas Turnpike Authority, which are outside the State Treasury. Note I.A. to the financial statements explains more fully which financial activity is excluded and the criteria used to define the State reporting entity.

ECONOMIC CONDITIONS

According to the Kansas Department of Human Resources, the number of employed residents in the State of Kansas reached a new all-time high of 1.4 million during June 2000. The two broad classifications of employment, goods producing industries and service producing industries, both showed increases in employment when compared to June 1999. The top 25 Kansas companies for 1997, ranked by the number of full-time employees, is shown in the Statistical Section of this report. The State's unemployment rate was 3.4 percent during June 2000. The actual number of unemployed persons was estimated to be fifty thousand. The seasonally adjusted national unemployment rate for June was 4.0 percent.

The Kansas Department of Commerce and Housing reports that living in Kansas for our 2.6 million citizens, as of July 1, 1999, is fairly inexpensive when compared to the national average. Not only do Kansans enjoy a high quality of life, but we also have one of the lowest cost of living indexes in the United States. In 1999, our state ranked 35th in the nation and is rated 93 when compared to the national average of 100.

The University of Kansas Institute for Public Policy and Business Research reports in the Kansas Economic Outlook, dated October 1999, that “growth slowed in 1999 and 2000 when compared to the previous two years.” Non-farm jobs are expected to grow at a slower rate. Nominal personal income growth also shows a reduced rate of increase. Labor shortages in the state are slowing growth and pushing wages up for many workers. While Kansas will continue on a solid growth path, expected higher interest rates will probably slow growth in the coming months. Overall the Kansas economy is expected to remain quite strong for the foreseeable future.

SERVICE EFFORTS AND ACCOMPLISHMENTS

Kansas Savings Incentive Program

The Kansas Savings Incentive Program (KSIP) was established by the 1998 session of the Legislature for all State agencies. This program allows agencies to use up to 50.0 percent of prior year operating expense savings as current year money for the purposes of purchasing technology equipment, providing professional development training for employees and employee bonuses. KSIP was reauthorized by the 2000 Legislature providing for both the reappropriation of the prior fiscal year unexpended balances of KSIP accounts and the appropriation of 50.0 percent of the fiscal year 2000 (FY 2000) savings.

Agency Service Efforts and Accomplishments

Agencies have established criteria for measuring their service efforts and what they have accomplished. The Department of Education, Juvenile Justice Authority, Department of Health and Environment, University of Kansas Medical Center, and Department of Social and Rehabilitation Services were selected to demonstrate some of the accomplishments of the State government in fiscal year 2000. These agencies have provided information concerning some of their Children’s Initiatives programs.

Department of Education

- ***Funding Increases Approved by the Legislature for Public Education***

Half-Day Early Childhood Program for Four-Year-Old At-Risk Children

It is generally accepted that early childhood education improves the cognitive performance of children in poverty. Early childhood education is found to produce persistent effects on achievement and academic success for children that exhibit at-risk factors. Differences in the amount of experiences children from welfare, average working class, and professional families encounter are profound. Children from enriched environments are able to add skills and knowledge more quickly than children from less enriched environments. The result is an achievement gap that increases through successive years of school.

Children who have high-quality preschool experiences have much less difficulty learning than children who have not been exposed to early education. When all children are enrolled in high-quality early education programs prior to entering elementary school, the chance for academic success is much greater.

The 1998 Legislature amended the state’s school finance formula to provide early childhood learning services to 1,350 four-year-old at-risk students at a cost of \$3 million. An additional \$1 million was recommended by the Governor and approved by the Legislature to extend services to an additional 444 students in FY 2000.

Kansas At-Risk Pupil Assistance Program

The purpose of the Kansas At-Risk Pupil Assistance Program is to provide opportunities and services to at-risk students to increase their academic achievement. As part of the school finance formula, weighted enrollment funds are available

to all school districts for implementing programs and services for at-risk students. Examples of possible at-risk programs include: extended school year programs, extended day programs, alternative schools, dropout prevention programs, tutorial programs and accelerated learning programs. For FY 2000, the Legislature approved increasing the weighted factor for at-risk students from 8 to 9 percent, at a cost of \$4.1 million.

Parent Education Program

The underlying premise of the Parent Education Program is that new parents can be assisted in their role as their children's first teacher. The program helps parents work with their child as he/she grows and develops. The purpose is to lay a strong foundation for learning, thus preparing the child to enter school. Parents voluntarily enroll in this program and participate on a first come-first serve basis without consideration to income. The program serves parents with children up to three years of age.

Delivered by trained parent educators, the program centers around personal visits with parents and their children, preferably in the home, a practice which allows parent educators to tailor educational guidance to each family. Parent educators observe parent-child interaction, provide timely information on the child's development, and respond to each parent's concern. Parent educators are trained to screen for vision, hearing and developmental delays and to suggest resources for follow-up if problems surface.

For FY 2000, the Legislature approved an increase of \$777,833, for a total of \$5,444,833, to fund the Parent Education Program. This increase allowed an additional 1,123 families to be served.

School Violence Prevention

For FY 2000, the Legislature appropriated \$500,000 to address violence prevention by providing children with mental health/support services in the school setting. To be eligible, school districts must collaborate with community mental health systems in the care and guidance of students. It is designed to reduce school violence, substance abuse, and the number of dropouts and delinquency. Wraparound services may include attendant care, case management, respite care, family therapy, psychiatric care, outpatient therapy and parent support. During the first year of this program, grants were awarded to eight school districts or cooperatives.

- ***Unified School Districts***

ACT National College Entrance Test Scores

Kansas high school students continue to score above the national averages on the ACT national college entrance exam. In 2000, the composite score for Kansas students taking the test was 21.6 which tops the national average of 21.0. Kansas' results were even more impressive when compared to other states. This year 77 percent of Kansas seniors took the test and no other state with the same or greater percentage of students taking the test scored higher. In addition, three Kansas students earned a top composite score of 36 on the ACT. Nationally, only 131 of the 1,065,138 students taking the test earned this distinction.

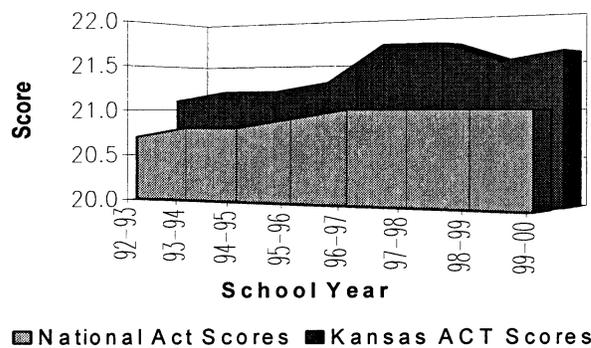
Kansas ACT Scores

Year	Number	English	Mathematics	Reading	Science	Composite
1999-00	24,049	21.0	21.2	22.1	21.6	21.6
1998-99	23,210	21.0	21.0	21.9	21.4	21.5
1997-98	22,305	21.1	21.4	22.1	21.7	21.7
1996-97	21,162	21.1	21.1	22.2	21.8	21.7
1995-96	19,728	20.9	20.3	22.0	21.6	21.3
1994-95	20,274	20.7	20.3	21.9	21.5	21.2
1993-94	18,823	20.7	20.2	21.8	21.4	21.2
1992-93	17,909	20.7	20.3	21.7	21.3	21.1

National ACT Scores

Year	Number	English	Mathematics	Reading	Science	Composite
1999-00	1,065,138	20.5	20.7	21.4	21.0	21.0
1998-99	1,019,053	20.5	20.7	21.4	21.0	21.0
1997-98	993,039	20.4	20.8	21.4	21.1	21.0
1996-97	959,301	20.3	20.6	21.3	21.1	21.0
1995-96	924,663	20.3	20.2	21.3	21.1	20.9
1994-95	945,369	20.2	20.2	21.3	21.0	20.8
1993-94	891,714	20.3	20.2	21.2	20.9	20.8
1992-93	875,603	20.3	20.1	21.2	20.8	20.7

Composite ACT Scores



SAT National College Entrance Test Scores

Kansas continues to chalk-up impressive academic achievements, as evidenced by student scores on the SAT college entrance exam. In 2000, Kansas once again topped national averages on the test, which measures verbal and mathematical reasoning. This year, Kansas attained an average score of 574.0 on the verbal portion of the test, as compared to the national average of 505.0. Kansas scored 580.0 on math – well above the national average of 514.0. Four Kansas students received the highest possible score of 800 on both the verbal and mathematics portion of the test. Nationally, 730 of the 1,220,000 high school graduates taking the test scored 800 on both segments of the test.

Kansas Assessments

K.S.A. 72-6439 charges the Kansas Board of Education with providing for testing at three grade levels in the core academic areas of mathematics, reading, science, social studies and writing. Reading and mathematics are tested every year, while the writing test is alternated each year with science and social studies. An alternate assessment for students with exceptionalities that make them unable to participate in the regular assessment program will begin next year.

This year, Kansas students took newly developed assessment tests. Because this is the first year for this round of tests, the scores represent baseline scores and no comparisons to previous years can be made. Students scored well in reading. The average score for all fifth grade students on the reading assessment was 81.2, for all eighth graders the average score was 81.4. Among eleventh graders participating in the reading assessment, the average score was 79.6.

In math, Kansas fourth graders had an average score of 53.8, while seventh graders had an average score of 50.3. Among tenth graders participating in the math assessment, the average score was 46.5. In writing, no state averages are available because the method of administration varies from district to district. Averages are determined for groups with like administration methods. At grade 5, the average writing score ranged from 2.77 to 3.28 on a 5-point scale, depending on the method of administration. Among eighth graders, the average score on the writing assessment ranged from 2.93 to 3.52, depending on the method of administration. Eleventh grade students participating in the writing assessment had an average score ranging from 3.10 to 3.49, depending on the method of administration.

National Recognition of Educational Excellence

Frontier Trail Junior High School in Olathe, USD 233, was named a National Blue Ribbon School for the 1999-2000 Secondary School Recognition Program. The Blue Ribbon Schools Program identifies and publicly recognizes outstanding public and private schools that are unusually effective in meeting local, state and national goals and in educating all of their students. Established in 1982, the program recognizes elementary and secondary schools in alternate years. The U.S. Department of Education sponsors this program.

Northeast Magnet High School in Wichita, USD 259, was designated a 1999 New American High School by the U.S. Department of Education in November 1999. The New American High Schools initiative recognizes leading-edge high schools across the nation that have dramatically improved the quality of education for all students. New American High Schools overall achieve higher college attendance rates, higher SAT and state test scores, higher graduation rates and lower dropout rates than most of the nation's schools.

Olathe, USD 233, was one of four school districts and three schools nationwide recognized by the U.S. Department of Education's National Awards Program for Model Professional Development in August 1999. The award recognizes efforts to improve teachers' knowledge and raise student achievement.

Norman D. Conard, a social studies teacher at Uniontown High School, USD 235, was one of 20 teachers nationwide named a First Team All American Teacher by USA Today in October.

Rhonda Holt, physical education teacher at Peterson Elementary School in Wichita, USD 259, was named the 2000 National Physical Educator of the Year. The award is presented by the National Association for Sport and Physical Education. Rhonda was cited for her outstanding teaching performance at the elementary school level and her ability to motivate today's youth to participate in a lifetime of physical activity.

Dr. Milton Pippenger, superintendent for USD 457, Garden City, was one of four finalists for the National Superintendent of the Year distinction. He is the first Kansan to be named a finalist for the honor. The National Superintendent of the Year was established in 1988 to recognize superintendents who demonstrate all-around outstanding leadership. All 50 states are eligible for the honor. From that pool, four finalists are selected.

Ron Poplau, a sociology and community services teacher at Shawnee Mission Northwest High School, USD 512, was inducted into the National Teachers Hall of Fame in June 1999. Inductees to the Hall of Fame must exhibit depth and breadth of knowledge of teaching and demonstrate application of that knowledge in the classroom. Other considerations in selecting inductees to the Hall of Fame include the philosophies and principles which guide the nominee's teaching, verification of contributions to the education of children, humanitarian service and contributions to society.

Melanie A. Campbell, a fourth grade teacher at West Indianola Elementary School in Topeka, USD 345, serves on the National Assessment Governing Board. The 25-member board formulates policy for the National Assessment of Educational Progress (NAEP), the only national representative and continuing assessment of what students should know and be able to do in various subjects. Campbell was appointed to a three-year term on the board in 1998 by U.S. Secretary of Education Richard W. Riley.

Kansas had 179 high school students named National Merit semifinalists this year. Nationally, 16,000 high school students were named semifinalists. The initial screening for selection of semifinalists was based on the students' scores on the 1999 Preliminary SAT/National Merit Scholarship Qualifying Test, which is taken by students in their junior year of high school.

Amber M. Sheeley, of Atchison County Community High School in Effingham, USD 377, and Elisha F. Ray-Sims, of Bishop Ward High School in Kansas City, were recipients of the 2000 Horatio Alger National Scholarship Award. The Horatio Alger Association of Distinguished Americans offers three different levels of scholarships for high school seniors from every state, the District of Columbia and Puerto Rico – National Scholars (\$10,000), State Scholars (\$1,500), and Student Achievement Scholars (\$500). The scholarships are awarded to students with critical financial need who have overcome challenges; excelled in academics, extra-curricular activities, and community service; and have exhibited the potential and aspiration to make a unique contribution to society.

The Destination ImagiNation team from Herndon High School, USD 317, earned a second-place award in the 2000 Destination ImagiNation Global Finals held in Ames, Iowa, in May 2000. Destination ImagiNation is a school-based and community-based program that offers students the chance to develop problem-solving skills they will use in their professional and personal lives. The six students on Herndon High's team competed against 39 other teams, representing 31 states, five foreign countries and two Canadian provinces.

Students competing in the National History Day competition from Uniontown High School, USD 235, garnered national attention for their performance of "The Holocaust and Life in a Jar." The presentation depicted the amazing life story of Irena Sendler, a woman responsible for saving the lives of 2,500 Jewish children during World War II, before being arrested, tortured and sentenced to die.

Accomplishments on Educational Indicators

Of the 36,395 currently-employed teachers in Kansas, 14,099 hold advanced degrees.

The student/teacher ratio in Kansas is 14.6 to 1, compared to 16.2 to 1 nationally. Kansas ranks 16th in the nation on student/teacher ratio.

High School Completion Rates

The importance of a high school education has changed dramatically over the last century in the United States. A high school degree was considered a valued asset in the labor market in the 1950s. However, in recent years, advances in technology have fueled the demand for a highly skilled labor force to the point where a high school degree now serves more as a minimum for entry into the labor force.

According to data maintained by the National Center for Education Statistics, a higher percentage of students in Kansas continue to earn their high school degree, or equivalent credential, as compared to their counterparts across the nation.

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Kansas	91.4%	90.9%	92.2%	91.5%	91.5%
Nationally	85.8%	85.3%	86.2%	85.9%	84.8%

Kansas Juvenile Justice Authority

- ***State-Funded Delinquency Prevention Programs***

In FY 2000, Juvenile Justice Authority (JJA) was appropriated \$5 million for prevention programs that were identified by local community planning teams in 1998. Each team was comprised of at least 19 people representing education, courts, social services, the religious community, business leaders, and others. Their research into the risk factors that contribute to juvenile crime was based on the internationally known Communities That Care model, developed at the University of Washington at Seattle.

In late 1999, communities received funding for more than 100 new prevention and early intervention programs. Some of the programs will reach a wide range of young people, but most are targeted toward children and youth that are most at risk for juvenile delinquency: youth who have no supervision or adult support after

school, those who have shown a propensity toward missing school and truancy, and those who may be beginning to abuse alcohol or drugs.

In addition to JJA's planning for prevention programs over the last two years, the Prevention Council, under the leadership of JJA Commissioner Albert Murray and Janet Schlanksy, Secretary of the Department of Social and Rehabilitation Services, set goals for all Kansas agencies to meet with regard to prevention. The Governor's Substance Abuse Prevention Council, appointed in October 1999, also includes representation from the Departments of Corrections, Health and Environment, Transportation, the Attorney General's office and others. The inter-governmental agency is designed by Governor Graves to make the best use of tax resources by ensuring that prevention efforts in different arenas, such as schools, social services and the juvenile justice system, are cohesive and congruent. Goals set by the Prevention Council are:

- Reduce the risks for problem behaviors by strengthening protective factors in community, family, peer group and schools
- Using research, effective use financial and other resources to reduce alcohol, tobacco and other drug abuse and related problems
- Strengthen Kansas communities through assessment, planning, action and advocacy for children

An overview reveals certain trends in the types of programs that are being funded with this statewide effort. Note that each is endorsed by a local juvenile corrections advisory board and administrative county, and based on local research and consensus as to what community priorities are. The following is a breakdown of the most popular types of programs, listed by type and judicial district:

- Prevention and early intervention at Juvenile Intake and Assessment Centers
 - School based intervention: includes Truancy Prevention and early intervention
 - Parenting Education programs for both targeted and general population
 - Youth Courts
 - Mentoring (weekend and after-school mentoring and tutoring youth by volunteers)
 - Early childhood education (including Home Visitation/Education and early identification of needs for families with children from birth to five years old)
- ***Prevention Programs Funded through Other Sources***

In addition to the more than 100 new prevention and early intervention programs, JJA also disseminates grants to local communities from the Juvenile Delinquency Prevention Trust Fund. The Juvenile Delinquency Prevention Trust Fund, which includes revenues from a portion of the court docket fees throughout the state, is used to promote improvements in the juvenile justice system and community based strategies for the reduction of juvenile delinquency and related problems. As in every grant given through the agency, programs funded through JJA must address risk factors identified in the community plans submitted to JJA in 1998. Approximately \$500,000 in grants were awarded in March 2000.

Additional grants were awarded with federal money. Some of the following programs are included:

- Title II funds: 19 programs (\$777,106)
- Title II Accountability based sanctions: 5 programs (\$156,219)
- Title V prevention funds: 12 programs (\$617,000)
- Native American tribes: 4 programs (\$30,000)
- Challenge grants: 10 programs (\$63,000)
- Special programs from a combination of funds: 5 programs (\$291,172)
- Innovative Local Law Enforcement Community Policing: 9 programs (\$273,099)

These programs will offer support to:

- Counsel truants and offer therapy and intervention for families whose children are showing patterns of truancy or school behavior problems
- Provide treatment and monitoring of youth adjudicated on drug charges
- Provide Alternative Schools for students who are disruptive in the classroom or have been suspended or expelled
- Give home visitation by nurses or social services to families with newborns who wish to receive services and parenting education
- Mentorship programs that pair an adult role model with a young person
- Provide Victim-Offender Reconciliation Mediation Programs that bring together juvenile offenders and their victims and facilitate juveniles making restitution and apology to their victims
- Provide specialized programs such as Anger Management training to juveniles and their families

Department of Health and Environment

- ***Healthy Start/Home Visitor***

The Kansas Healthy Start Home Visitor Program began in 1977 as a pilot in eleven Kansas counties. Children's Initiatives Funds in FY 2000 of \$250,000 allowed the program to expand statewide and serve the final five unserved counties. The Healthy Start program visits about 16,000 families per year providing training in parenting skills and promoting better prenatal care, to name just two objectives. Studies have shown this program with its professional and paraprofessional staff encouraging client-based, positive relationships with families as an effective and efficient method to reach high-risk or at-risk families. Total funding for this program from all sources was nearly \$1.2 million in FY 2000.

