III. Detailed Notes On All Funds

Transfers

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

Fund	Net Transfers In	Net Transfers Out
General	$ 76,327	$ 0
Social and Rehabilitation Services	918,514	0
Transportation	0	420,449
Transportation-Capital Projects	0	41,264
Health Policy Authority	0	930,517
Non-major Governmental	471,796	0
Unemployment Insurance	0	13,200
Health Care Stabilization	0	202
Non-major Enterprise Funds	0	56,128
Internal Service Funds	0	4,877
Total	$ 1,466,637	$ 1,466,637

Transfers are used to (1) move revenues from fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts and (3) use unrestricted revenues collected in a fund that is used to finance various programs and capital outlay projects accounted for in another fund in accordance with budgetary authorizations. Any transfers within the governmental funds or within the proprietary funds have been eliminated in the Government-Wide Statement of Activities.

J. Short-term Obligations

Short-term obligations at June 30, 2011, and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/2010 Beginning Balance	Additions	Deletions	6/30/2011 Ending Balance
Governmental Activities				
Certificates of Indebtedness	$ 0	$ 700,000	$ 700,000	$ 0
Accrued receivables:				
State Building Fund	0	42,783	42,783	0
Children's Initiatives Fund	0	29,059	29,059	0
Correctional Institution Building Fund	0	3,994	3,994	0
State Economic Development	0	21,616	21,616	0
Kansas Endowment for Youth Fund	0	207	207	0
27th Paycheck	0	3,789	3,789	0
Total short-term obligations	$ 0	$ 801,448	$ 801,448	$ 0

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later

III. Detailed Notes On All Funds

than June 30, immediately following the issuance of the indebtedness. No interest is accrued or paid. A Certificate of Indebtedness of $700 million was issued on July 1, 2010, and redeemed on June 27, 2011.

Per K.S.A. 76-6b11, on July 1 of each year ad valorem tax and receivables are posted to the State Treasurer's receivables for the State Buildings Fund. The receivable is reduced as the ad valorem taxes are received. In fiscal year 2011, $28.5 million was posted to the Kansas Educational Building Fund and $14.3 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in June 2011.

Per Senate Bill 572, Section 61(f) of the 2010 Session, receivables are to be posted to the State Treasurer's receivables for the Children's Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2011 a receivable was posted for $29.1 million and was reduced to zero in April 2011.

Per Senate Bill 572, Section 61(h) of the 2010 Session, on July 1, 2010, receivables are to be posted to the State Treasurer's receivables for the Correctional Institutions Building Fund by an amount certified by the director of budget which is to be 80 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2011, a receivable was posted for $4.0 million and was reduced to zero in February, 2011.

Per Senate Bill 572, Section 61(g) of the 2010 Session, on July 1, 2010, receivables are to be posted to the State Treasurer's receivables for the State Economic Development Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2011, a receivable was posted for $21.6 million and was reduced to zero in November 2010.

Per Senate Bill 572, Section 61(i) of the 2010 Session, on July 1, 2010, receivables are to be posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund by an amount certified by the director of budget which is to be 80 percent of the amount approved for expenditure during the fiscal year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2011, a receivable was posted for $207 thousand and was reduced to zero in April 2011.

Per Senate Bill 572, Section 61(n) of the 2010 Session, on July 1, 2010, receivables are to be posted to the State Treasurer's receivables for the 27th payroll in the amount of $32.7 million. This amount is reduced as moneys are received into the fund. In fiscal year 2011, a receivable was posted for $3.8 million and was reduced to zero in September 2010.

K. Long-term Obligations

A summary of long-term obligations at June 30, 2011, for the fiscal year then ended is as follows (expressed in thousands):

III. Detailed Notes On All Funds

	Government Activities	Business-Type Activities	Component Units	Total
Revenue bonds payable	$ 3,077,604	$ 767,878	$ 691,971	$ 4,537,453
Less bonds payable on demand	(641,725)	0	0	(641,725)
Sales tax limited obligation bonds	104,895	0	0	104,895
Sales tax accretion bonds	120,653	0	0	120,653
Notes payable	20,031	0	217,034	237,065
Capital leases payable	129,089	0	13,616	142,705
Arbitrage rebate payable	827	173	51	1,051
Unemployment benefits loan	0	170,821	0	170,821
Claims and judgments	88,797	221,160	0	309,957
Compensated absences	126,241	73	69,101	195,415
Other post employment benefits	47,188	300	41,794	89,282
Pollution remediation	73,660	0	3,700	77,360
Other	0	17,597	61,395	78,992
Total long-term obligations	$ 3,147,260	$ 1,178,002	$ 1,098,662	$ 5,423,924