- ***Infants and Toddlers Program***

This program helps 37 community-based interagency networks identify infants and toddlers (under age three) with developmental delays or disabilities and provide services for those children who transition to educational institutions at age three. In fiscal year 2000, \$500,000 of Children's Initiative Funds were added bringing the total spent on this program from all funds (including the State General Fund and federal funds) to a total of nearly \$6 million. Nearly 4,000 children are assisted with this funding.

- ***Newborn Screening***

The Newborn Screening Program, which received \$260,000 of Children's Initiatives Funds in fiscal year 2000, evaluates specimens for genetic diseases from approximately 40,000 infants each year. If undetected and untreated in the early stages of infancy, these diseases could result in mental retardation or other serious adverse health effects. Accurate and rapid identification of these at-risk infants in a timely manner is critical. These funds provided for the purchase of new instrumentation, which allowed KDHE to improve neonatal screening technology to prevent these diseases. The benefits of this improved technology are readily apparent as more rapid, reliable, and specific test results are produced.

- ***Immunization***

Children's Initiatives Funds provided \$250,000 in fiscal year 2000 to increase childhood access to Hepatitis B vaccine through an expanded provider base. For FY 2000, approximately 9,240 children received the

three-doses necessary to complete the prescribed dosage for the prevention of Hepatitis B. This program provides free vaccines for children on Medicaid, Native Americans and those who have no insurance whatsoever.

University of Kansas Medical Center

Tele-KidCare®

Tele-KidCare®, an innovative project jointly sponsored by the University of Kansas Medical Center and USD 500, was created to remove the barriers that routinely prevent access to health care. These barriers include hurdles such as transportation, language, and depressed socio-economic status. Utilizing PC-based telemedicine technology, KUMC's Tele-KidCare® project links physicians and children for clinical visits from the school nurse's office to the doctor's office.

Recently, the State of Kansas has approved funding for this program to expand across the state. During FY 2001, \$250,000 will be provided to initiate Tele-KidCare® services in three Kansas communities. The proposal suggests that Tele-KidCare® be implemented in one urban and two rural communities. The specific locations have not yet been determined.

This outstanding program was recognized this spring by being nominated for the prestigious Computerworld Smithsonian Award. This yearly award honors programs that demonstrate how information technology is being used to improve society. In addition, Tele-KidCare® has recently been notified that it is a semi-finalist for the US Department of Health and Human Services Models That Work Campaign.

During the first two years, a federal research grant enabled Tele-KidCare® to more than double in size to nine schools; subsequent local community support allowed the project to expand to two additional schools. Tele-KidCare® is currently represented in 11 schools in the USD 500 district. This growth represents an increase of direct access to health care from 2,100 to 5,800 school children. While the four original sites were all elementary schools, the current 11 sites represent seven elementary schools, three middle schools, and one high school.

During the pilot phase of the study, from March to May 1998, 187 consults from the four schools took place for a variety of reasons ranging from ear infections to strep throat and respiratory problems to rashes. In addition, school children have access to behavioral and mental health services that they would normally have to wait weeks to receive. At the end of the 1999-2000 academic year, nearly 900 Tele-KidCare® consults have occurred.

The continuation and expansion of the Tele-KidCare® project in Wyandotte County has been made possible in part due to grants from the Technologies Opportunities Program, National Telecommunications and Information Administration, U.S. Department of Commerce; Southwestern Bell; and The Wyandotte Health Foundation.

Further information regarding the Tele-KidCare® program, as well as a video showing Tele-KidCare® in action, can be accessed at the program's web site located at www2.kumc.edu/telemedicine/telekid.htm.

Kansas Department of Social and Rehabilitation Services

- ***HealthWave***

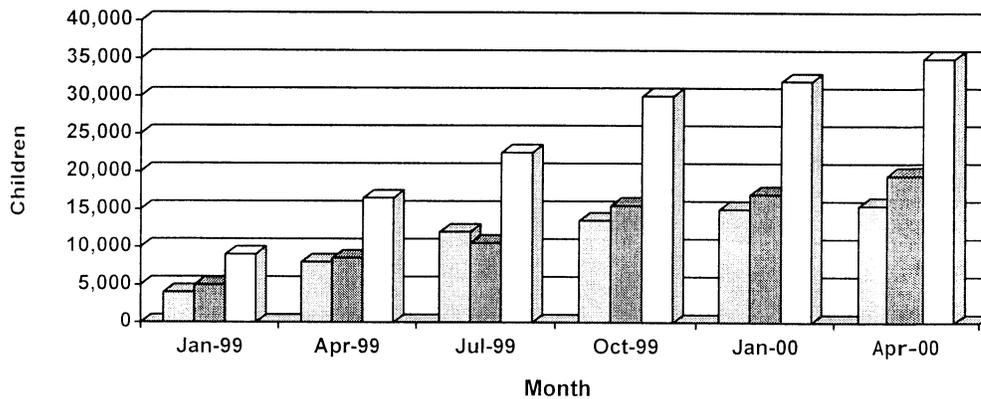
The Balanced Budget Act of 1997 created the State Children's Health Insurance Program (SCHIP) designed to provide health insurance to low-income uninsured children. States had the option of expanding their Title XIX (Medicaid) program, designing a separate state program or combining the two. The Kansas Legislature,

in 1998 Senate Bill 424, chose to create a separate state program. The program was designed and implemented on January 1, 1999 under the name *HealthWave*.

HealthWave provides comprehensive health insurance coverage to children under age 19 whose family income does not exceed 200 percent of the federal poverty level (FPL). Benefits include physical health, dental, mental health and substance abuse services for children. Families may be required to pay a \$10 or \$15 monthly premium based on their income but there are no other copayments or deductibles. A simplified, joint *HealthWave*/Medicaid application is utilized to enroll families who may complete the process through the mail. A toll-free phone line is available for extended hours and on weekends to request applications or ask questions. By Federal law, all children applying for *HealthWave* must be screened for Medicaid eligibility and enrolled in the appropriate program based on the child's age and family income. Both programs provide the same benefit package although services may be delivered through different systems.

Kansas has been successful in enrolling thousands of previously uninsured children. As of May 2000, there were 16,695 children in *HealthWave* and an additional 19,087 Medicaid eligible children. Original federal estimates indicated that there were 60,000 uninsured children under 200 percent of the federal poverty level in Kansas. This number includes both SCHIP and Medicaid eligible children. For FY 2000, estimated expenditures for *HealthWave* enrolled children and additional Medicaid eligible children totals \$48.2 million, of which \$16.3 is from the State General Fund. The chart shows the number of children determined to be eligible for Title XIX through the *HealthWave* application process for the period from January 1999 to April 2000.

Children's Health Insurance Coverage Enrollment



□ Title XXI (HealthWave) Children ■ Title XIX (Medicaid) Children* □ Total

FINANCIAL INFORMATION

Kansas has a centrally-maintained computerized double-entry accounting system. Management of the State 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 judgements 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 Revenues, Capital Projects, 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 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 and designated fund balances in the financial statements included in this report.

COMBINED GOVERNMENTAL FUNDS OF THE STATE

The combined governmental funds of the State consist of the State General Fund, Special Revenue Funds and Capital Projects Funds. These funds encompass the broad activities of State government. The economic condition of the State is reflected in revenues and expenditures of the combined governmental funds.

The combined governmental funds revenues increased by \$412.6 million or 5.5 percent from fiscal year 1999 with the majority of the increase reflected in additional federal funding in various areas including children's health, childcare, foster care, child support, medical services and temporary assistance to needy families as well as increases in State General Fund taxes due to economic growth.

Expenditures of combined governmental funds increased by \$453.1 million or 5.8 percent over fiscal year 1999, \$40.5 million more than the increase in revenues. The majority of the increases are in the Education function and the Human Resources function. The increase in the Education function is for aid to local school districts and reflects changes in the school finance formula to reduce local motor vehicle and property tax rates combined with slight increases in enrollment and the base state aid per student. The base state aid increased \$50 per student, from \$3,720 to \$3,770, which totals \$94.6 million of the increase. The increase in the Human Resources function is for additional services provided by the Department of Social and Rehabilitation Services that resulted from the additional Federal funding revenues.

Please note, although the above discussion addresses operating revenues and expenditures for the combined governmental funds, each fund is a separate accounting entity. Resources from one fund cannot be transferred to another fund unless authorized by statute.

STATE GENERAL FUND

The State General Fund is maintained to finance all authorized governmental activities not supported by special funds. Revenues not specified by law for special funds are deposited into the State General Fund. Disbursements from the State General Fund are authorized by legislative appropriation acts. The unencumbered fund balance available to finance succeeding fiscal year appropriations at June 30, 2000, decreased to \$337.5 million from \$478.0 million at June 30, 1999. Expenditures increased by \$211.2 million and revenues increased by \$198.9 million, which is an overall decrease of \$12.3 million in State General Fund operating dollars.

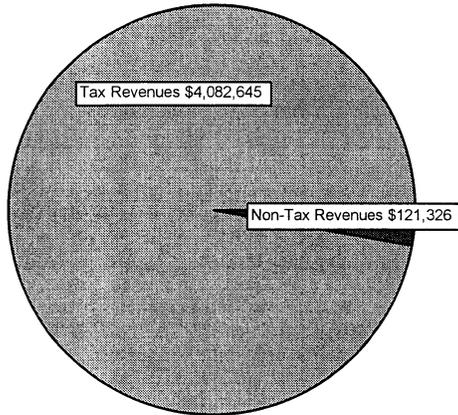
State General Fund revenues for fiscal year 2000 were \$4,203.9 million, an increase of \$198.9 million, or 5.0 percent. The major shift in State General Fund revenues was an increase in Individual Income, Corporate Income and Sales Taxes due to economic growth. Revenues from the severance tax, which is the tax paid by the person owning any property from which oil, gas, coal, or salt is extracted, increased \$12.0 million, or 5.0 percent. This revenue increase was due to economic growth and an increase in the cost of oil per barrel.

State General Fund expenditures for fiscal year 2000 totaled \$4,155.7 million representing an increase of \$211.2 million or 5.4 percent. Analysis of expenditures by function of government reveals \$123.5 million of the increase is related to aid to local schools districts due to changes in the school finance formula and increases in enrollments and the base state aid per student.

Total State General Fund Revenues \$4,203,971
(In Thousands)

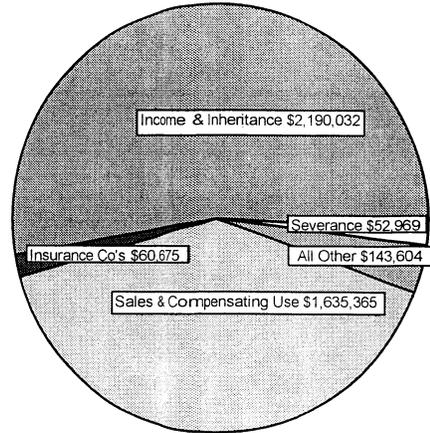
Total Revenue

\$4,203,971



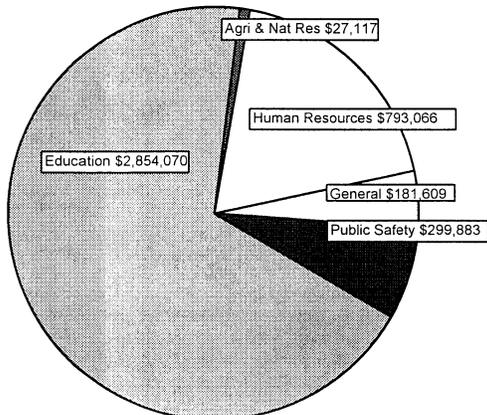
Tax Revenue

\$4,082,645

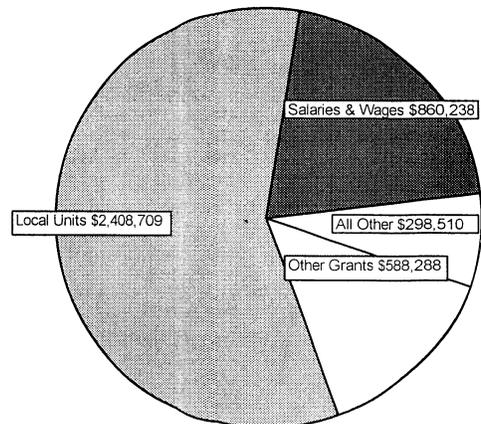


Total State General Fund Expenditures \$4,155,745
(In Thousands)

By Function



By Object



TRANSPORTATION FUNDS

Transportation funds consist of the State Highway Fund, Highway Bond Proceeds Fund, County Equalization and Adjustment Fund, Special City and County Highway Fund, Highway Bond Debt Service Fund, Rail Service Improvement Fund, Interagency Motor Vehicle Fuel Sales Fund, Public Use General Aviation Development Fund, and the Coordinated Public Transportation Assistance Fund. A comparative combined statement of revenues, expenditures and balances of these funds is presented in the Statistical Section. The Kansas Department of Transportation (KDOT) issues a separate audited comprehensive financial report which is available from the agency on request.

Revenues deposited in the transportation funds are generally restricted for financing the construction and maintenance of the State's transportation systems. Portions of the motor fuel taxes are distributed to counties and cities for the construction and maintenance of roads and bridges.

Fiscal year 2000 revenues to the transportation funds increased by \$62.8 million to a total of \$955.6 million. State sales and compensating use taxes, motor fuel taxes, and motor vehicle registration taxes collectively increased \$35.4 million primarily due to generally strong economic conditions and a rate increase of two cents per gallon for motor fuel taxes. Revenues from the use of money and property increased \$6.2 million due to the increasing size of the investment portfolio. The increase in revenues from gifts, donations, and federal grants of \$12.9 million reflects Federal reimbursements for an increased construction program.

Expenditures totaled \$1.1 billion, an increase of \$110.8 million. The increase in contractual services of \$13.1 million reflects a greater emphasis on contractual services for the Comprehensive Transportation Program. Scheduled principal payments on outstanding bonds increased \$13.2 million during the fiscal year. Shared revenues distributed to local units of government increased \$10.2 million primarily due to the local units' portion of increased shared revenues. The increase in expenditures for highways and bridges of \$61.6 million reflects an increase in the highway construction program for the fiscal year.

The net increase in Other Financing Sources (Uses) is a result of additional borrowings of \$327.3 million and a reduction in the sales tax demand transfer of \$27.2 million.

At June 30, 2000, indebtedness on highway revenue bonds and highway revenue refunding bonds issued in fiscal year 1992 through 2000 was \$1.1 billion. This debt is to be retired by fiscal year 2020.

EMPLOYMENT SECURITY

The Employment Security Fund was established by law as a special fund, separate and apart from all public moneys or funds of the State. The law mandates three separate accounts: (1) a clearing account, (2) an unemployment trust fund and (3) a benefit account. Deposits in this fund include contributions, interest earned on trust funds deposited in the U.S. Treasury, federal grants for unemployment benefits to federal employees and ex-military personnel, fifty percent of extended benefits, and other operating revenues. Funds are paid to regular recipients for a period up to twenty-six weeks. Extended benefits may be paid for an additional thirteen weeks during periods of high unemployment. Analysis of the Employment Security Fund transactions for fiscal year 2000 indicates that revenues increased by \$58.1 million due to the end of the Unemployment Insurance (U.I.) tax moratorium on December 31, 1999. Expenditures increased \$23.2 million along with a rise in the number of unemployment claims in fiscal year 2000. The fund balance decreased by \$23.0 million for fiscal year 2000.

The following table lists the minimum, maximum and the average employer's contribution rates for the current and prior four years.

<u>Calendar Year</u>	<u>Minimum Tax Rate</u>	<u>Maximum Tax Rate</u>	<u>Average Tax Rate</u>
1996	0.00%	6.00%	0.85%
1997	0.00	6.00	1.12
1998	0.00	6.00	1.41
1999	0.00	6.00	1.57
2000	0.02	7.40	1.65

LOCAL ASSISTANCE

Gross assistance expenditures to local units of government increased 4.2 percent from \$2,860.9 million in fiscal year 1999 to \$2,980.2 million in fiscal year 2000. Increases in education assistance from both federal and state sources account for the majority of the increase and can be attributed to a general increase in payments for aid to local school districts. Retirement contribution for school district employees, special education and school district capital improvements also showed significant increases. A local assistance schedule in the Statistical Section details purpose and program by category of assistance for State of Kansas combined funds.

Federal assistance is provided to local units of government through the State Highway Fund under the Federal Highway Safety program. Moneys for secondary road projects are expended by KDOT for capital improvements and other related costs and are reflected in the combined financial statements as expenditures.

ENTERPRISE OPERATIONS

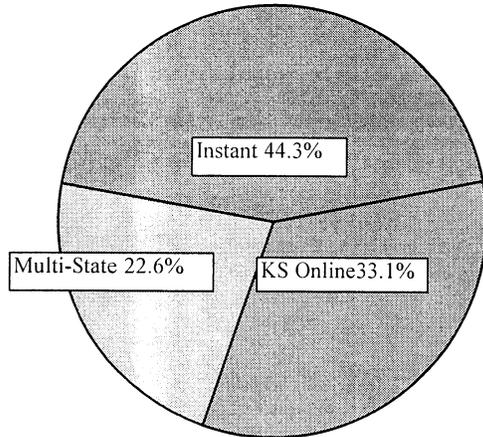
Certain State agency operations are similar to those of private industry as goods and services are exchanged for user fees which enhance the economic condition of the State. Enterprise operations include such diverse operations as Kansas State Fair receipts, Kansas Lottery ticket sales, Kansas Racing Commission receipts, the production and sales of the Kansas Magazine, and University Enterprise Funds investments to provide dollars for debt funding. Other enterprise operations include the university housing and parking systems. The operations are self-supporting, charging fees for the costs of services. These costs may include debt service expenditures for obligations incurred to provide the service. The funds maintained by the universities for the housing and parking systems operations are classified as enterprise funds in the combined financial statements.

The Lottery Operating Fund and the State Racing Fund are classified as enterprise funds on the combined financial statements for fiscal year 2000. Excess receipts over expenditures from the operations of these agencies are used to finance other governmental functions. During fiscal year 2000, \$59.7 million was transferred to the State Gaming Revenues Fund from the Lottery Operating Fund, and \$.5 million from the State Racing Fund. Of the \$60.2 million transferred to the State Gaming Revenues Fund from lottery operations and racing receipts, \$5.0 million was transferred to the Correction Institutions Building Fund, \$42.5 million to the Economic Development Initiatives Fund, and \$2.5 million to the Juvenile Detention Facilities Fund. The remaining \$10.2 million was transferred to the State General Fund.

Fiscal Year 2000 Revenues for Selected Enterprise Operations

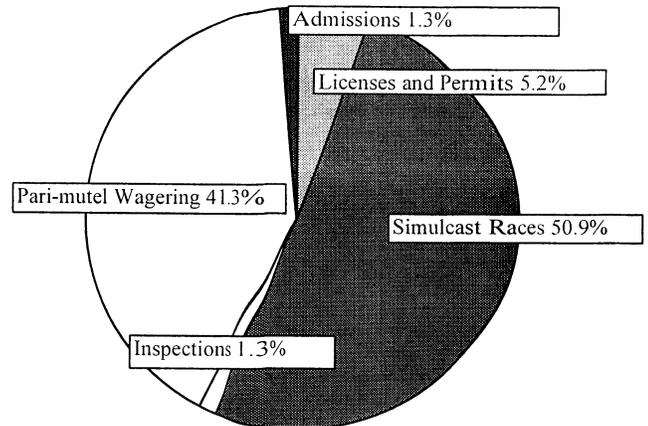
Kansas Lottery

\$112,211,000



Kansas Racing Commission

\$3,562,000



State Gaming was added to the Kansas Racing Commission in fiscal year 1997, now called The Kansas Racing and Gaming Commission. State gaming fulfills the duties and obligations of the State of Kansas set forth in the Tribal-State Gaming Compacts and the Tribal Gaming Oversight Act. Operating expenses of the State Gaming portion of the agency and expenses to enforce the Tribal Gaming Oversight Act are paid from the Tribal Gaming Fund. The State does not receive other moneys from tribal casino gaming activities.

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 Employees 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 Note III C of the Financial Section.

INTERNAL SERVICE FUNDS

Internal Service Funds are used by State agencies to recover the costs of providing services through user charges. Various State agencies have elected to allocate their costs of providing centralized services within their different funds. Agencies may also use certain funds to recover costs of providing services to other State agencies.

Internal Service Funds are used by the Department of Administration to charge other agencies for central services such as duplicating and printing services, motor pool, data processing, central aircraft expenses, depreciation and Year 2000 assessment, planning and repair services. The Highway Patrol provides capital area security services within State buildings. Most Kansas universities also use Internal Service Funds to charge their various departments for services such as maintenance, supplies, postage and telecommunications. Correctional Industries offer such services to other State agencies through furniture refinishing, janitorial products, signs and graphics production.

DEBT ADMINISTRATION

The State of Kansas finances a portion of its capital expenditures with various debt instruments. Of the capital expenditures that are debt-financed, revenue bonds and loans from the Pooled Money Investment Board finance most capital improvements for buildings, and certificates of participation and “third-party” financing pay for most capital equipment. The Kansas Constitution provides for the issuance of general obligation bonds subject to certain restrictions; however, no bonds have been issued under this provision. No other provision of the Constitution or State statute limits the amount of debt that can be issued. Statutory authority has been granted to issue revenue bonds for:

- academic and hospital facilities, parking facilities, student unions, athletic facilities and dormitories at State universities by the Board of Regents;
- highway construction by the Kansas Department of Transportation;
- a Bioscience Research Center and a Health Center for the University of Kansas;
- office buildings by the Department of Administration;
- reservoir projects or the purchase of storage in existing reservoirs by the Kansas Water Office;
- water pollution control grants to be loaned to participating Kansas municipalities to pay the costs of acquiring, constructing, improving, repairing, rehabilitating or extending municipal waste water projects by the Department of Health and Environment;
- public water supply project loans to participating Kansas municipalities to pay the costs of acquiring, construction, reconstructing, improving, rehabilitating or extending a public water supply system by the Department of Health and Environment;
- investments in lifelong learning programs by the Kansas Department of Commerce and Housing;
- relocation of the Reception and Diagnostic Center by the Department of Corrections;
- acquiring and renovating a central training center by the Highway Patrol; and
- an office building project by the Insurance Department.

Although the debt liability has increased in recent years, it is still considered low compared to other states or public entities. The State of Kansas has no General Obligation debt rating; however, in October 1998 Standard and Poor’s assigned an issuer credit rating “AA+” to the State of Kansas. Standard and Poor’s credit rating reflects the State’s credit quality in the absence of general obligation debt. Recent revenue bonds issued by the Kansas Development Finance Authority (K DFA) for State agencies have received ratings ranging from “Aa1” to “AA+” from Moody’s, and Standard & Poor’s, respectively. Recent fixed rate bonds issued by the Kansas Department of Transportation were “Aa2” from Moody’s, “AA” from Fitch and “AA+” from Standard & Poor’s.

Most State debt is issued through the K DFA, an independent instrumentality of the State created in 1987 for the primary purpose of enhancing the ability of the State to finance capital improvements and improving access to long-term capital markets for State agencies, political subdivisions, public and private nonprofit organizations and businesses. Debt financing for capital improvements is used mostly for highway improvements, prison construction, acquisition and renovation of office space, energy conservation improvements, university facility construction and renovation, water pollution control and public water supply systems.

Of total State revenues, total bond payments constituted .3 percent in fiscal year 1994, .4 percent in 1995 through 1997, 1.7 percent in 1998, .9 percent in 1999 and .8 percent in 2000. During fiscal years 1994 and 1995, the largest use of bond proceeds was \$125.0 million and \$140.0 million, respectively, for the Comprehensive Highway Program. During fiscal year 1996, bonds were issued for library expansion, renovation, water pollution control and investments in lifelong learning programs. During fiscal year 1997, the State issued new bonds for water pollution control and rehabilitation and repair projects at Board of Regents institutions. In fiscal year 1998, the State issued bonds totaling approximately \$447.4 million. The bonds were issued for water pollution control, public water supply and highway revenue refunding bonds. Total outstanding revenue bonds increased \$60.0 million in fiscal year 1999, due to issuance of additional bonds for public water supply, limited tax revenue bonds, housing and office renovation projects and educational building projects. During fiscal year 2000, Kansas Department of Transportation issued \$325.0 million of the approximately \$515.0 million in new bonds issued. The bonds were issued for the purpose of paying a portion of the costs of



construction, reconstruction, maintenance and improvements of highways as part of the State's Comprehensive Transportation Program. Principal and interest are payable and collectible solely from the revenues in the State highway fund and transferred to the highway bond debt service fund. In fiscal year 2000, principal payments for all bonds were \$82.7 million.

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 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 Employment Security Fund, are statutorily exempted from PMIB oversight. Investments of the Municipal Investment Pool, an investment option established by the 1992 legislature for local governments, are also made by the PMIB.

RISK MANAGEMENT

The State has elected to manage most exposures to risk through the retention of risk. The exposures retained by the State are for buildings and capital equipment, health and life benefits, tort liability, unemployment benefits and worker's compensation benefits. The State has assumed many of these risks on a cash basis and has not encountered difficulty in resolving past losses by using resources available at the time that the loss occurred.

The State manages its risk 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 begun to limit its exposure through high deductible catastrophic loss insurance.

The indemnity medical plans (administered by Blue Cross/Blue Shield and Principal Mutual) and the dental plan (administered by Delta Dental) offered to State employees, elected officials, retirees and their dependents became self-insured effective January 1, 1996 and the State assumes all the risk for claims incurred under those plans. The prescription drug plan (administered by Diversified through December, 1997 and by Advance Paradigm, Inc. beginning in January, 1998) became self-insured in October 1997 and the State assumes all the risk for claims incurred under this plan. Payments for those participating in these plans are collected through payroll deductions, deductions through the Kansas Public Employee's Retirement System and self-payment. The Health Care Commission pursued a stop-loss arrangement to limit the State's exposure in the event of extraordinary unanticipated claims; however, the required premium would have exceeded potential extraordinary losses. The Health Care Commission monitors claims to determine if and at what point stop-loss insurance would be required.

ACKNOWLEDGMENTS

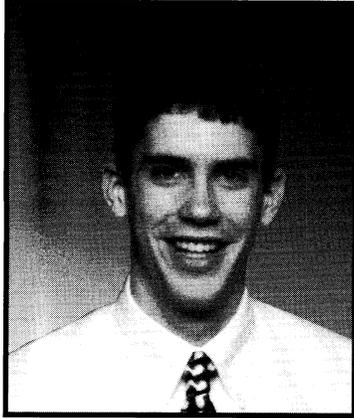
I wish to thank my staff whose dedicated efforts have made this report possible. Additionally, the professionalism and dedication demonstrated by the financial and management personnel of each State agency genuinely facilitated the preparation of this report. I sincerely appreciate the photographs provided by the University of Kansas Medical Center, Kansas Juvenile Justice Authority, and Kansas Department of Education. Finally, special thanks go out to the agencies who provided the information included in the Service Efforts and Accomplishments addressed earlier in this letter.

Sincerely,

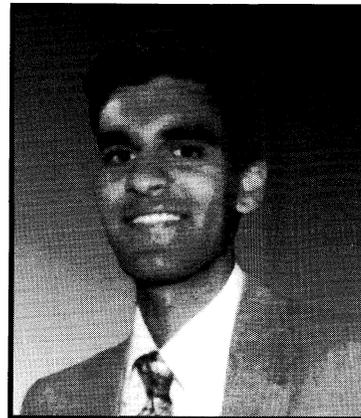


Dale Brunton, Director
Division of Accounts and Reports

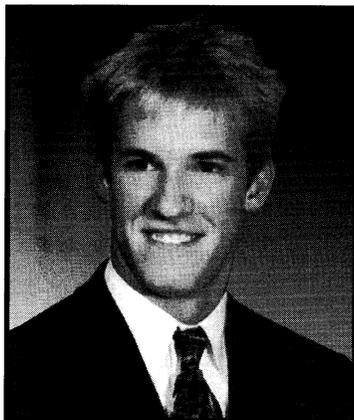
Kansas students with perfect ACT or SAT scores



Christopher Challis



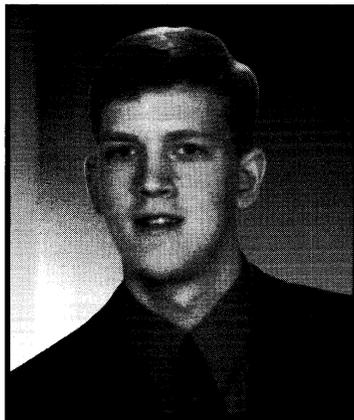
Rishikesh Dalal



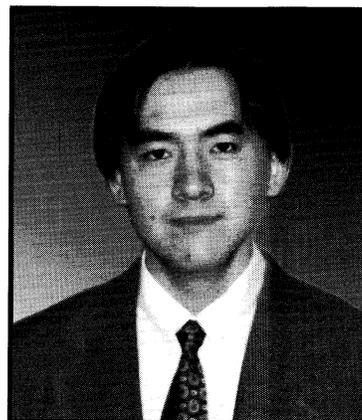
John Lawler



David Powell



Eric Skoglund



David Zhang

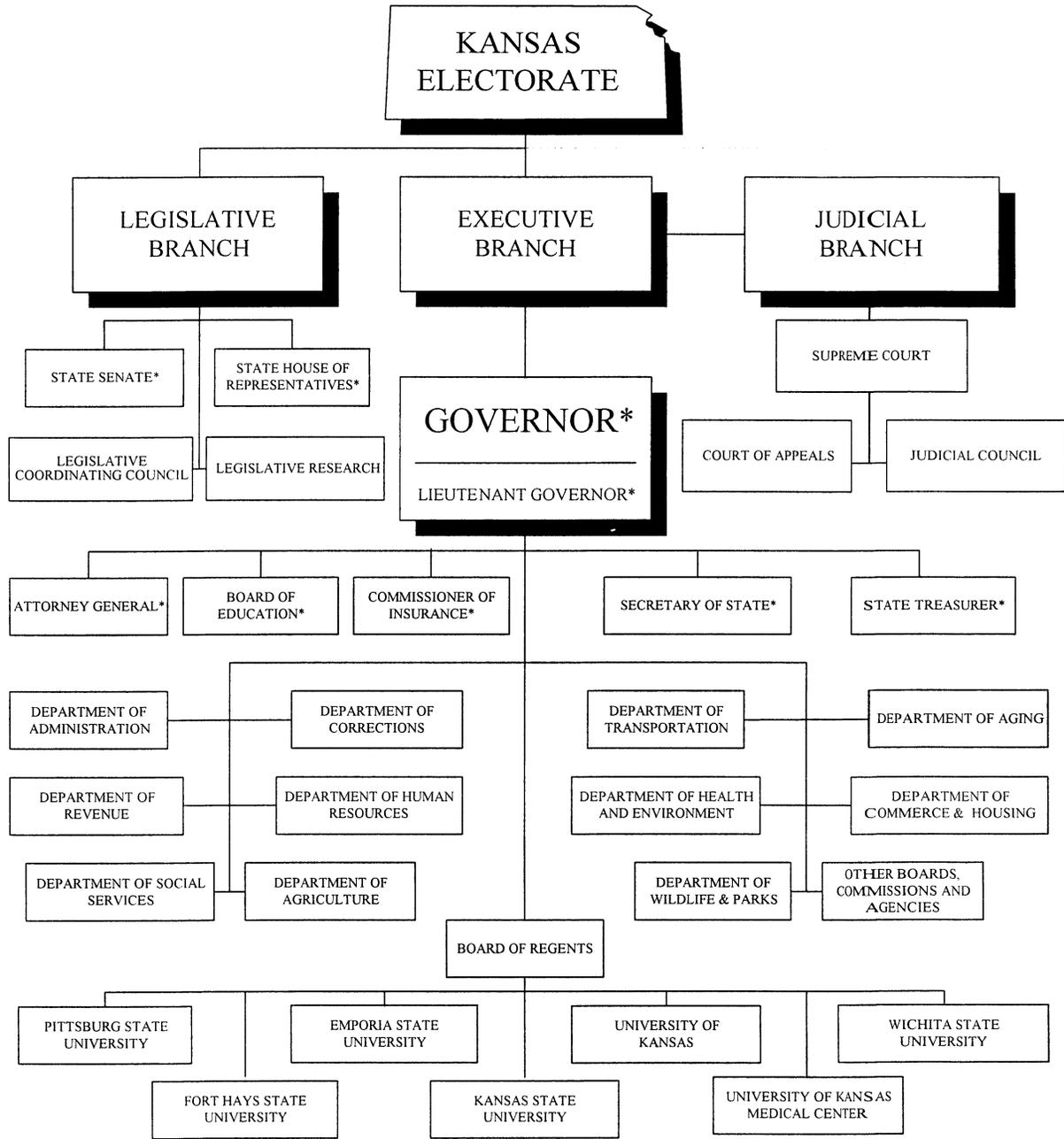
Two Kansas students, John Lawler and Eric Skoglund, earned a top composite score of 36 on the American College Test (ACT). This included 10,200 Kansas students for the ACT test date of October 1999. Nationally, 95 out of 1,740,616 students scored 36 on this test. Christopher Challis earned the highest score possible on both the ACT and The College Board SAT I: Reasoning Test.

Four Kansas students from the class of 2000 who took The College Board SAT I: Reasoning Test – Christopher Challis, Rishikesh Dalal, David Powell and David Zhang – earned the highest score possible, 800, on both the verbal and mathematical portions. The 2000 College Board senior population for the State of Kansas includes 2,871 students. Nationally and internationally, 541 students out of 1,260,000 members of the class of 2000 scored 800 on both portions of the test.

Submitted by the Department of Education.

State of Kansas
Introduction
 June 30, 2000

Organizational Chart



*ELECTED OFFICIALS

Listing of Selected Officials

Executive Branch

Governor
Bill Graves

Lieutenant Governor
Gary Sherrer

Secretary of State
Ron Thornburgh

State Treasurer
Tim Shallenburger

Attorney General
Carla Stovall

Board of Education
John A. Tompkins

Commissioner of Insurance
Kathleen Sebelius

Legislative Branch

*Speaker of the House of
Representatives*
Robin Jennison

*Speaker Pro Tempore of the
House of Representatives*
Doug Mays

President of the Senate
Dick Bond

Vice President
Alicia L. Salisbury

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

*Legislative Coordinating
Council*
Dick Bond

Legislative Research
Ben F. Barrett

Judicial Branch

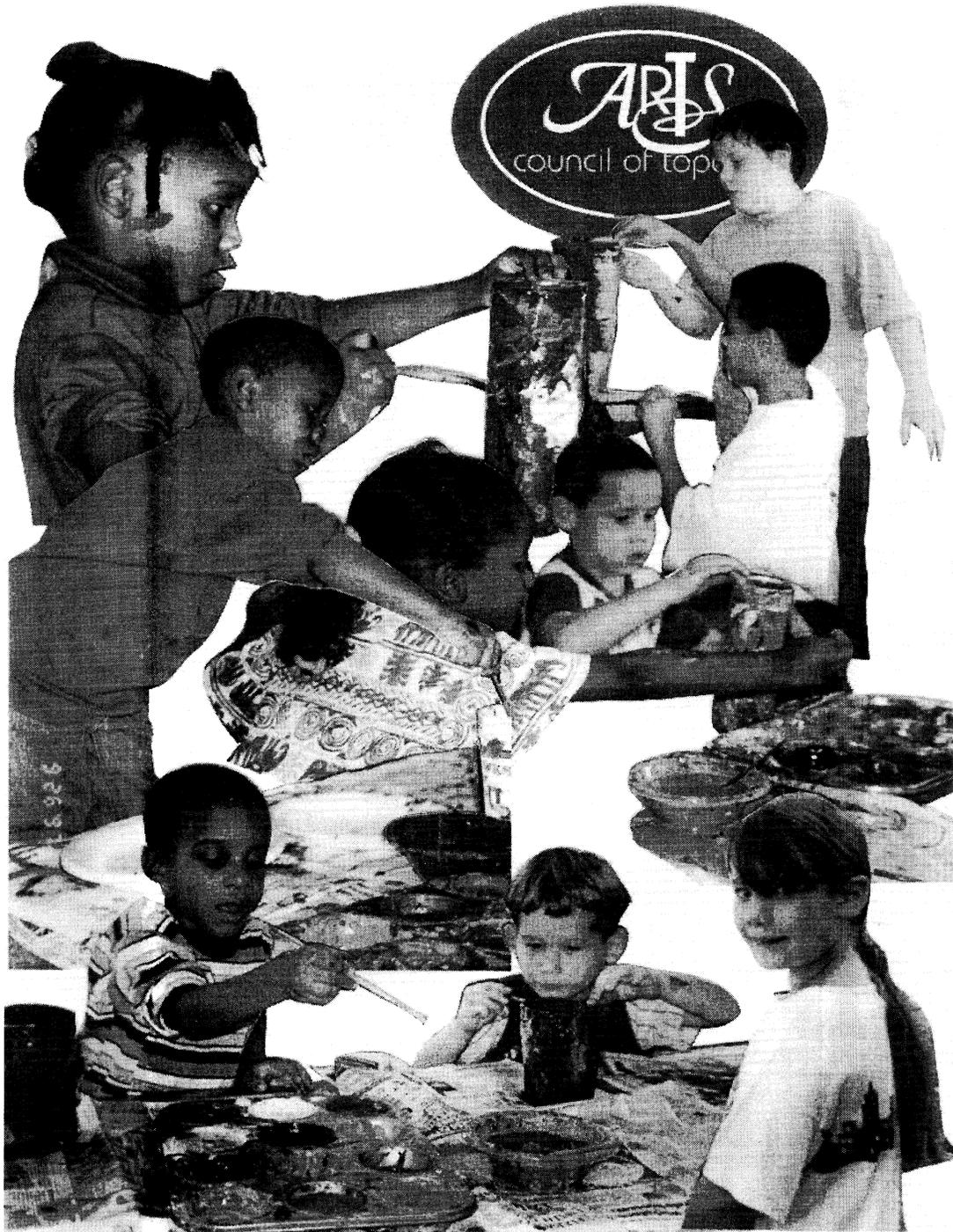
Supreme Court of Kansas
Chief Justice
Kay McFarland

Justices
Tyler C. Lockett
Donald L. Allegrucci
Fred N. Six
Bob Abbott
Robert E. Davis
Edward Larson

Court of Appeals
J. Patrick Brazil

Judicial Council
Randy Hearrell

Judicial Administrator
Howard P. Schwartz

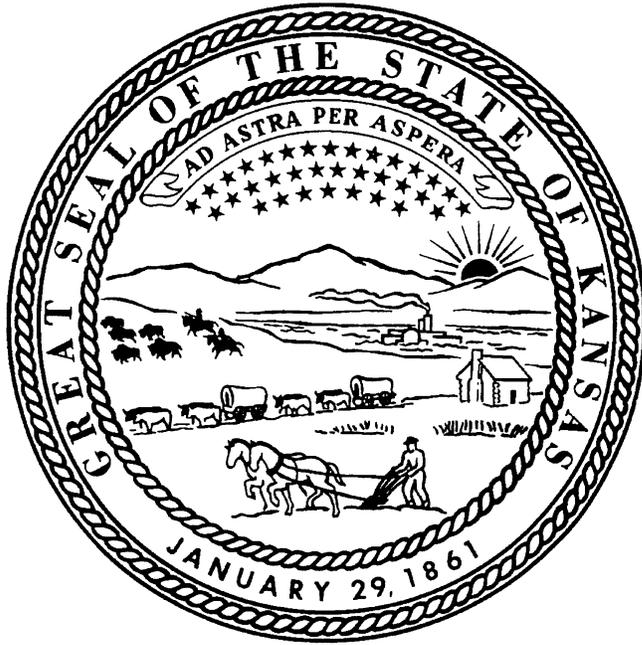


The Arts Council of Topeka is one of hundreds of service providers in Kansas to receive funding from Juvenile Justice Authority for prevention and early intervention programs. The Arts Council this year brought the benefits of art, music, and theater to hundreds of youth in Shawnee and Douglas County. Arts programs are used as a prevention strategy with elementary and middle school children, providing them a healthy outlet for creative expression while building skills that are carried to other areas of their lives.