III. Detailed Notes On All Funds

Long-term obligations at June 30, 2011, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2010 Beginning Balance	Additions	Deletions	6/30/2011 Ending Balance	Amounts Due In One Year
Governmental Activities									
Revenue bonds payable:									
KDFA Series 2001 M	2002	3.50 - 5.00%	2011	$ 32,390	$ 4,135	$ 0	$ 4,135	$ 0	$ 0
KDFA Series 2003 H	2004	1.41 - 5.21%	2014	40,250	18,155	0	4,210	13,945	4,415
KDFA Series 2004 A-1, 2 & 3	2004	2.00 - 5.00%	2024	44,920	35,020	0	1,835	33,185	1,930
KDFA Series 2004 C	2004	3.43 - 5.50%	2034	500,000	479,515	0	10,805	468,710	11,255
KDFA Series 2005 H-1, 2, 3, 4 & 5	2006	3.25 - 5.00%	2032	88,175	75,490	0	3,380	72,110	4,425
KDFA Series 2005 N	2006	3.50 - 4.00%	2015	28,165	15,070	0	2,790	12,280	2,895
KDFA Series 2006 A	2006	4.00 - 5.00%	2027	209,490	188,445	0	7,600	180,845	7,910
KDFA Series 2006 L-1, 2, 3	2007	4.00 - 4.25%	2026	13,210	11,290	0	690	10,600	720
KDFA Series 2007 F	2007	4.00 - 4.97%	2017	34,505	25,860	0	3,210	22,650	3,340
KDFA Series 2007 K-1, 2A, 2B, & 3	2008	4.00 - 5.25%	2028	59,455	55,620	0	2,045	53,575	2,140
KDFA Series 2008 L-1, 2, & 3	2009	2.00 - 5.25%	2029	43,265	41,755	0	1,565	40,190	1,620
KDFA Series 2009 A	2009	2.50 - 5.00%	2035	3,825	3,825	0	0	3,825	0
KDFA Series 2009 B	2009	5.00%	2019	515	515	0	0	515	0
KDFA Series 2009 F	2009	3.00 - 5.00%	2019	49,425	49,425	0	0	49,425	5,435
KDFA Series 2009 M-1 & M-2	2010	3.00 - 6.31%	2034	85,265	84,615	0	2,215	82,400	2,675
KDFA Series 2009 N	2010	3.88 - 5.80%	2025	10,050	10,050	0	0	10,050	0
KDFA Series 2010 C	2010	5.00%	2020	52,755	52,755	0	0	52,755	4,785
KDFA Series 2010 E-1 & E-2	2010	2.00 - 6.12%	2035	84,160	84,160	0	0	84,160	530
KDFA Series 2010 F	2010	1.58 - 6.25%	2032	18,400	18,400	0	0	18,400	1,295
KDFA Series 2010 O-1 & O-2	2011	3.00 - 6.10%	2030	43,455	0	43,455	0	43,455	1,730
KDOT Series 1998	1998	3.65 - 5.50%	2014	189,195	31,360	0	19,895	11,465	0
KDOT Series 2002 A	2003	Variable	2012	199,600	33,525	0	21,835	11,690	11,690
KDOT Series 2002 B & C*	2003	3.39%	2020	320,005	320,005	0	0	320,005	20,975
KDOT Series 2002 D*	2003	Variable	2012	88,110	46,440	0	22,590	23,850	23,850
KDOT Series 2003 A & B	2004	3.13 - 5.00%	2014	248,190	207,360	0	40,565	166,795	53,455
KDOT Series 2004 A	2004	4.50 - 5.50%	2023	250,000	250,000	0	0	250,000	0
KDOT Series 2004 B	2005	4.30 - 5.00%	2025	200,000	200,000	0	0	200,000	0
KDOT Series 2004 C*	2005	Variable	2025	147,000	147,000	0	0	147,000	0
KDOT Series 2008 A*	2008	3.36%	2016	150,870	150,870	0	0	150,870	0
KDOT Series 2009 A	2010	2.25 - 5.00%	2021	176,680	176,680	0	0	176,680	0
KDOT Series 2010 A	2011	4.60%	2036	325,000	0	325,000	0	325,000	0
								3,036,430	167,070
Less bonds payable on demand*				(885,715)	(664,315)		(22,590)	(641,725)	(44,825)
Plus deferred amounts:									
Net unamortized premium (discount)				0	74,096	216	9,556	64,756	0
Unamortized deferred refunding difference				0	(29,611)	0	(6,029)	(23,582)	0
Total revenue bonds payable				$ 2,850,610	2,197,510	368,671	130,302	2,435,879	122,245
Sales tax limited obligation bonds:									
1999 KISC	1999	4.20 - 5.25%	2028	18,182	16,452	686	417	16,721	457
2001 Project Area B	2001	4.00 - 5.10%	2021	21,270	15,149	631	1,181	14,599	1,207
2002 Subordinate KISC	2002	5.00 - 8.00%	2011	4,628	1,865	78	1,943	0	0
400 Acres Refunding	2005	3.25 - 5.54%	2021	4,077	3,506	146	195	3,457	233
2nd Lien 2005 Turbo	2006	4.75 - 5.00%	2011	129,216	94,025	3,918	29,509	68,434	0
Salt Museum	2006	5.00%	2021	4,063	2,195	79	590	1,684	623
Total sales tax limited obligation bonds				$ 181,436	133,192	5,538	33,835	104,895	2,520
Notes payable:									
Water supply storage in Federal reservoirs				32,575	20,650	0	711	19,939	737
Expanded Lottery Operations				5,000	5,000	0	4,908	92	92
Printing plant				3,857	193	0	193	0	0
Total notes payable				$ 41,432	25,843	0	5,812	20,031	829
Capital leases payable					138,821	2,060	11,792	129,089	16,948
Sales Tax Limited Obligation-2010 B Accretion Bonds					75,233	45,420	0	120,653	0
Arbitrage rebate payable					400	706	279	827	0
Claims and judgments					87,216	400,231	398,650	88,797	45,254
Compensated absences					129,921	0	3,680	126,241	61,561
Other post employment benefits					36,270	20,298	9,380	47,188	0
Pollution remediation					70,936	6,531	3,807	73,660	22,254
Total Governmental Activities					$ 2,895,342	$ 849,455	$ 597,537	$ 3,147,260	$ 271,611