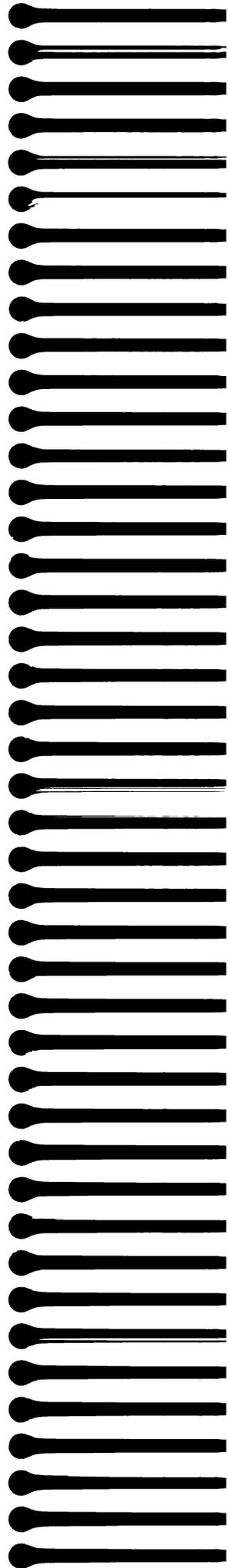
Arts Council staff also work with juvenile offenders at the Topeka Juvenile Correctional Facility, providing art instruction as a means of expressing negative or suppressed emotion as the boys work on anger management skills.

Submitted by the Juvenile Justice Authority

**FINANCIAL
SECTION**



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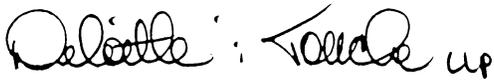
INDEPENDENT AUDITORS' REPORT

Legislative Post Audit Committee
Kansas State Legislature

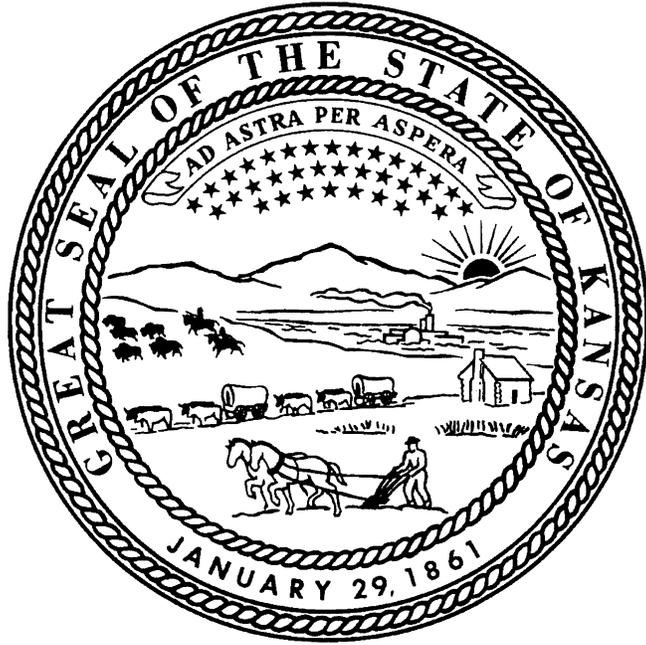
1. We have audited the accompanying combined financial statements arising from cash transactions of the State of Kansas (the "State"), as of June 30, 2000, and for the year then ended, as listed in the foregoing Table of Contents. These financial statements are the responsibility of the management of the State. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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. 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 opinion.
3. As discussed in Note 1 to the financial statements, these financial statements were prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
4. The combined financial statements referred to above do not include a general fixed assets account group, capital assets of the proprietary fund types, or a budgetary comparison statement, which in our opinion should be included to demonstrate compliance with applicable state statutes and regulations.
5. The State has not implemented Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*", and therefore has not made a determination of whether certain potential component units should be included in the reporting entity. The information needed to quantify the effects of such omissions is not reasonably determinable from the accounts and records of the State.
6. In our opinion, except for the omission of the information discussed in paragraph 5., such combined financial statements present fairly, in all material respects, the assets, liabilities and fund balances arising from cash transactions of the state general fund, special revenue funds, capital projects funds, enterprise funds, internal service funds, and trust and agency funds of the State at

June 30, 2000, and the revenues collected and expenditures paid for such funds during the year then ended, on the basis of accounting described in Note 1.

7. The introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not required parts of the combined financial statements of the State. Such additional information has not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on it.
8. In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2000, on our consideration of the State's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

 Deloitte : Touche up

October 27, 2000



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State of Kansas
Financial Statements
June 30, 2000

Combined Statement of Assets, Liabilities and Fund Balances
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On a Modified Cash Basis for All Fund Types and Account Group
(With Comparative Totals for June 30, 1999)
(Expressed in Thousands)

	Governmental Fund Types		
	State General Fund	Special Revenue Funds	Capital Projects Funds
1 ASSETS			
2 State Treasury's Balance	\$ 429,755	\$ 533,561	\$ 97,121
3 Cash in Agencies' Imprest Funds and Authorized Bank Accounts	602	675	0
4 Cash with U.S. Treasurer	0	0	0
5 Municipal Investment Pool Balance	0	0	0
6 Canteen, Benefit and Members Moneys in Agencies' Custody	0	0	0
7 Public Employees Retirement Fund Investments (Fair Value)	0	0	0
8 Investments Owned by Other Funds (Fair Value)	0	705,074	28,697
9 Accrued Interest Purchased on Investments	0	165	0
10 Amount to be Provided for Revenue Bond Redemption	0	0	0
11 Amount to be Provided for Loan Redemption	0	0	0
12 Amount to be Provided for Miscellaneous Obligations	0	0	0
13 Amount to be Provided for Kansas Development			
14 Finance Authority Financing	0	0	0
15 Amount to be Provided for Water Supply Storage Assurances	0	0	0
16 Amount to be Provided for Certificates of Participation and			
17 Blanket Financing	0	0	0
18 TOTAL ASSETS	\$ 430,357	\$ 1,239,475	\$ 125,818
19			
20 LIABILITIES AND FUND BALANCES			
21 LIABILITIES			
22 Unredeemed Warrants and Vouchers Payable	\$ 20,494	\$ 113,289	\$ 5,577
23 Due Bond Holders for Bonds Defeased with State Treasurer	0	0	0
24 Due State and Kansas Municipalities	0	0	0
25 Revenue Bonds Payable	0	0	0
26 Loans Payable	0	0	0
27 Miscellaneous Obligations Payable	0	0	0
28 Kansas Development Finance Authority Financing Payable	0	0	0
29 Water Supply Storage Assurances	0	0	0
30 Certificates of Participation and Blanket Financing Payables	0	0	0
31 Canteen, Benefit and Members Trust Funds	0	0	0
32 Total Liabilities	20,494	113,289	5,577
33 FUND BALANCES			
34 Reserved and Designated Balances:			
35 Total Unliquidated Encumbrances	36,068	795,278	41,989
36 Unencumbered Balance of Appropriations Reappropriated	35,673	4,195	15,102
37 Designated Balances	602	326,635	52,846
38 Balances of Public Employees Retirement Fund	0	0	0
39 Total Reserved and Designated Fund Balances	72,343	1,126,108	109,937
40 Unencumbered Balance Available to Finance			
41 Appropriations	337,520	78	10,304
42 Total Fund Balances	409,863	1,126,186	120,241
43 TOTAL LIABILITIES AND FUND BALANCES	\$ 430,357	\$ 1,239,475	\$ 125,818

The Notes to the Financial Statements are an integral part of the combined financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Long-Term Obligations Account Group	Totals (Memorandum Only)		
Enterprise Funds	Internal Service Funds	Trust and Agency Funds		2000	1999	
\$ 52,544	\$ 62,861	\$ 471,950	\$ 0	\$ 1,647,792	\$ 1,748,083	1
13	0	146	0	1,436	1,349	2
0	0	500,857	0	500,857	524,141	3
0	0	391,213	0	391,213	504,931	4
0	0	6,228	0	6,228	5,690	5
0	0	10,690,962	0	10,690,962	9,596,074	6
13,320	0	706,265	0	1,453,356	1,265,622	7
0	0	127	0	292	469	8
25,054	0	0	1,557,590	1,582,644	1,180,630	9
0	6,824	0	5,083	11,907	14,789	10
0	16,710	0	23,611	40,321	21,047	11
						12
						13
30,210	0	0	292,901	323,111	293,181	14
0	0	0	17,139	17,139	17,492	15
						16
0	0	0	15,791	15,791	27,714	17
\$ 121,141	\$ 86,395	\$12,767,748	\$ 1,912,115	\$ 16,683,049	\$ 15,201,212	18
						19
						20
						21
\$ 3,795	\$ 5,031	\$ 67,040	\$ 0	\$ 215,226	\$ 219,571	22
0	0	279,684	0	279,684	299,989	23
0	0	391,213	0	391,213	504,931	24
25,054	0	0	1,557,590	1,582,644	1,180,630	25
0	6,824	0	5,083	11,907	14,789	26
0	16,710	0	23,611	40,321	21,047	27
30,210	0	0	292,901	323,111	293,181	28
0	0	0	17,139	17,139	17,492	29
0	0	0	15,791	15,791	27,714	30
0	0	6,228	0	6,228	5,690	31
<u>59,059</u>	<u>28,565</u>	<u>744,165</u>	<u>1,912,115</u>	<u>2,883,264</u>	<u>2,585,034</u>	32
						33
						34
12,320	12,917	31,604	0	930,176	1,019,977	35
0	0	397	0	55,367	100,301	36
49,762	44,913	1,236,536	0	1,711,294	1,415,729	37
0	0	10,684,524	0	10,684,524	9,590,790	38
<u>62,082</u>	<u>57,830</u>	<u>11,953,061</u>	<u>0</u>	<u>13,381,361</u>	<u>12,126,797</u>	39
						40
0	0	70,522	0	418,424	489,381	41
<u>62,082</u>	<u>57,830</u>	<u>12,023,583</u>	<u>0</u>	<u>13,799,785</u>	<u>12,616,178</u>	42
\$ 121,141	\$ 86,395	\$12,767,748	\$ 1,912,115	\$ 16,683,049	\$ 15,201,212	43

State of Kansas
Financial Statements
June 30, 2000

Combined Statement of Revenues, Expenditures/Expenses and Changes in Fund Balances

On a Modified Cash Basis for All Fund Types
For the Fiscal Year Ended June 30, 2000
(With Comparative Totals for the Fiscal Year Ended June 30, 1999)
(Expressed in Thousands)

	Governmental Fund Types		
	State General Fund	Special Revenue Funds	Capital Projects Funds
1 REVENUES:			
2 Taxes	\$ 4,082,645	\$ 603,664	\$ 32,476
3 Agency Earnings	13,468	464,660	3,524
4 Revenue From the Use of Money and Property	76,692	40,311	8,776
5 Gifts, Donations and Federal Grants	0	2,268,012	2,306
6 Reimbursements and Refunds	1,944	201,590	5,426
7 Other Operating Revenue	29,222	33,464	1,404
8 TOTAL REVENUES	4,203,971	3,611,701	53,912
9			
10 EXPENDITURES/EXPENSES:			
11 General Government	181,609	221,960	21,220
12 Human Resources	793,066	1,425,572	8,011
13 Education	2,854,070	942,543	97,221
14 Public Safety	299,883	68,092	17,894
15 Agriculture and Natural Resources	27,117	103,912	0
16 Highways and Other Transportation	0	1,009,995	0
17 Debt Services:			
18 Principal	0	41,416	38,876
19 Interest	0	53,669	16,034
20 TOTAL EXPENDITURES/EXPENSES	4,155,745	3,867,159	199,256
21			
22 OTHER FINANCING SOURCES (USES):			
23 Borrowings	0	327,271	43,474
24 Conversion of Assets	0	1,397	0
25 Receipts from Agencies for Certificate of Participation and Blanket Financing	0	0	16,998
26 Payments to Refunded Bond Escrow Agent	0	0	0
27 Transfer (Net)	(235,810)	136,037	47,287
28 Other Financing Sources (Uses)	(1,282)	(6,436)	(4,735)
29 TOTAL OTHER FINANCING SOURCES (USES)	(237,092)	458,269	103,024
30			
31 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)			
32 EXPENDITURES/EXPENSES AND OTHER FINANCING USES	(188,866)	202,811	(42,320)
33			
34 Fund Balance, July 1	598,729	923,375	162,561
35 Cumulative Effect of Change in Accounting Principle	0	0	0
36 Fund Balances, June 30	\$ 409,863	\$ 1,126,186	\$ 120,241

The Notes to the Financial Statements are an integral part of the combined financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)		
Enterprise Funds	Internal Service Funds	Trust and Agency Funds	2000	1999	
\$ 3,330	\$ 707	\$ 690,086	\$ 5,412,908	\$ 5,043,459	1
147,118	116,158	1,898	746,826	760,502	2
42,513	13,543	1,469,519	1,651,354	1,281,556	3
140	0	118,407	2,388,865	2,217,976	4
2,505	3,531	80,005	295,001	226,774	5
3,771	15,179	323,370	406,410	300,264	6
199,377	149,118	2,683,285	10,901,364	9,830,531	7
					8
					9
23,689	87,171	1,370,397	1,906,046	1,796,839	10
1,175	14	287,047	2,514,885	2,271,612	11
84,267	54,748	38,649	4,071,498	3,955,306	12
0	12,750	9,117	407,736	383,923	13
3,558	0	12,765	147,352	131,365	14
0	0	0	1,009,995	919,592	15
					16
2,946	1,009	13,374	97,621	82,608	17
2,412	521	16,129	88,765	79,399	18
118,047	156,213	1,747,478	10,243,898	9,620,644	19
					20
					21
16,483	0	139,126	526,354	166,527	22
0	179	15	1,591	1,291	23
					24
0	0	223	17,221	11,973	25
(5,520)	0	0	(5,520)	(18,729)	26
(87,225)	(635)	140,346	0	0	27
(1,124)	(159)	231	(13,505)	89,186	28
(77,386)	(615)	279,941	526,141	250,248	29
					30
					31
					32
3,944	(7,710)	1,215,748	1,183,607	460,135	33
					34
58,138	65,540	10,807,835	12,616,178	12,141,204	35
0	0	0	0	14,839	36
\$ 62,082	\$ 57,830	\$ 12,023,583	\$ 13,799,785	\$ 12,616,178	37
					38

I. Summary of Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the primary standard setting body for establishing governmental accounting and financial reporting principles. The current combined financial statements are prepared on a modified cash basis of accounting, include certain amounts to be provided for in certain governmental and proprietary fund types, do not include the General Fixed Asset Account Group, do not include certain assets in the proprietary funds, omit the recording of certain obligations, and exclude certain component units, all of which are departures from Accounting Principles Generally Accepted in the United States of America (GAAP). These inclusions, omissions and departures are discussed in the applicable sections of these Notes.

The combined financial statements have been prepared primarily from the accounts maintained by the Division of Accounts and Reports. Additional data has been derived from information of various departments and entities based on subsidiary accounting systems.

A. Reporting Entity

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.

For financial reporting purposes, the State of Kansas has included all funds and accounts of all State organizational units as part of the primary government except:

- The Kansas Turnpike Authority
- District Trial Court funds
- Student union, athletic, cafeteria, foundation and endowment funds of State supported universities
- Certain off-site custodial funds

The State has not implemented GASB Statement No. 14, entitled "The Financial Reporting Entity." As a result, certain component units have been excluded from the combined financial statements. Also, no determination has been made as to whether the component units should be blended or discretely presented.

B. Fund Structure

The State reports its financial position and results of operations in funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Transactions between funds within a fund type, if any, have not been eliminated.

The general long-term obligations account group is an accounting entity used to provide accountability for the State's general long-term obligations. It is not considered a fund because it does not report expendable available financial resources and related liabilities.

I. Summary of Significant Accounting Policies

The State has established the following fund categories (further divided by fund types) and account groups:

Governmental Funds - account for the general governmental activities of the State.

The General Fund is the primary operating fund of the State. It is used to account for all governmental transactions, except for those required in another fund.

Special Revenue Funds are used to account for specific revenue sources, other than expendable trusts, that have been segregated according to State finance law to support specific governmental activities.

Capital Projects Funds are used to account for financial resources used to acquire or construct major capital assets and to finance local capital projects.

Proprietary Funds - account for the State's ongoing activities that are similar to those often found in the private sector.

Enterprise Funds account for operations where the cost of providing goods or services to the general public is financed primarily through user charges.

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the State, or to other governmental units.

Fiduciary Funds - are used to account for assets held by the State in a trustee capacity, or as an agent for individuals, private organizations, other governmental units and/or other funds.

Expendable Trust Funds are used to account for trusts whose principal and income may be expended for a designated purpose.

Nonexpendable Trust Funds are used to account for trusts whose principal cannot be spent.

Pension Trust Funds are used to account for the assets, liabilities and fund equities held in trust for the Kansas Public Employees Retirement System.

Agency Funds are used to account for assets the State holds on behalf of others. Agency Funds are custodial in nature and do not involve measurement of operations.

General Long-Term Obligations Account Group - is used to account for long-term bonds and notes issued by the State, capital leases, certificates of participation and other long-term obligations, excluding the liabilities of the proprietary funds.

C. Basis of Accounting

All funds included in these financial statements are prepared on a cash basis of accounting with modifications. Revenue is generally recognized and recorded when moneys are received. Expenditures (including capital outlays) are recognized and recorded when State warrants are requested to be issued. Ordinarily, fiscal year records remain open through the

I. Summary of Significant Accounting Policies

second Monday in July to process and record vouchers, other pay documents and receipts related to the fiscal year ended June 30. However, if that date results in less than eight business days, the closing date will be set to allow eight working days to process the old year transactions. Encumbrances outstanding at year end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

D. Departures from Generally Accepted Accounting Principles

These combined financial statements are not prepared in conformity with GAAP. Significant departures include the following:

- Revenue is recognized when received rather than when susceptible to accrual.
- Expenditures are recognized when payment requests are processed rather than when obligations are incurred.
- Proprietary funds use the modified cash basis of accounting rather than the accrual basis.
- The combined financial statements omit the fixed assets of the proprietary funds and the general government.
- Certain component units have been excluded. No determination has been made as to whether component units should be blended or discretely presented.
- Required budgetary comparisons have been excluded.
- The general long-term obligations account group does not include obligations for compensated absences, unemployment claims, workers' compensation claims of non-state workers, health care stabilization claims and certain incurred but not reported claims.
- Medicaid claims incurred but not reported and the related receivable from the Federal government, are not included.
- Fund liabilities in the governmental and proprietary fund types are offset by an equal amount to be provided as an other debit in the combined balance sheet. Borrowings in the proprietary fund types are also shown as an other financial source in the year of issuance.
- In June 1999, the Governmental Accounting Standards Board issued GASB No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" ("GASB No. 34"). This Statement is required to be adopted for the fiscal year beginning after June 15, 2001. GASB No. 34 establishes accounting and financial reporting standards for general purpose external financial reporting by state and local governments. GASB No. 34 establishes specific standards for the basic financial statements, management's discussion and analysis, and certain required supplementary information. Adoption of GASB No. 34 will also require the State to adopt other applicable GASB statements not currently adopted. The State has formed a committee to assess the impact adoption of GASB No. 34 will have on the general purpose financial statements, but the committee has not completed its analysis. Management is therefore currently unable to determine the impact that adopting GASB No. 34 will have on its combined statement of financial position and combined statement of revenues, expenditures and changes in fund balances when such statement is adopted.

E. Assets, Liabilities and Fund Equity

Cash and Investments

State Pooled Moneys - Cash balances of funds in the State Treasury 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.

I. Summary of Significant Accounting Policies

The PMIB's investment policies are governed by State statute. The primary objective is to attain safety, liquidity and yield. PMIB's allowable investments for State Pooled Moneys not invested in Kansas financial institutions are as follows:

- Direct obligations of, or obligations 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
- Up to \$10 million in preferred stock of Kansas Venture Capital, Inc.
- Limited interest-bearing loans to various State agencies as specifically provided by law
- Certain Kansas agency and IMPACT Act projects and bonds
- High grade commercial paper

Specific Fund Investments - Cash balances not held in the State Treasury may be invested as permitted by statute. The estimated fair value of these investments is based on quoted market prices from Bloomberg Financial Market. Allowable investments of other funds include:

- U.S. Government obligations
- U.S. Government agency securities
- Mortgage-backed securities
- Corporate/Asset-backed securities
- Municipal securities
- Kansas banks
- Guaranteed investment contracts
- Mutual funds
- Money market instruments
- Kansas Municipal Investment Pool
- Commercial paper

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 boards and other governmental entities holding public moneys are eligible to participate in the MIP.

The assets of 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 values its investments at fair value as required by GASB Statement No. 25. In fulfilling its responsibilities, the Board of Trustees contracts with investment management firms and a master global custodian.

Valuation - Investments are generally stated at fair value. The estimated fair value of these investments is based on quoted market prices from Bloomberg Financial Market.

I. Summary of Significant Accounting Policies

Liabilities

Unredeemed Warrants and Vouchers Payable - The State records liabilities for operating expenditures and capital outlay when warrants are requested to be issued, as evidenced by the preparation of vouchers payable. The accompanying financial statements do not include the liability and related expenditure for accrued salaries and benefits at fiscal year-end.

Long-Term Obligations - The liabilities reported in the General Long-Term Obligations Account Group include long-term bonds and notes issued by the State, most obligations under lease/purchase arrangements, and other long-term obligations.

Compensated Absences and Salaries Payable - The State records vacation leave as an expenditure when paid. 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. The estimated unrecorded liability for vacation leave payable at June 30, 2000, was \$83.4 million.

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. Unrecorded sick leave payable at fiscal year end is estimated to be \$32.8 million.

The State had a liability to employees for salaries payable for work performed through June 30, 2000. This unrecorded liability is estimated to be \$98.5 million.

The accompanying financial statements do not include a provision for compensated absences or accrued salaries.

Fund Equity

Reservations of fund equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

F. Total (Memorandum Only)

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present consolidated financial position, results of operations or cash flows in accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

G. 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 expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

II. Detailed Notes on Financial Statements

A. Deposits and Investments

State Treasury's 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 State Treasury's Balance and Municipal Investment Pool Balance on the Combined Statement of Assets, Liabilities and Fund Balances. The State Treasury and Municipal Investment Pool Balance as of fiscal year-end is comprised of:

	<i>(Expressed in Thousands)</i>
<i>Cash</i>	
Kansas Banks Demand Accounts	\$ 20,234
Monies in Custodial Demand Accounts	632
Cash Items	83
Cash in Transit (FY 2000 deposits with State Treasurer during closing period)	91,956
 <i>Investment Pool Securities at Fair Value</i>	
Kansas Banks Certificates of Deposit	182,715
U.S. Government agencies securities	548,639
Commerical Paper	873,339
Repurchase Agreements	304,500
Public Water Supply Loan Fund	5,000
<i>Loans Receivable</i>	11,907
<i>Total State Treasury's and Municipal Investment Pool Balance</i>	\$ 2,039,005

For demand and checking accounts, the State requires that its depository banks pledge collateral that has a market value equal to or greater than the deposits. The State's deposits with financial institutions were fully collateralized at fiscal year-end. 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 State's name.

II. Detailed Notes on Financial Statements

Investments

Investments included in the State Treasury’s Balance and Municipal Investment Pool Balance, Specific Agency Fund Investments, and investments of the Kansas Public Employees Retirement System are classified into the following three risk categories:

1. Insured or registered, or securities held by the State or its agent in the State's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

Investments included in the State Treasury’s and Municipal Investment Pool Balance are classified as risk category 1. Market value approximates \$1,926.1 million.

At fiscal year-end, other investment balances categorized by level of risk were as follows:

<i>Specific Agency Fund Investments</i>	<i>(Expressed in Thousands)</i>			Fair Value
	1	2	3	
U.S. Government Obligations	\$ 393,306			\$ 393,306
U.S. Government Agency Securities	634,917			634,917
Mortgage Backed Securities	5,371			5,371
Municipal Securities	2,545			2,545
Corporate Security	37,509			37,509
Kansas Banks	603			603
Repurchase Agreements	182,771			182,771
Commercial Paper	38,448			38,448
	\$ 1,295,470			
State of Kansas Municipal Investment Pool				291
Guaranteed Investment Contracts				145,743
Mutual Funds				11,833
Money Market Investments				19
Total Investments Owned by Other Funds				\$ 1,453,356

State of Kansas
Notes to the Financial Statements
June 30, 2000

II. Detailed Notes on Financial Statements

Kansas Public Employees Retirement System Investments

	<i>(Expressed in Thousands)</i>			Fair Value
	1	Category 2	3	
<i>Subject to Classification</i>				
Domestic Large Cap Equities	\$2,828,883			\$2,828,883
Domestic Small Cap Equities	1,736,214			1,736,214
International Equities	1,404,168			1,404,168
Fixed Income	3,379,400		124,069	3,503,469
Cash Equivalents				
Corporate Note	146,336		677,833 ²	824,169
Federal Agency	8,015			8,015
Foreign Currency	35,556 ¹			35,556
<i>Total Subject to Classification</i>	\$9,538,572		\$801,902	\$10,340,474
<i>Not Subject to Classification</i>				
Alternative Investments				381,824
Real Estate				571,604
Mutual Funds				
Cash Equivalents				60,512
Securities on Loan ³				806,595
<i>Total Not Subject to Classification</i>				1,820,535
 <i>Total Investments at Fair Value</i>				12,161,009
 Income Receivable on Investments				62,771
Receivable on the Sale of Investments				1,883,833
Payable on the Purchase of Investments				(2,589,750)
Securities Lending Cash Collateral				(826,901)
 <i>Total Net Asset Value</i>				\$10,690,962

¹ Fixed securities maturing within 90 days of purchase date.

² Securities Lending cash collateral invested with maturities within 90 days of fiscal year end.

³ Market value of securities loaned, with cash collateral.

B. Long-Term Obligations

General Long-Term Obligations

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 was created for the primary purpose of enhancing the ability of the State to finance capital improvements. When the obligations issued by KDFA are paid in full, the ownership of the property is transferred to the State. Further, certificates of participation have been issued by KDFA pursuant to lease purchase agreements with the State as lessee. Currently, there are no outstanding certificates of participation.

II. Detailed Notes on Financial Statements

Blanket Financing agreements for equipment leases with option to purchase agreements have been entered into with Koch Financial Corporation and Ford Motor Credit Company. In 1994, an agreement with Koch Financial Corporation established an aggregate maximum line of credit of \$25.0 million, of which \$5.9 million was unused and is no longer available. Final payment for this contract will be made in October 2001. A 1996 agreement with Ford Motor Credit Company established an aggregate maximum credit line of \$35.0 million. This agreement expired April 30, 1999. However an amendment dated April 19, 1999 extended \$3.0 million of the line of credit to September 30, 1999 to be used exclusively by the University of Kansas Hospital Authority. Of the \$35.0 million, \$8.1 million is unused and is no longer available. Final payment for this contract will be made April 1, 2005. A 1999 agreement with Koch Financial Corporation established a \$20.0 million line of credit. At June 30, 2000, \$14.5 million was unused.

A Master Lease Purchase agreement was entered into with Koch Financial Corporation on September 15, 1998 to provide a \$5.0 million line of credit to finance conservation projects for state agencies. At June 30, 2000, \$4.1 million was unused. This program replaces the State Energy Conservation Improvement Program which provided financing for state agency energy conservation projects through the issuance of lease revenue bonds.

The Kansas Water Office has agreements to reimburse the Federal Government for the added cost incurred in providing water storage capacity in Federal flood control reservoirs. In addition, assurances have been made to the Federal Government that the State would participate in additional Federal flood control reservoirs to provide water storage capacity to meet anticipated future needs of the State. The State is not required to make payment on the future use portion of the storage space until the State calls it into use.

The State is self-insured against workers' compensation losses and medical claims of State employees through the State Workers' Compensation Self-Insurance Fund, which is included in the internal service fund category. Funding for the program is provided by a percentage assessment against State agency payrolls. For fiscal year 2000 and 1999, this assessment rate was 0.925 and 1.0 percent, respectively. The unrecorded estimated liability for unpaid claims at June 30, 2000, discounted at 5.5 percent was \$19.3 million (unaudited). The unrecorded estimated liability for unpaid claims at June 30, 1999, discounted at 5.0 percent was \$21.5 million (unaudited). This estimate for unpaid claims was made by applying generally accepted actuarial techniques to current information, including liability for claims incurred but not reported. The estimated liability for unpaid claims is not included in the accompanying financials.

Changes in claims liability (unaudited) balance for fiscal years 2000 and 1999 were as follows (expressed in thousands):

	FY 2000	FY 1999
Beginning Balance	\$21,510	\$23,307
Changes In Estimated Liability	9,063	9,858
Less Claims Payments	(11,293)	(11,655)
<i>Present value of the total Estimated Liability</i>	\$19,280	\$21,510

State of Kansas
Notes to the Financial Statements
June 30, 2000

II. Detailed Notes on Financial Statements

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2000 (expressed in thousands):

Description and Purpose	Amount of Original Issue (Bonds Only)	Range of Final Maturities Dates	Range of Interest Rates %	Balance July 1, 1999	Issued	Retired	Balance June 30, 2000
General Long-Term Obligation							
Revenue Bonds							
Department of Transportation	\$ 1,461,600	2005-2020	2.65-7.25	\$ 832,035	\$ 325,000	\$ 40,945	\$ 1,116,090
Department of Health and Environment	421,900	2014-2023	3.25-6.25	244,760	138,915	7,855	375,820
Department of Commerce and Housing	58,460	2003-2009	3.10-5.60	53,345	0	4,865	48,480
State Universities	22,620	2005-2019	3.00-7.50	18,290	0	1,090	17,200
Total Revenue Bonds	\$ 1,964,580			1,148,430	463,915	54,755	1,557,590
Kansas Development Finance Authority							
Energy Conservation	43,054	2004-2035	3.40-6.70	14,330	21,645	2,100	33,875
Department of Administration	5,590	2019	3.80-5.00	5,590	0	165	5,425
Highway Patrol	5,585	2008	5.00-6.60	4,135	0	305	3,830
Board of Regents	159,281	2012	3.75-5.60	142,561	0	8,110	134,451
State Universities	25,585	2014-2024	3.00-5.75	25,130	0	585	24,545
Insurance Department	1,795	2007	4.70-6.50	1,195	0	105	1,090
Department of Corrections	81,825	2003-2012	4.30-6.00	36,980	17,830	5,960	48,850
Juvenile Justice Authority	8,000	2014	5.40-6.25	6,270	0	300	5,970
Refunding Bonds	41,785	2010-2012	3.20-5.90	36,755	0	1,890	34,865
Total KDFA	\$ 372,500			272,946	39,475	19,520	292,901
Blanket Financing Payables for Equipment		2002-2012		27,714	4,942	16,865	15,791
Water Supply Storage Assurances		2023-2041	2.63-4.01	17,492	0	353	17,139
Loans Payable - State Office Buildings		2004-2007	0.00-4.52	6,955	0	1,872	5,083
Capital Lease Obligations		2015		3,337	20,618	344	23,611
Total General Long-term Obligations				\$ 1,476,874	\$ 528,950	\$ 93,709	\$ 1,912,115
Proprietary Fund Long-term Obligations							
Enterprise Funds							
Revenue Bonds							
State Universities	\$ 73,316	2002-2024	3.00-7.70	\$ 51,965	\$ 11,615	\$ 8,316	\$ 55,264
Internal Service Funds							
Loans Payable - State Office Buildings		2003-2010	4.52-7.90	\$ 7,834	\$ 0	\$ 1,010	\$ 6,824
Capital Lease Obligations		2014	4.22	17,041	0	331	16,710
Service Agreements		2000	4.97	669	15	684	0
Total Internal Service Funds				\$ 25,544	\$ 15	\$ 2,025	\$ 23,534

State of Kansas
Notes to the Financial Statements
June 30, 2000

II. Detailed Notes on Financial Statements

Debt Service Requirements to Maturity

(Expressed in Thousands)

Year Ending June 30	Enterprise Funds	Internal Service Funds	Long-Term Obligations Account Group	Total
2001	\$ 6,369	\$ 1,677	\$ 182,178	\$ 190,224
2002	6,290	1,632	183,283	191,205
2003	5,952	1,007	182,762	189,721
2004	5,741	963	182,463	189,167
2005	5,922	918	180,965	187,805
Thereafter	50,825	2,592	1,981,225	2,034,642
Total Principal and Interest	81,099	8,789	2,892,876	2,982,764
Less Interest	25,349	1,965	1,004,372	1,031,686
Liability as of June 30, 2000	<u>\$ 55,750*</u>	<u>\$ 6,824</u>	<u>\$ 1,888,504</u>	<u>\$ 1,951,078 *</u>

* The balance includes the value of the capital accumulator bonds in the amount of \$0.5 million.

Capital Lease Requirement to Maturity

(Expressed in Thousands)

Year Ending June 30	Internal Service Funds	Long-Term Obligations Account Group	Total
2001	\$ 1,086	\$ 2,878	\$ 3,964
2002	1,132	2,323	3,455
2003	1,178	2,059	3,237
2004	1,223	1,916	3,139
2005	1,269	1,787	3,056
Thereafter	18,064	21,536	39,600
Total Principal and Interest	23,952	32,499	56,451
Less Interest	7,242	8,888	16,130
Liability as of June 30, 2000	<u>\$ 16,710</u>	<u>\$ 23,611</u>	<u>\$ 40,321</u>

II. Detailed Notes on Financial Statements

Defeasance of Debt

The State has in substance defeased certain bonds by issuing additional debt. None of the defeased bonds appear on the Combined Statement of Assets, Liabilities and Fund Balances because sufficient moneys have been set aside for payment of the bonds with a trustee.

(Expressed in Thousands)

Description and Purpose	Balance July 1, 1999	Current Year Defeased	Payments	Balance June 30, 2000
Defeased Bonds				
Special Revenue Funds				
Department of Transportation	\$ 296,590	\$ 0	\$ 27,620	\$ 268,970
Enterprise Funds				
Fort Hays State University	539	0	107	432
Kansas State University	2,621	5,370	551	7,440
Wichita State University	33	0	16	17
Trust and Agency Funds				
Department of Health & Environment	23,510	2,500	0	26,010
University of Kansas	650	0	120	530
Capital Projects Funds				
Department of Corrections	16,665	0	0	16,665
University of Kansas	3,115	0	160	2,955
University of Kansas Medical Center	810	0	150	660
Total Defeased Bonds	<u>\$ 344,533</u>	<u>\$ 7,870</u>	<u>\$ 28,724</u>	<u>\$ 323,679</u>

Advance Refundings

On July 29, 1999, the Kansas Development Finance Authority (KDFA) issued its Refunding Revenue Bonds, Series 1999F (Kansas Board of Regents – Kansas State University Manhattan Campus Housing System Refunding Project) dated July 1, 1999, in the aggregate principal amount of \$5.7 million, with a weighted average interest rate of 4.7 percent. The Series D, 1989 Bonds redeemed have an aggregate principal amount of \$5.4 million. This advance refunding reduced total debt service payments by \$0.6 million and resulted in an economic gain of approximately \$0.8 million. The refunded Series D, 1989 Bonds are defeased and have been removed from the financial statements.