III. Detailed Notes On All Funds

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2010 Beginning Balance	Additions	Deletions	6/30/2011 Ending Balance	Amounts Due In One Year
Business-Type Activities									
Revenue bonds payable:									
KDFA Series 1998 II	1998	3.75 - 5.25%	2011	$ 80,500	$ 7,455	$ 0	$ 7,455	$ 0	$ 0
KDFA Series 2000 I&II	2000	4.60 - 6.00%	2011	82,915	4,430	0	4,430	0	0
KDFA Series 2001 I&II	2002	3.00 - 5.50%	2018	141,045	110,130	0	39,705	70,425	9,545
KDFA Series 2002 1&2	2002	4.00 - 5.50%	2012	51,805	20,490	0	18,365	2,125	2,125
KDFA Series 2002 II	2003	2.26 - 5.50%	2012	101,575	52,370	0	48,370	4,000	4,000
KDFA Series 2004 II	2004	4.92 - 5.25%	2023	45,140	43,640	0	14,970	28,670	2,190
KDFA Series 2004 1&2	2005	3.00 - 5.00%	2026	176,010	148,900	0	50,265	98,635	10,615
KDFA Series 2005 CW I&II	2006	3.00 - 5.00%	2027	118,860	98,090	0	7,215	90,875	8,530
KDFA Series 2008 CW I&II	2009	3.00 - 5.13%	2030	66,545	66,545	0	12,365	54,180	1,360
KDFA Series 2008 DW 1&2	2009	5.00%	2013	36,700	35,115	0	32,905	2,210	1,200
KDFA Series 2009 DW 1&2	2010	1.50 - 5.60%	2029	73,040	71,960	0	2,515	69,445	565
KDFA Series 2010 SRF 1,2 &3 (CW &DW)	2011	1.68 - 5.95%	2030	213,950	0	213,950	0	213,950	3,390
KDFA Series 2011 SRF DW 1&2	2011	2.00-4.20%	2032	53,380	0	53,380	0	53,380	0
KDFA Series 2005 TR	2006	3.00 - 5.00%	2026	32,690	26,375	0	2,085	24,290	2,140
KDFA Series 2006 TR	2007	4.00 - 5.00%	2027	24,755	19,890	0	1,765	18,125	1,805
KDFA Series 2008 G	2009	4.60 - 5.05%	2023	14,200	11,613	0	1,198	10,415	1,253
KDFA Series 2009 TR	2009	2.50 - 4.78%	2028	30,950	29,670	0	2,175	27,495	2,280
Plus deferred amounts:									
Net unamortized premium (discount)				0	19,225	20,253	10,165	29,313	0
Unamortized deferred refunding difference				0	(16,897)	(15,308)	(2,550)	(29,655)	0
Total revenue bonds payable				$ 1,344,060	749,001	272,275	253,398	767,878	50,998
Arbitrage rebate payable					1,254	88	1,169	173	0
Unemployment benefits loan					88,159	82,662	0	170,821	0
Claims and judgments					215,402	5,758	0	221,160	17,297
Compensated absences					68	5	0	73	60
Other post employment benefits					224	85	9	300	0
Other					17,697	51	151	17,597	0
Total Business-type Activities					$ 1,071,805	$ 360,924	$ 254,727	$ 1,178,002	$ 68,355

III. Detailed Notes On All Funds

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2010 Beginning Balance	Additions	Deletions	6/30/2011 Ending Balance	Amounts Due In One Year
Component Units									
Revenue bonds payable:									
KDFA Series 1997 C	1997	4.70 - 5.30%	2011	$ 3,255	$ 245	$ 0	$ 245	$ 0	$ 0
KDFA Series 1997 G-1	1998	5.05%	2012	626	1,174	60	0	1,234	1,234
KDFA Series 1998 B	1998	3.90 - 5.00%	2011	9,320	5,260	0	5,260	0	0
KDFA Series 1998 E	1999	3.40 - 4.90%	2011	4,750	3,570	0	3,570	0	0
KDFA Series 1998 L	1999	3.80 - 4.75%	2011	5,590	285	0	285	0	0
KDFA Series 1998 P	1999	3.00 - 4.85%	2011	3,650	2,250	0	2,250	0	0
KDFA Series 1999 A-1	1999	3.20 - 5.00%	2012	17,510	5,325	0	2,025	3,300	3,300
KDFA Series 1999 B	1999	3.60 - 5.00%	2011	2,920	1,785	0	1,785	0	0
KDFA Series 1999 C	1999	4.00 - 5.10%	2019	3,085	1,900	0	150	1,750	155
KDFA Series 1999 H	2000	3.75 - 5.20%	2012	17,830	1,625	0	790	835	835
KDFA Series 2000 D	2001	4.60 - 5.60%	2011	1,735	825	0	825	0	0
KDFA Series 2000 V	2001	4.35 - 4.75%	2011	16,370	1,075	0	1,075	0	0
KDFA Series 2001 B	2001	3.65 - 5.20%	2021	2,805	1,860	0	130	1,730	140
KDFA Series 2001 D	2001	4.25 - 5.25%	2021	48,895	32,795	0	2,290	30,505	2,400
KDFA Series 2001 F	2001	3.30 - 5.50%	2012	29,905	5,635	0	1,715	3,920	3,920
KDFA Series 2001 J	2002	3.50 - 4.30%	2013	5,300	1,235	0	540	695	460
KDFA Series 2001 N	2001	4.25 - 5.25%	2014	7,230	2,755	0	620	2,135	655
KDFA Series 2001 S	2002	4.13 - 5.50%	2016	15,095	2,785	0	720	2,065	755
KDFA Series 2001 U	2002	3.10 - 5.00%	2011	10,295	5,500	0	5,500	0	0
KDFA Series 2001 W-1,3,4 &5	2002	3.00 - 5.00%	2022	44,470	18,205	0	1,705	16,500	1,970
KDFA Series 2002 A-1 & A-2	2002	3.50 - 5.00%	2017	26,560	9,515	0	1,330	8,185	1,380
KDFA Series 2002 C	2002	3.00 - 5.00%	2022	15,830	11,385	0	725	10,660	760
KDFA Series 2002 H	2003	2.50 - 4.10%	2016	3,765	2,550	0	170	2,380	175
KDFA Series 2002 K	2003	4.30%	2016	5,120	1,840	0	65	1,775	325
KDFA Series 2002 N-1 $ N-2	2003	3.00 - 5.25%	2018	52,075	11,255	0	2,300	8,955	2,415
KDFA Series 2002 P	2003	3.00 - 5.00%	2021	12,150	8,695	0	560	8,135	580
KDFA Series 2003 A-1 & A-2	2003	1.80 - 5.50%	2023	2,610	1,950	0	110	1,840	115
KDFA Series 2003 C	2003	4.67 - 5.00%	2033	72,670	61,465	0	575	60,890	0
KDFA Series 2003 D-2	2003	2.00 - 4.70%	2028	1,150	725	0	70	655	70
KDFA Series 2003 J-1	2004	2.00 - 5.25%	2025	34,100	27,180	0	1,285	25,895	1,365
KDFA Series 2004 D	2005	3.00 - 4.75%	2020	1,195	970	0	85	885	90
KDFA Series 2004 F	2005	2.00 - 5.25%	2012	44,860	21,770	0	12,270	9,500	9,500
KDFA Series 2004 G-1	2005	2.50 - 5.13%	2024	19,795	15,085	0	820	14,265	845
KDFA Series 2005 A	2005	3.00 - 5.00%	2035	44,535	41,015	0	950	40,065	975
KDFA Series 2005 D	2005	3.79 - 5.18%	2022	66,530	44,225	0	6,630	37,595	5,200
KDFA Series 2005 E-1 & E-2	2005	3.00 - 5.00%	2030	19,360	17,375	0	560	16,815	585