On January 19, 2000, KDFA issued Kansas Water Pollution Control Revolving Fund Revenue Bonds, 2000 Series I, dated January 15, 2000, for \$5.4 million, with a weighted average interest rate of 5.4 percent. A portion of the proceeds of the Series I, 2000 bonds were to refund KDFA's Kansas Water Pollution Control Revolving Fund Revenues Bonds, 1999 Series I-A. The Series I-A, 2000 bonds, issued November 15, 1999 had an aggregate principal amount of \$2.5 million with a weighted average interest rate of 5.1 percent with a redemption date of May 1, 2000. The refunded Series I-A 2000 bonds are defeased and are not shown in the financial statements.

II. Detailed Notes on Financial Statements

C. Post-Employment Health Care Benefits

In addition to pension benefits, the State provides post-employment health care benefits to eligible retired employees. The benefits are provided in accordance with the rules and regulations of the Kansas State Employees Health Care Commission. The Commission is responsible for the determination of the allocation of premium costs between the participants and the State. These allocations are subject to change each contract year. The State provides a subsidy for certain health care providers. The State funds the benefits on a pay-as-you-go basis. Approximately, 9,500 retirees currently participate in the program. During the fiscal year the State's portion of the allocated cost was \$1.7 million for post-employment benefits.

III. Other Information

A. Insurance Company Security Deposits

The State requires specified amounts of deposits in the form of cash securities or other property from insurance companies doing business within Kansas. At fiscal year-end, the total aggregate value of deposits held by Kansas banks under joint custody agreements totaled \$240.6 million. These insurance deposits are not included in the combined financial statements.

B. Commitments and Contingencies

The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. Grants are subject to the Federal Single Audit Act or to financial and compliance audits by grantor agencies. Disallowances by Federal officials as a result of these audits may become liabilities of the State. The State has not recorded any liability for disallowed costs in the Combined Financial Statements for not complying with the terms of Federal grants. State agencies that received Federal grants in fiscal year 2000 have not reported liabilities or disallowed costs associated with the receipt of those grants.

Generally, the State does not insure buildings and contents valued under \$.5 million and does not insure State-owned automobiles for bodily injury and property damages of State employees, but the State does have fidelity insurance on State employees (except Board of Regents). State buildings valued over \$.5 million are insured against catastrophic loss with a \$2.0 million deductible per occurrence and a maximum annual liability of \$100.0 million per occurrence.

Unemployment Contributions

The State is a reimbursing employer of unemployment contributions to the Employment Security Fund. The State's contribution rate for fiscal year 2000 was 0.2 percent which resulted in a total contribution of \$2.6 million to the Employment Security Fund. This amount includes the State's payment for the quarter ended June 30, 2000, in the amount of \$0.6 million which was remitted after the close of the fiscal year.

Health Care Stabilization Fund (HCSF)

The HCSF provides professional liability coverage for claims in excess of \$200,000/\$600,000 for active health care providers and primary coverage for inactive health care providers. The individual health care provider selects a liability limit from the Fund of \$100,000/\$300,000; \$300,000/\$900,000 or \$800,000/\$2,400,000.

The HCSF Board of Governors levies an annual premium surcharge on active health care providers. The premium surcharge is based on a rating classification system established by the HCSF Board of Governors. On June 30, 2000 the HCSF balance was \$198.1 million. Based upon the most recent actuarial evaluation, the June 30, 2000 estimated present value of the total Fund liabilities was approximately \$146.4 million (unaudited) with an indicated unassigned reserve of \$46.1 million (unaudited). This liability is not included in the accompanying financial statements.

III. Other Information

The HCSF also:

1. supports the Health Care Provider Insurance Availability Plan which provides basic professional liability insurance for those health care providers who can not obtain coverage from the voluntary insurance markets; and
2. provides a special basic coverage arrangement for University of Kansas Medical Center (KUMC). Because KUMC residency training programs, foundations and full-time faculty members are statutorily self-insured for the required basic coverage limits, the HCSF does receive reimbursements for basic losses and expenses paid on behalf of KUMC.

Workers' Compensation Fund

The Workers' Compensation Fund, included in the Fiduciary Fund Type, relieves an employer wholly or partially of a workers' compensation liability resulting from compensable work related accidents. The fund is liable for certain second injury claims incurred prior to July 1, 1994, and other claims specifically included in the law. The fund is financed by an annual assessment to insurance companies, self-insurers and group-funded pools.

State statutes require the fund to be accounted for on a cash basis. Based upon average amounts paid in recent years, the estimated liability of the fund, including incurred but not paid claims, was \$233.8 million (unaudited) at fiscal year-end. This liability is not included in the financial statements.

C. Retirement Plans

Kansas Public Employees Retirement System - Plan Descriptions

The Kansas Public Employees Retirement System (the System) is an umbrella organization administering the following three state-wide 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 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 upon request from KPERS.

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 \$4,685.0 million. The State's total salaries and wages paid were approximately \$1,446.7 million of which approximately \$798.0 million or approximately 55.0 percent relates to employees participating in the System. The remaining approximately 45.0 percent represents salaries and wages paid to employees, such as educational institution employees not participating in the System, employees who

State of Kansas
Notes to the Financial Statements
 June 30, 2000

III. Other Information

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 follows:

<i>Participating Employers</i>	<i>June 30, 2000</i>
KPERS	1,358
KP&F	57
Judges	1
Total	1,416

MEMBERSHIP BY RETIREMENT SYSTEM
 (As of June 30, 2000)

	KPERS	KP&F	Judges	Total
Retired	50,040	2,959	142	53,141
Active/Inactive	167,353	7,117	264	174,734
Total	217,393	10,076	406	227,875

Kansas Public Employees Retirement System - Plan Benefits

Members (except KP&F members) with 10 or more years of credited service may retire as early as age 55 (KP&F members may be age 50 with 20 years of credited service) with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with 10 years of service credit, or when the members combined age and years of credited service equal 85. KP&F members may elect for normal retirement at age 50 with 25 years of service, at age 55 with 20 years of service or at age 60 with 15 years of service. Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. Upon termination of employment, members may elect to withdraw the accumulated contributions from their individual account, including the interest credited to the member's account. A member who withdraws their accumulated contributions forfeits all rights and privileges accrued during membership. Members choose one of seven options to receive monthly retirement benefits. Benefit increases, including ad hoc post-retirement benefit increases, must be approved and passed into law by the Kansas legislature. Benefit increases are under the authority of the legislature and the governor of the State of Kansas.

All active members (except KP&F members) are covered by the group life insurance contract. The life insurance benefit is 150.0 percent of the annual rate of compensation at the time of death. Generally, for KPERS in cases of death as the result of an on-the-job accident, there is a \$50,000 lump sum benefit and a monthly benefit payable to a surviving spouse, minor children, or dependent parents (in this order of preference). Statutory service-connected accidental death benefits are in addition to any life insurance benefit payable to the designated beneficiary(ies). There is a \$4,000 death benefit payable to the designated beneficiary(ies) upon the death of a retirant under any system.

III. Other Information

Active members (except KP&F and Judges members) are also covered by the provisions of the disability income benefit contract. Annual disability income benefits are based upon two-thirds of the annual rate of compensation at the time of disability, less primary social security benefits, one-half of workers' compensation, and any other employment-related disability benefit, with a minimum monthly benefit of \$100. There is a waiting period of 180 continuous days from the date of disability before benefits can be paid. During the period of approved disability, the member continues to have group life insurance coverage and to accrue participating service credit.

Kansas Public Employees Retirement System - Funding Status and Progress

The law governing the Retirement System requires the actuary to make an annual valuation of the System's liabilities and reserves, and a determination of the contributions required to discharge the System's liabilities. The actuary then recommends to the System's Board of Trustees the employer contribution rates required to maintain the three systems on the actuarial reserve basis.

Every three years the actuary makes a general investigation of the actuarial experience under the System including mortality, retirement, and employment turnover. The actuary recommends actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation. An actuarial experience study was conducted for the three years ending December 31, 1997, effective June 30, 1998. As a result of this study, the Board of Trustees adopted new assumptions in regard to retirement rates, mortality and withdrawal rates. In fiscal year 1993, the Kansas legislature passed into law legislation that amended the statutory funding method applicable to the System. For KPERS, the funding method was changed from the frozen initial liability method to the projected unit credit actuarial cost method, and provided that this method be used to determine KPERS employer contribution rates commencing with the 1993 actuarial valuation (except for TIAA members). Under the new method, the unfunded actuarial accrued liability is recalculated each year (rather than being essentially fixed in dollar amount as under the previous method). Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in KPERS' accrued actuarial liabilities, and affect the amount of annual amortization payments required to amortize the unfunded accrued liability over the statutory 40-year period from July 1, 1993. The funding methods used by the System's actuary for the KP&F and the Judges remained consistent and were the aggregate cost method with supplemental liability and the frozen initial liability method, respectively. The actuary has estimated the change in the unfunded actuarial liability between June 30, 1999, and June 30, 2000, can be attributed to the following (in millions):

Unfunded Actuarial Liability, June 30, 1999	\$ 1,397
Effect of contribution cap/time lag	66
Expected increase due to amortization method	22
Investment gain	(441)
Actual experience other than investment return	99
Refinement in valuation procedures	71
Change in benefit provisions (13th check)	19
Unfunded Actuarial Liability, June 30, 2000	<u>\$ 1,233</u>

III. Other Information

Kansas Public Employees Retirement System - Contributions

Member contributions (from 4.0 percent to 7.0 percent of gross compensation), employer contributions and net investment income fund the reserves of the System. Member contribution rates for covered payroll are established by State law and are paid by the employer in accordance with provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of annual actuarial valuations, as the System is funded on an actuarial reserve basis. Contribution rates for KP&F, TIAA and Judges are set at the actuarial rate; however, State of Kansas legislation has placed statutory limitations on annual increases in the contribution rates for KPERS employers. During 1995 legislative session, the statutory limits were increased to 0.2 percent of payroll over the prior year for fiscal years beginning in 1996 for state and school employers. Beginning in calendar year 1997, the statutory increase for local units of government is limited to no more than 0.15 percent over the prior year. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. Employer contributions for group life and long-term disability are set by statute at 0.6 percent for KPERS and 0.4 percent for Judges. Per Senate Bill 39, passed by the 2000 Legislature, employers did not make contributions for group life and long-term disability for the period April 1, 2000 to June 30, 2000.

Kansas Public Employees Retirement System - Contributions Required and Contributions Made

The actuarially determined contribution rates are computed as a level percentage of salary by the Retirement System's actuary. The results of 1996 and 1997 actuarial valuations provide the basis for Board certification of employer contribution rates for fiscal years ending June 30, 1999 and June 30, 2000 respectively. The actuarially determined employer contribution rates derived from the actuarial valuations for fiscal years ending 1999 and 2000 are as follows:

KPERS Membership Groups	Fiscal Year 1999	Fiscal Year 2000
State/School Employees	5.33%	5.27%
Certain Correctional Employees	5.92/6.41	5.82/6.28
TIAA Employees	1.93	1.82

Legislation has limited the amounts that employers are required to contribute for State/School employees and Local employees, which has resulted in lower employer contribution rates as compared to the actuarial determined rates show above. For fiscal years ended June 30, 1999 and June 30, 2000, the employer contribution rates for State/School employees were 3.99 percent and 4.19 percent, respectively.

The results of 1997 and 1998 actuarial valuations provide the basis for Board certification of local employer contribution rates for fiscal years beginning in 1999 and 2000, respectively. The actuarially determined employer contribution rates derived from the actuarial valuations for fiscal years beginning in year 1999 and 2000 are 3.86 percent and 3.89 percent, respectively. The actual employer rate for local employees were 2.93 percent in 1999 and 3.22 percent in 2000.

KP&F The uniform participating service rate for all KP&F employers was 7.36 percent for the fiscal year beginning in 1999 and 7.35 percent for the fiscal year beginning in 2000. KP&F employers also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer.

Judges The total actuarially determined employer contribution rate was 15.67 percent of payroll for the fiscal year ended 1999 and 14.38 percent of payroll for the fiscal year ended 2000. The law specifies employee contributions as: Each participating employer, beginning with the first payroll for services performed after the entry date, shall deduct

State of Kansas
Notes to the Financial Statements
 June 30, 2000

III. Other Information

from the compensation of each member 4.0 percent for KPERS members, 7.0 percent for KP&F members and 6.0 percent for Judges members of such member's compensation as employee contributions.

All contributions required by law to be made have been made as follows:

(Expressed in Thousands)

	Employer and Insurance Contributions	Member Contributions ⁽¹⁾	Contributions As a Percent of Covered Payroll
KPERS - State/School , TIAA	\$ 127,517	\$ 127,649	8.2 %
KPERS - Local	27,517	40,411	9.1
KP&F	27,398	18,654	20.8
Judges	2,832	1,001	22.7
<i>Total</i>	<u>\$ 185,264</u>	<u>\$ 187,715</u>	<u>9.1 %</u>

An estimated \$299.0 million of employer and member contributions were made to cover normal cost, and an estimated \$57.0 million was made for the amortization of the unfunded actuarial accrued liability.

⁽¹⁾ Member Contributions do not include Optional Life Insurance contributions of approximately \$5.1 million.

Three-year historical data is presented below to provide information about the progress the System is making in accumulating sufficient assets to pay benefits and employer contributions expressed as a percentage of covered wages:

(Expressed in Thousands)

Actuarial Valuation Date(a)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll	Employer Contributions As a Percentage of Covered Wages
1998	7,749,203	9,340,685	83%	1,591,482	4,273,627	37	3.9
1999	8,601,876	9,999,246	86%	1,397,370	4,480,717	31	4.5
2000	9,568,275	10,801,397	89%	1,233,122	4,684,768	26	4.0

a) The System's date for actuarial valuations was June 30.

Other Retirement Plans

Faculty and other eligible unclassified employees of the Board of Regents (Regents) or educational institutions under its control must participate in the Regents retirement plan. Authorized by statute, this defined contribution plan is funded through contributions by the employees and the Regents for the purchase of retirement annuities. Employees must participate in the plan after one year of service or at date of employment if they contributed to a similar plan for at least one year. The contributions are fully vested with the first contribution.

III. Other Information

Employees participating in the Regents mandatory retirement plan are required to contribute 5.5 percent of their salary toward the purchase of their retirement annuity. During fiscal year 2000, employees contributed approximately \$23.0 million. During fiscal year 2000, the 8.5 percent employer contribution totaled \$35.5 million, representing covered wages of approximately \$418.0 million. These employees may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the voluntary tax-sheltered annuity program, which allows the member to purchase a tax-sheltered annuity contract as a supplement to the basic retirement program. Certain employees are covered by a retirement annuity plan which is closed to new members.

On July 1, 1971, the control of the School for the Blind and the School for the Deaf was transferred from the Regents to the State Board of Education. Employees covered by the Regents retirement at the time of the transfer could continue to purchase a retirement annuity or convert to KPERs. Employees who elected the annuity plan contribute 5.0 percent of their salary toward an annuity purchase. This is matched by a 5.0 percent employer contribution. During fiscal year 2000, \$15,000 was contributed by employers for employees annuities representing covered wages of approximately \$307,000.

D. 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 the ability to estimate 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 effect on the State's financial position.

E. Subsequent Events

Subsequent to June 30, 2000, Kansas Development Finance Authority (KDFA) issued \$1.7 million in KDFA Revenue Bonds, Series 2000D, with interest rates ranging from 4.60 percent to 5.60 percent. The Series 2000D Revenue Bonds were issued for the Kansas Board of Regents - Kansas State University Ackert Hall Addition Project and mature May 2001 through May 2015.

Subsequent to June 30, 2000, KDFA issued \$4.5 million in KDFA Lease Revenue Bonds, Series 2000R, with an average interest rate of 4.53 percent. The Series 2000R Lease Revenue Bonds were issued for the State of Kansas - Department of Corrections, Lansing and Topeka Projects and mature October 2001 through October 2005.

On October 5, 2000, KDFA issued its Series 2000Q Revenue Notes in the principal amount of \$0.7 million. These are eighteen-month Notes, dated October 1, 2000, due April 1, 2002, and bearing a coupon interest rate of 5.40 percent payable on April 1 and October 1, beginning April 1, 2001. The Notes are callable at par on and after October 1, 2001. These Notes were issued to provide a portion of the costs of preliminary planning and architectural expenses for a project to construct a student recreation and fitness center on the Lawrence, Kansas campus of the University of Kansas (University). The Kansas Board of Regents, on behalf of the University, has entered into a *Pledge of Revenues Agreement* with KDFA, securing payment of the Notes from the gross revenues generated by the University's collection

III. Other Information

of a student-approved fee. The Notes were issued pursuant to legislative authorization, which contemplates a total project cost of \$17.0 million. It is presently anticipated that permanent financing will be issued to redeem the Notes and provide the balance of the project costs no later than the first quarter of 2002.

The 2000 Legislature authorized KDFA to issue bonds to finance a comprehensive renovation program which will provide a portion of the costs to upgrade Kansas Army National Guard armories around the State. The amount of project costs authorized to be financed by bonds in fiscal year 2001 is \$2.0 million. The legislation also authorizes the issuance of bonds to provide for necessary bond reserves, costs of issuing bonds, and capitalized interest during the construction period. Currently, a November 6 and 7 negotiated pricing of a projected \$2.0 million of bonds is scheduled, with closing to occur on November 21, 2000. Debt service on the bonds will be paid from an annual appropriation of funds by the Kansas Legislature, pursuant to a *Lease With Option to Purchase* agreement among KDFA, The Adjutant General of Kansas, and the Kansas Military Board.

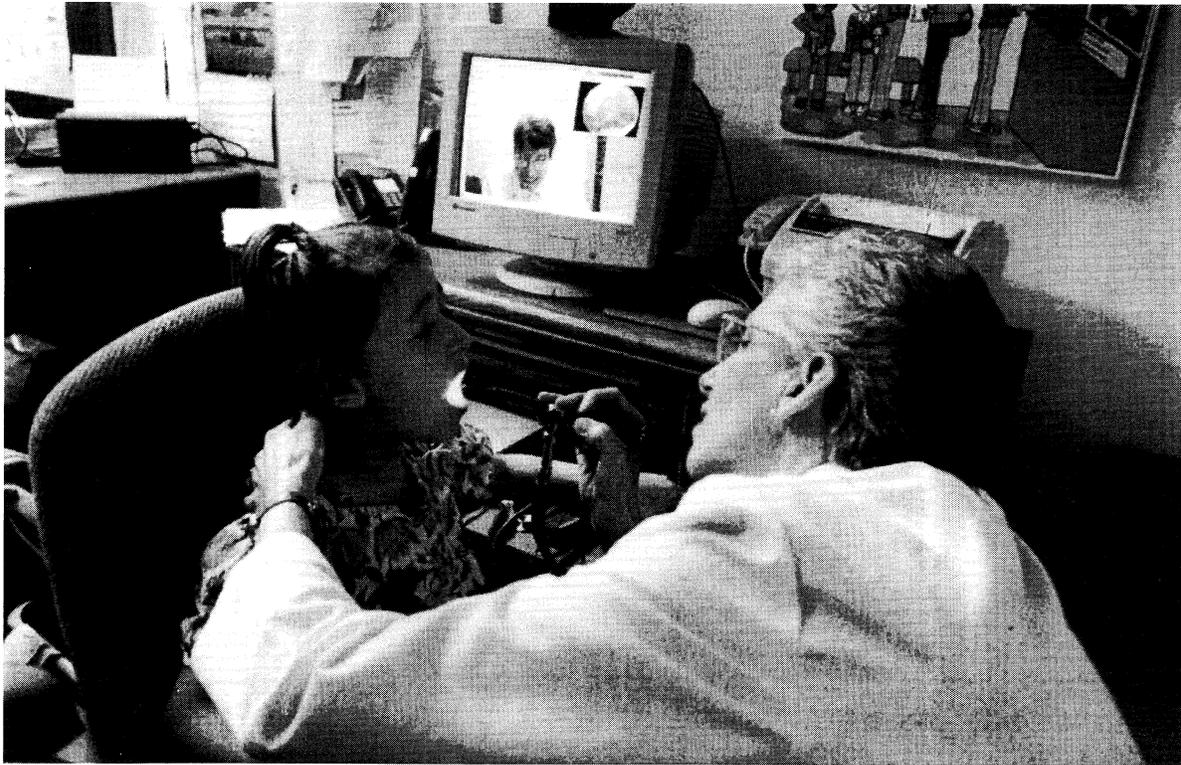
A project to renovate the State Capitol was also approved by the 2000 Kansas Legislature. KDFA is authorized to issue bonds on behalf of the Kansas Department of Administration to provide up to \$40.0 million for the first phase of this historic renovation. Currently, a November 28 and 29 negotiated pricing of a projected \$16.3 million of bonds is scheduled, with closing to occur on December 19, 2000. Debt service on the bonds will be paid from an annual appropriation of funds by the Kansas Legislature, pursuant to a *Lease With Option to Purchase* agreement between KDFA and the Department of Administration.

The Kansas Legislature authorized the issuance of bonds by KDFA to provide \$50.0 million of project costs, plus related costs of issuing the bonds, required reserves, and capitalized interest during the construction period, for two Juvenile Justice Authority (JJA) projects. The JJA has plans to construct and equip juvenile correctional and ancillary support facilities at Larned, Kansas, and at Topeka, Kansas. The 2000 Legislature also appropriated \$4.5 million of existing funds for the projects. It is anticipated that additional funding will come from a Violent Offenders Incarceration/Truth in Sentencing (VOI/TIS) grant from the Federal government. KDFA and the JJA plan to issue bonds to provide approximately \$20.0 million of project costs for the Larned facility no later than January 31, 2001. Debt service on the bonds will be paid from an annual appropriation of funds by the Kansas Legislature, pursuant to a *Lease With Option to Purchase* agreement between KDFA and the JJA.

The Department of Transportation expects to issue \$150.0 million of fixed rate Highway Revenue Bonds Series A on or about November 1, 2000. Approximately 15 days later KDOT anticipates issuing \$200.0 million of variable rate demand obligation Highway Revenue Bonds Series 2000 B and C. Prior to the issuance of the \$350.0 million, the aggregate principal amount of bonds outstanding was \$1.1 billion.

**STATISTICAL
SECTION**





Tele-KidCare®: School nurses now have the ability from their school clinics to examine ill children and show images of those exams real time to physicians at KU Medical Center who can prescribe appropriate treatments.

Submitted by the University of Kansas Medical Center

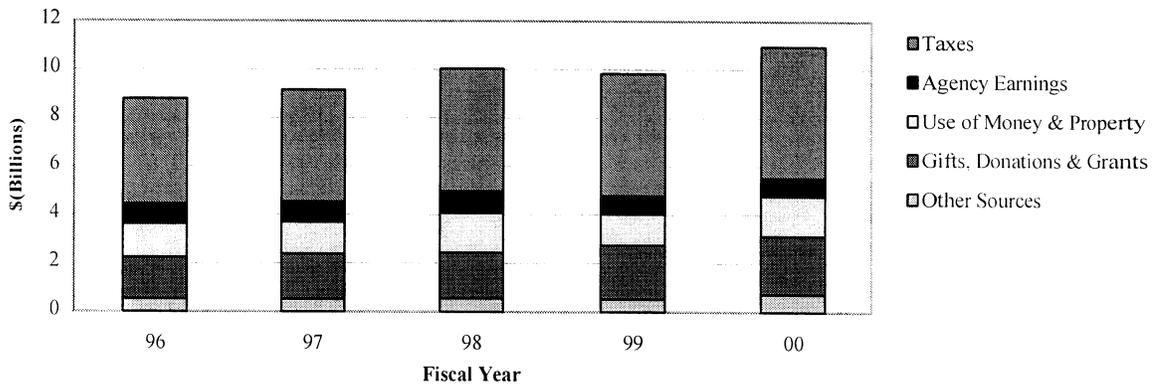
State of Kansas
Combined Funds
 June 30, 2000

Comparative Statement of Revenues

Expressed in Thousands

REVENUES CLASSIFIED BY OBJECT	2000	1999	Increase/ (Decrease)
Taxes			
Property (Ad Valorem).....	\$ 48,600	\$ 47,352	\$ 1,248
Income and Inheritance	2,196,930	2,031,973	164,957
State Sales and Compensating Use.....	2,257,470	2,157,003	100,467
Cigarette and Tobacco Products	52,898	54,550	(1,652)
Motor Fuel	358,569	325,088	33,481
Cereal Malt and Liquor.....	73,436	69,203	4,233
Motor Vehicle Registration	138,696	137,873	823
Insurance Companies.....	70,139	78,262	(8,123)
Severance Tax on Minerals	56,956	44,013	12,943
Other Excise	27,180	27,060	120
Other Gross Receipts	24,379	23,234	1,145
Payroll Unemployment.....	107,655	47,848	59,807
Total Taxes	5,412,908	5,043,459	369,449
Agency Earnings	746,826	760,502	(13,676)
Revenue from the Use of Money and Property	1,651,354	1,281,556	369,798
Gifts, Donations and Grants			
Federal Grants	2,309,640	2,148,173	161,467
Other Grants and Gifts.....	79,225	69,803	9,422
Total Gifts, Donations and Grants	2,388,865	2,217,976	170,889
Reimbursements and Refunds	295,001	226,774	68,227
Other Revenues	406,410	300,264	106,146
TOTAL REVENUES	\$ 10,901,364	\$ 9,830,531	\$ 1,070,833

Five Year Comparison Revenues by Object

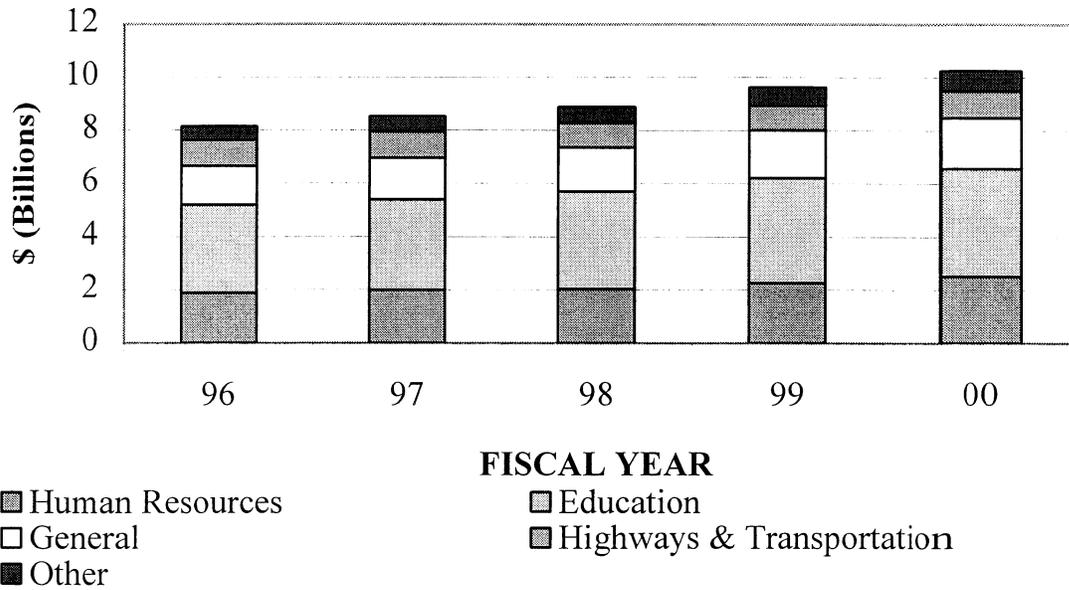


State of Kansas
Combined Funds
 June 30, 2000

Comparative Statement of Expenditures/Expenses by Function

EXPENDITURES/EXPENSES CLASSIFIED BY FUNCTION	Expressed in Thousands		
	2000	1999	Increase/ (Decrease)
Education	\$ 4,071,498	\$ 3,955,306	\$ 116,192
Human Resources	2,514,885	2,271,612	243,273
General Government	1,906,046	1,796,839	109,207
Highways and Other Transportation	1,009,995	919,592	90,403
Public Safety	407,736	383,923	23,813
Agriculture and Natural Resources	147,352	131,365	15,987
Debt Service	186,386	162,007	24,379
TOTAL EXPENDITURES/EXPENSES	\$ 10,243,898	\$ 9,620,644	\$ 623,254

**Five Year Comparison Expenditures/Expenses by
Function**



State of Kansas
Combined Funds
 June 30, 2000

Comparative Statement of Expenditures/Expenses by Object

EXPENDITURES/EXPENSES CLASSIFIED BY OBJECT	Expressed in Thousands		
	2000	1999	Increase/ (Decrease)
Expenditures/Expenses for State Operations and Services			
Salaries and Wages	\$ 1,751,657	\$ 1,703,459	\$ 48,198
Contractual Services	864,747	821,651	43,096
Commodities	166,975	153,551	13,424
Capital Outlay	112,875	137,395	(24,520)
TOTAL EXPENDITURES/EXPENSES FOR STATE OPERATIONS AND SERVICES	2,896,254	2,816,056	80,198
TOTAL EXPENDITURES/EXPENSES FOR HIGHWAY AND OTHER CAPITAL IMPROVEMENTS	741,700	649,713	91,987
TOTAL EXPENDITURES FOR LOCAL ASSISTANCE	2,980,208	2,860,936	119,272
Expenditures for Other Claims and Grants			
Direct Welfare Assistance	1,620,484	1,445,504	174,980
Homestead Property Tax Relief Payments	14,973	13,750	1,223
Other Claims and Grants	1,118,171	1,023,575	94,596
TOTAL EXPENDITURES FOR OTHER CLAIMS AND GRANTS	2,753,628	2,482,829	270,799
TOTAL EXPENDITURES FOR EMPLOYMENT SECURITY BENEFITS	179,844	156,605	23,239
TOTAL EXPENDITURES FOR RETIREMENT PAYMENTS	505,878	492,498	13,380
REIMBURSEMENTS/EXPENSES AND REFUNDS			
Expenditures/Expenses for Debt Service			
Debt Service Principal	97,621	82,608	15,013
Debt Service Interest	88,765	79,399	9,366
TOTAL EXPENDITURES/EXPENSES FOR DEBT SERVICE	186,386	162,007	24,379
TOTAL EXPENDITURES/EXPENSES	\$ 10,243,898	\$ 9,620,644	\$ 623,254

State of Kansas
Combined Funds
 June 30, 2000

Local Assistance Expenditures

PURPOSE AND PROGRAM	Expressed in Thousands	
	Federal	State
Education		
State General Aid	\$ 0	\$ 1,850,179
Community College and Municipal University.....	0	69,575
Education of Deaf, Blind and Handicapped	39,615	109
Vocational Education	19,172	20,077
Goals 2000 Federal Fund	3,683	0
Retirement Contribution for School District Employees.....	0	87,889
State Safety Funds	0	1,623
State School District Finance Fund	0	15,785
Elementary and Secondary Education	58,119	0
Food Assistance.....	69,538	2,362
Adult Basic Education.....	2,535	6,207
Aid for Libraries.....	430	3,747
School District Capital Improvement Fund.....	0	26,176
Special Education	0	228,757
Educational Research & Inservice Aid.....	1,466	4,944
School District Juvenile Detention Facilities & Flint Hills Job Corps Center	0	4,011
Economic Security Act.....	2,188	8,902
Drug Abuse Fund	3,183	0
Other Aid for Education	9,802	3,122
GROSS AID FOR EDUCATION	209,731	2,333,465
Human Resources		
Area Agencies on Aging	3,065	1,712
Family and Children Investment	0	3,003
Health and Environment Local Units	12,744	4,233
Social and Rehabilitation Services Assistance	9,052	12,039
GROSS AID FOR HUMAN RESOURCES	24,861	20,987
General Purposes		
Rental Motor Vehicle Excise Tax	0	2,579
Housing	2,493	180
County and City Revenue Sharing	0	36,932
Local Ad Valorem Tax Reduction	0	57,903
Local Alcoholic Liquor	0	15,809
Firefighters Relief	0	5,127
County Mineral Production Tax.....	0	3,362
Community Development	23,454	12,785
County Drug Tax.....	0	1,246
Electronic Databases	0	55
Other Aid for General Purposes	5,059	3,168
GROSS AID FOR GENERAL PURPOSES	31,006	139,146
Other Assistance (Transportation, Agriculture & Natural Resources, Public Safety)		
GROSS AID FOR OTHER ASSISTANCE	14,768	206,244
GROSS AID TO LOCAL UNITS	\$ 280,366	\$ 2,699,842

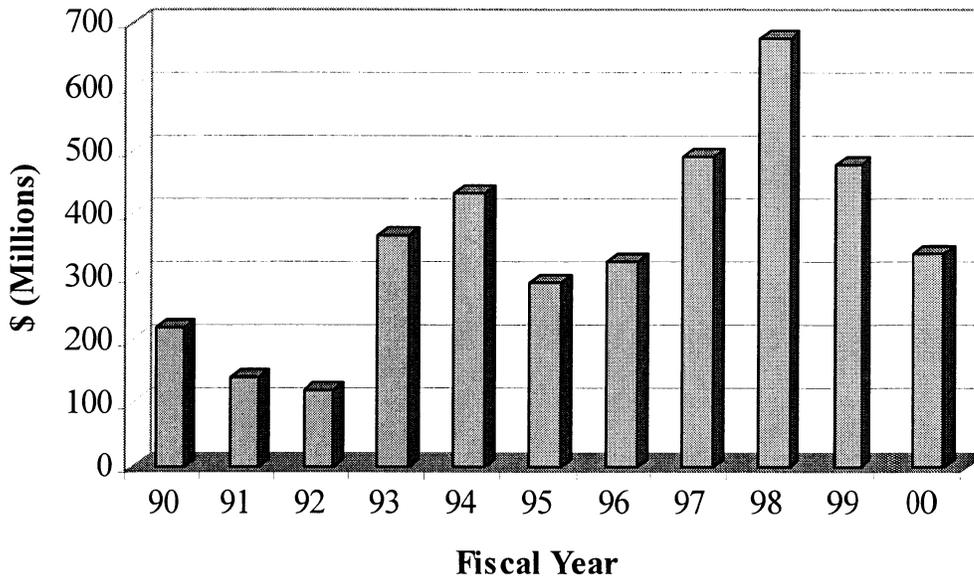
State of Kansas
State General Fund
 June 30, 2000

Comparison of Resources Available for Appropriations

RESOURCES AVAILABLE FOR APPROPRIATIONS	Expressed in Thousands		
	2000	1999	Increase/ (Decrease)
State Treasury's Balance at June 30	\$ 429,755 *	\$ 618,112 *	\$ (188,357)
Less Outstanding Obligations			
Unredeemed Warrants and Vouchers Payable	20,494	19,969	525
Unliquidated Encumbrances	36,068	41,929	(5,861)
Appropriation Balances Reappropriated	35,673	78,236	(42,563)
Total Outstanding Obligations at June 30	92,235	140,134	(47,899)
UNENCUMBERED BALANCE AVAILABLE TO FINANCE SUCCEEDING FISCAL YEAR APPROPRIATIONS AT JUNE 30	\$ 337,520 *	\$ 477,978 *	\$ (140,458)

* Please see page P for budget basis amounts.

Ten Year Comparison General Fund Balance



State of Kansas
State General Fund
 June 30, 2000

Comparative Statement of Revenues
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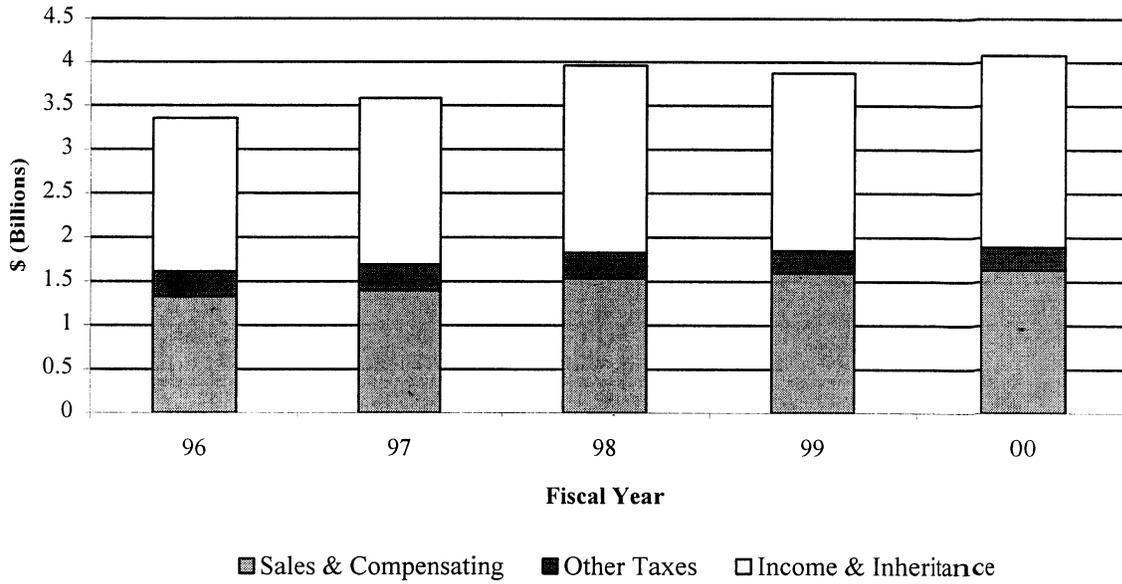
Expressed in Thousands