KDFA Series 2005 F	2006	3.25 - 4.40%	2026	8,930	8,205	0	380	7,825	400
KDFA Series 2005 G	2006	3.30 - 4.60%	2026	7,205	6,895	0	320	6,575	330
KDFA Series 2006 B	2006	3.50 - 4.13%	2021	9,790	9,510	0	145	9,365	150
KDFA Series 2007 A	2007	3.75 - 4.39%	2037	27,750	26,325	0	555	25,770	575
KDFA Series 2007 E	2007	3.75 - 4.30%	2027	6,275	5,625	0	240	5,385	245
KDFA Series 2007 H	2008	3.60 – 4.50%	2037	17,855	17,170	0	360	16,810	375
KDFA Series 2007 M	2008	3.20 – 4.60%	2027	18,220	16,855	0	715	16,140	740
KDFA Series 2008 A	2008	3.00 – 4.00%	2016	20,000	15,000	0	2,500	12,500	2,500
KDFA Series 2008 D	2008	5.10%	2038	1,600	1,600	0	0	1,600	0
KDFA Series 2008 L	2009	2.00 - 5.25%	2029	21,070	20,350	0	735	19,615	755
KDFA Series 2009 C	2009	3.00 - 5.00%	2017	20,000	17,500	0	2,500	15,000	2,500
KDFA Series 2009 G	2009	2.50 - 4.75%	2024	825	775	0	45	730	45
KDFA Series 2009 H-1 & H-2	2009	2.50 - 7.30%	2035	14,630	14,630	0	0	14,630	380
KDFA Series 2009 J-1 & J-2	2009	2.50 - 7.00 %	2030	4,545	4,545	0	160	4,385	165
KDFA Series 2009 K-1 & K-2	2010	2.63 - 5.63%	2040	6,140	6,140	0	0	6,140	0
KDFA Series 2009 M-1 & M-2	2010	3.00 - 6.31%	2030	31,650	31,650	0	0	31,650	1,115
KDFA Series 2010 A	2010	2.00 - 4.05%	2030	23,700	23,700	0	610	23,090	630
KDFA Series 2010 B	2010	2.50 - 3.75%	2027	21,650	21,650	0	275	21,375	1,075
KDFA Series 2010 D	2010	3.12%	2015	1,315	1,315	0	200	1,115	215
KDFA Series 2010 G-1 & G-2	2010	2.00 - 6.60%	2040	21,565	21,565	0	0	21,565	0
KDFA Series 2010 H	2010	2.00%	2016	1,530	1,530	0	250	1,280	250
KDFA Series 2010 J	2010	0.75 - 4.45%	2030	14,765	14,765	0	595	14,170	565
KDFA Series 2010 K-1 & K-2	2010	2.00 - 6.20%	2035	15,050	15,050	0	1,140	13,910	1,140
KDFA Series 2010 M-1 & M-2	2010	2.00 - 5.10%	2026	20,990	20,990	0	0	20,990	1,175
KDFA Series 2010 P-1 & P-2	2011	2.00 - 5.00%	2031	15,930	0	15,930	0	15,930	620
KDFA Series 2010 U-1 & U-2	2011	1.80 - 6.20%	2029	25,180	0	25,180	555	24,625	660
KDFA Series 2011 C	2011	2.00 - 4.50%	2036	13,450	0	13,450	0	13,450	385
KDFA Series 2011 D-1, 2 & 3	2011	2.00 - 4.40%	2024	9,465	0	9,465	0	9,465	740
Plus deferred amounts:									
Net unamortized premium (discount)				0	5,629	245	994	4,880	0
Unamortized Deferred Refunding				0	(1,250)	0	(92)	(1,158)	0
Total Revenue Bonds Payable				$ 1,074,016	700,808	64,330	73,167	691,971	57,934
Notes payable:									
Component units of university system					174,530	58,510	16,006	217,034	11,321
Total notes payable					174,530	58,510	16,006	217,034	11,321
Arbitrage rebate payable					98	12	59	51	0
Capital leases					14,568	600	1,552	13,616	1,780
Compensated absences					65,691	3,410	0	69,101	56,880
Other post employment benefits					30,404	11,417	27	41,794	0
Pollution remediation					4,000	0	300	3,700	2,000
Other					110,928	8,414	57,947	61,395	3,371
Total Component Units					$ 1,101,027	$ 146,693	$ 149,058	$ 1,098,662	$ 133,286