	2000	1999	Increase/ (Decrease)
TAX REVENUES			
Property.....	\$ 16,125	\$ 15,771	\$ 354
Income and Inheritance.....	2,190,032	2,029,226	160,806
Sales and Compensating Use.....	1,635,365 *	1,598,542	36,823
Cigarette.....	49,124	51,181	(2,057)
Cereal Malt Beverage.....	2,431	2,448	(17)
Liquor Enforcement.....	33,336	30,797	2,539
Liquor Gallonage and Private Club.....	20,033	19,284	749
Tobacco Products.....	3,773	3,369	404
Corporation Franchise.....	16,834	15,866	968
Wheat.....	53	51	2
Car Companies.....	866	881	(15)
Insurance Companies.....	60,675	67,293	(6,618)
Bingo Tax.....	303	326	(23)
Transient Guest Tax.....	341	338	3
Severance Tax on Minerals.....	52,969	40,932	12,037
Marijuana and Controlled Substances.....	367	400	(33)
Other Gross Receipts.....	18	15	3
TOTAL TAX REVENUES	4,082,645 *	3,876,720	205,925
NON-TAX REVENUES			
Agency Earnings			
Service Charges.....	8,104	8,571	(467)
Licenses, Permits and Registrations.....	4,975	5,130	(155)
Sales of Commodities.....	342	391	(49)
Grain and Pecan Marketing Assessments.....	47	49	(2)
Total Agency Earnings.....	13,468	14,141	(673)
Revenue From the Use of Money and Property			
Interest and Dividends.....	76,696	88,084	(11,388)
Amortization on Securities.....	(4)	(61)	57
Total Revenue From Use of Money and Property.....	76,692	88,023	(11,331)
Gifts, Donations and Grants.....	0	5	(5)
Reimbursements and Refunds.....	1,944	1,628	316
Other Non-Tax Revenues.....	29,222	24,506	4,716
TOTAL NON-TAX REVENUES	121,326	128,303	(6,977)
TOTAL REVENUES	\$ 4,203,971	\$ 4,005,023	\$ 198,948

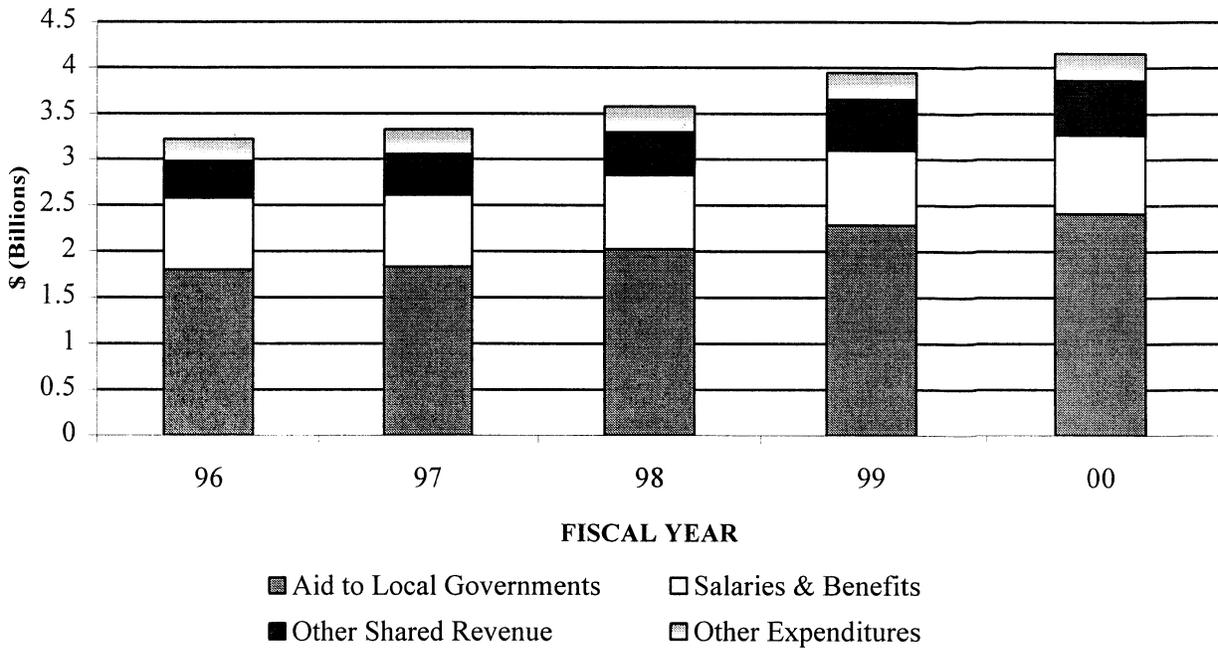
* The reported sales tax figure above is \$14.9 million less than the sales tax revenue figure shown in certain budget documents (\$1,440,303,000). This is because the budget documents were prepared using the best available figure at the time they had to be finalized. After finalization of the budget documents, information became available that allowed an adjustment to more accurately reflect the State and local share of sales tax revenue. The adjusted figure above is reflected in the State's financial statements.

Five Year Comparisons

Tax Revenues By Object



Expenditures By Object



State of Kansas
State General Fund
 June 30, 2000

Comparative Statement of Expenditures and Other Financing Uses

EXPENDITURES BY OBJECT	Expressed in Thousands		
	2000	1999	Increase/ (Decrease)
Salaries & Wages.....	\$ 860,238	\$ 813,692	\$ 46,546
Contractual Services	232,589	221,299	11,290
Commodities.....	41,567	34,972	6,595
Capital Outlay	24,354	35,741	(11,387)
Grants, Claims and Shared Revenue			
By Department on Aging	8,257	9,953	(1,696)
Social and Rehabilitation Services.....	9,185	5,393	3,792
Retirement Contributions for Local School District Employees ..	87,889	83,557	4,332
Local and Regional Libraries	4,002	3,620	382
Aid to Local School Districts	2,097,645	2,062,650	34,995
Municipal University Operating Grant	8,188	7,902	286
By Juvenile Justice Authority	26,294	23,638	2,656
By Department of Corrections	17,135	16,937	198
By Department of Health and Environment.....	9,549	9,059	490
Mental Health and Retardation Services	52,020	58,384	(6,364)
Other Grants to Local Units	88,545	4,673	83,872
Total Aid for Local Units	2,408,709	2,285,766	122,943
Direct Social Welfare Assistance	548,730	499,775	48,955
Homestead Property Tax Relief.....	14,973	13,750	1,223
Other State Grants and Claims	24,585	39,509	(14,924)
Total Grants, Claims and Shared Revenue	2,996,997	2,838,800	158,197
TOTAL EXPENDITURES	4,155,745	3,944,504	211,241
Other Financing Uses			
Local Ad Valorem Tax Reduction Fund	57,903	55,122	2,781
State Fair Capital Improvements Fund.....	300	260	40
County and City Revenue Sharing Fund.....	36,932	36,566	366
State Water Plan Fund.....	6,000	6,000	0
Special County and City Highway Fund.....	11,182	10,995	187
State Highway Fund.....	62,240	87,899	(25,659)
School District Capital Improvements Fund.....	26,098	22,747	3,351
Transfer and Non-Expense Items.....	36,437	41,214	(4,777)
TOTAL OTHER FINANCING USES	237,092	260,803	(23,711)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 4,392,837	\$ 4,205,307	\$ 187,530
EXPENDITURES BY FUNCTION			
General Government (Includes Debt Service)	181,609	191,271	(9,662)
Human Resources	793,066	738,079	54,987
Education	2,854,070	2,710,317	143,753
Public Safety	299,883	278,513	21,370
Agriculture and Natural Resources	27,117	26,324	793
TOTAL EXPENDITURES	\$ 4,155,745	\$ 3,944,504	\$ 211,241

State of Kansas
State General Fund
June 30, 2000

Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget Basis

	Expressed in Thousands		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND FINANCING SOURCES			
Taxes			
Property	\$ 17,000	\$ 16,125	\$ (875)
Income and Inheritance	2,139,000	2,190,032	51,032
State Sales	1,455,000	1,425,399 *	(29,601)
Consumer's and Retailer's Compensating	206,000	209,966	3,966
Tobacco and Liquor	107,600	108,697	1,097
Insurance Premiums	62,000	60,675	(1,325)
Severance	49,700	52,969	3,269
Other	18,400	18,782	382
Total Taxes	4,054,700	4,082,645	27,945
Other Revenue and Financing Sources			
Interest, Dividends, Premiums and Discounts	82,000	81,415	(585)
Transfers	(24,766)	(21,330)	3,436
Agency Earnings, Other Revenue and Financing Sources	47,850	45,389	(2,461)
TOTAL REVENUES AND FINANCING SOURCES	4,159,784	4,188,119	28,335
EXPENDITURES AND FINANCING USES			
General Government	188,187	183,380	4,807
Human Resources	793,735	788,937	4,798
Education	2,887,589	2,859,524	28,065
Public Safety	309,370	308,195	1,175
Agriculture and Natural Resources	27,350	26,929	421
Demand Transfers	228,569	200,655	27,914
TOTAL EXPENDITURES AND FINANCING USES	4,434,800	4,367,620	67,180
EXCESS OF REVENUES/SOURCES OVER(UNDER) EXPENDITURES/USES (BUDGET BASIS)	(275,016)	(179,501)	95,515
RECONCILIATION OF BUDGETARY REPORTING:			
Adjust to include encumbrances		29,728	
Adjust to exclude prior budget fiscal year expenditures		(33,630)	
Adjust for change in imprest fund		15	
Adjust to report pooled investments at fair value		(5,478)	
EXCESS OF REVENUES/SOURCES OVER (UNDER) EXPENDITURES/USES (MODIFIED CASH BASIS)		\$ (188,866)	

* The reported sales tax figure above is \$14.9 million less than the sales tax revenue figure shown in certain budget documents (\$1,440,303,000). This is because the budget documents were prepared using the best available figure at the time they had to be finalized. After finalization of the budget documents, information became available that allowed an adjustment to more accurately reflect the State and local share of sales tax revenue. The adjusted figure above is reflected in the State's financial statements.

State of Kansas
Transportation Funds
 June 30, 2000

Comparative Combined Statement of Revenues and Expenditures
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REVENUES	Expressed in Thousands	
	2000	1999
State Sales and Compensating Use Taxes	\$ 87,797	\$ 85,889
Motor Fuel Taxes	356,069	322,588
Motor Vehicle Registration Taxes.....	134,289	134,234
Agency Earnings	12,299	10,436
Revenue From the Use of Money and Property	31,446	25,248
Gifts, Donations and Federal Grants	326,463	313,532
Reimbursements and Refunds	7,219	803
Other Operating Revenue	21	58
TOTAL REVENUES	955,603	892,788
EXPENDITURES		
Salaries and Wages.....	118,359	115,686
Contractual Services.....	85,008	71,956
Commodities	24,294	23,017
Capital Outlay (Other).....	47,521	51,471
Highways and Bridges.....	569,078	507,528
Shared Revenue Distributed to Cities, Counties and Townships	152,294	142,130
State Aid to State and Qualified Non-State Organizations.....	5,760	2,824
Federal Aid to State and Qualified Non-State Organizations.....	6,952	4,385
Claims	730	596
Debt Service		
Principal	40,945	27,730
Interest.....	53,217	46,017
TOTAL EXPENDITURES	1,104,158	993,340
OTHER FINANCING SOURCES (USES)		
Borrowings	327,271	0
Conversion of Assets.....	1,267	639
Transfers (Net)	35,166	64,655
Other Financing Sources (Uses).....	(394)	9
TOTAL OTHER FINANCING SOURCES (USES)	363,310	65,303
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 214,755	\$ (35,249)

State of Kansas
Employment Security Fund
 June 30, 2000

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance

On a Modified Cash Basis

	Expressed in Thousands	
	2000	1999
REVENUES		
Taxes (Employer Payroll Contributions)	\$ 107,655	\$ 47,848
Interest on Deposits with U.S. Treasury.....	32,130	36,703
Interest on Reed Act Deposits	721	161
Interest on State Treasury Investments.....	200	116
Federal Grants	5,527	3,483
Reimbursements and Refunds	11,239	11,075
TOTAL REVENUES	157,472	99,386
EXPENDITURES		
Regular Unemployment Benefits	174,361	153,053
Federal Employees Unemployment Benefits	2,079	2,135
Ex-Military Unemployment Benefits	1,316	1,257
Disaster Unemployment Assistance	19	49
Worker Adjustment Unemployment Assistance	2,069	111
Employment Security Refund	2	0
TOTAL EXPENDITURES	179,846	156,605
OTHER FINANCING SOURCES (USES)		
Transfers (Net)	(678)	(554)
Other Financing Sources (Uses).....	52	269
TOTAL OTHER FINANCING SOURCES (USES)	(626)	(285)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(23,000)	(57,504)
Fund Balance, July 1	524,840	582,344
FUND BALANCE, JUNE 30	\$ 501,840	\$ 524,840

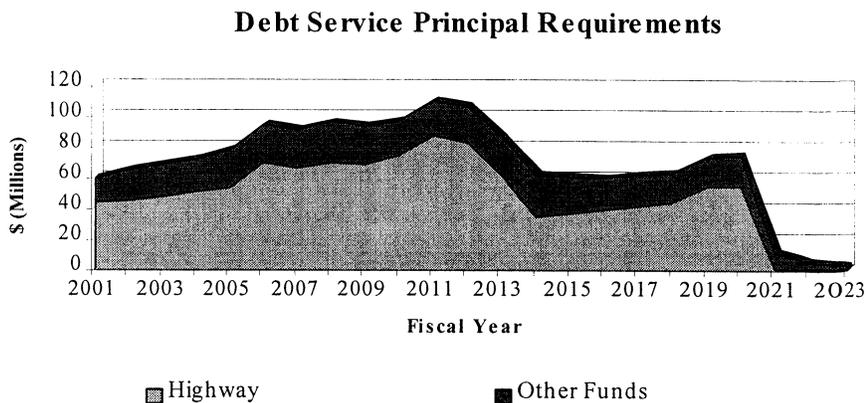
State of Kansas
State Bonded Indebtedness
 June 30, 2000

Debt Service Principal Requirements to Maturity by Fund Type

The following represents Annual Debt Service requirements to Maturity for Revenue Bonds excluding KDFA Bonds.

Fiscal Year	Expressed in Thousands				Fiscal Year Total
	Highway Funds	Enterprise Funds	Capital Projects Funds	Trust and Agency Funds	
2001	42,945	1,841	1,145	13,230	59,161
2002	45,095	1,906	1,205	16,200	64,406
2003	47,405	1,651	1,275	18,040	68,371
2004	49,880	1,546	1,340	19,490	72,256
2005	52,725	1,821	1,785	20,940	77,271
2006	69,815	1,451	1,015	22,160	94,441
2007	65,885	1,526	1,075	22,405	90,891
2008	68,965	2,431	1,140	23,420	95,956
2009	67,920	861	1,585	23,155	93,521
2010	74,370	1,071	1,115	20,035	96,591
2011	87,205	585	780	21,075	109,645
2012	82,415	615	830	21,825	105,685
2013	61,465	650	1,755	22,620	86,490
2014	34,275	780	245	25,755	61,055
2015	36,090	645	260	23,040	60,035
2016	38,310	685	650	19,825	59,470
2017	40,390	725	0	20,135	61,250
2018	42,770	765	0	18,990	62,525
2019	54,290	810	0	18,335	73,435
2020	53,875	860	0	19,145	73,880
2021	0	2,315	0	7,640	9,955
2022	0	0	0	4,740	4,740
2023	0	0	0	2,100	2,100
Total Due	1,116,090	25,540 *	17,200	424,300	1,583,130

* This balance includes the maturity value of the capital accumulator bonds, in the amount of \$0.5 million.



State of Kansas
Employment Statistics
 June 30, 2000

Major Employers in Kansas

Company	Location	Employees	Type of Business
Sprint/United Management Co.	Shawnee Mission	23,197	Management Services and Headquarters
Boeing Company	Wichita	15,300	Aircraft
Cessna Aircraft Company	Independence, Wichita	10,100	Aircraft and Headquarters
Raytheon Aircraft Corporation	Wichita	8,100	Aircraft and Headquarters
IBP, Inc.	Emporia, Holcomb	6,000	Meat Packing Plants
Farmland Industries	Statewide	5,850	Food Preparation
Via Christi Regional Medical Center	Wichita	4,678	General Medical and Surgical Hospitals
University of Kansas Medical Center	Kansas City	4,540	Medical Services
Southwestern Bell Telephone	Statewide	4,500	Telecommunications
General Motors Corporation	Kansas City	4,200	Motor Vehicles and Car Bodies
Western Resources, Inc.	Statewide	4,106	Electric Services and Headquarters
BNSF Railway, Inc.	Statewide	4,000	Railroads, Line-Haul Operating
UPS	Shawnee Mission	4,000	Courier Services, Except by Air
AlliedSignal Avionics, Inc.	Olathe, Lawrence Lenexa	3,600	Search and Navigation Equipment
Koch Industries	Wichita	3,600	Petroleum Refining
Bombardier (Learjet, Inc.)	Wichita	3,425	General Warehousing and Storage
Columbia Wesley Medical Center	Wichita	3,080	General Medical and Surgical Hospitals
Dillon Companies, Inc.	Hutchinson	2,700	Grocery Stores and Headquarters
Schwan's Sales Enterprises, Inc.	Salina	2,500	Frozen Foods and Specialty Foods
National Beef	Liberal	2,400	Meat Packing Plants
Excel Corporation	Dodge City	2,400	Meats and Meat Products
Goodyear Tire & Rubber Co.	Topeka	2,000	Tires and Inner Tubes
Applebee's International, Inc.	Overland Park	2,000	Restaurant Management and Headquarters
Yellow Corp.	Overland Park	1,900	Transportation Services
Blue Cross Blue Shield of Kansas	Topeka	1,800	Hospital and Medical Service Plans

Source: Kansas Department of Commerce and Housing Webpage; Dun & Bradstreet Marketplace Directory April-June 1999; Wichita Business Journal, Book of Lists, 1998; Kansas City Business Journal, Book of Lists, 1998

State of Kansas
State General Fund
 June 30, 2000

Comparison of Resources Available for Appropriations-Budget Basis
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	Expressed in Thousands		
	2000	1999	Increase/ (Decrease)
RESOURCES AVAILABLE FOR APPROPRIATIONS			
State Treasury's Balance at June 30 (Budget Basis)	\$ 434,584	\$ 602,559	\$ (167,975)
Less Outstanding Obligations			
Unredeemed Warrants and Vouchers Payable.....	20,494	19,969	525
Unliquidated Encumbrances	36,068	41,929	(5,861)
Total Outstanding Obligations at June 30.....	56,562	61,898	(5,336)
UNENCUMBERED BALANCE AVAILABLE TO FINANCE SUCCEEDING FISCAL YEAR APPROPRIATIONS AT JUNE 30 (Budget Basis) BEFORE REAPPROPRIATIONS	\$ 378,022	\$ 540,661	\$ (162,639)
Less Appropriation Balances Reappropriated	35,673	78,236	(42,563)
UNENCUMBERED BALANCE AVAILABLE TO FINANCE SUCCEEDING FISCAL YEAR APPROPRIATIONS AT JUNE 30 (Budget Basis)	\$ 342,349	\$ 462,425	\$ (120,076)
Reconciliation of Budgetary Reporting:			
Adjust to report pooled investments at fair value	10,075	15,553	(5,478)
Adjust to exclude sales tax adjustment	(14,904)	0	(14,904)
UNENCUMBERED BALANCE AVAILABLE TO FINANCE SUCCEEDING FISCAL YEAR APPROPRIATIONS AT JUNE 30	\$ 337,520	\$ 477,978	\$ (140,458)