III. Detailed Notes On All Funds

The following table presents annual debt service requirements for those long-term debts outstanding, including bonds payable on demand, at June 30, 2011, which have scheduled debt service amounts (expressed in thousands):

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
Revenue bonds:						
2012	$ 167,070	$ 130,643	$ 50,998	$ 36,873	$ 57,934	$ 30,225
2013	167,240	122,912	55,435	32,870	42,585	28,236
2014	167,680	115,886	57,535	30,392	40,480	26,595
2015	178,865	109,203	57,089	27,793	38,370	25,094
2016	161,375	102,742	58,615	25,050	39,025	23,536
2017-2021	803,415	409,091	224,094	90,966	187,295	92,784
2022-2026	720,475	220,339	188,874	43,220	144,870	51,908
2027-2031	229,110	112,718	75,580	8,138	84,700	24,418
2032-2036	441,200	34,463	0	0	42,450	8,360
2037-2041	0	0	0	0	10,540	1,086
Less bonds payable on demand	(641,725)	(133,881)	0	0	0	0
Unamortized premium	64,756	0	29,313	0	4,880	0
Unamortized deferred refunding	(23,582)	0	(29,655)	0	(1,158)	0
Totals	2,435,879	1,224,116	767,878	295,302	691,971	312,242
Sales tax limited obligation bonds:						
2012	2,520	5,211	0	0	0	0
2013	2,660	5,133	0	0	0	0
2014	2,521	5,045	0	0	0	0
2015	2,248	4,974	0	0	0	0
2016	2,379	4,921	0	0	0	0
2017-2021	82,781	17,915	0	0	0	0
2022-2026	5,985	4,878	0	0	0	0
2027-2031	3,801	4,404	0	0	0	0
Totals	104,895	52,481	0	0	0	0
Notes payable:						
2012	829	765	0	0	11,321	9,255
2013	763	725	0	0	11,449	9,077
2014	791	698	0	0	11,472	8,604
2015	819	669	0	0	13,890	8,033
2016	848	640	0	0	11,418	8,315
2017-2021	4,730	2,712	0	0	54,563	33,782
2022-2026	5,215	1,783	0	0	55,370	19,855
2027-2031	4,502	805	0	0	26,541	9,797
2032-2036	975	334	0	0	13,685	3,260
2037-2041	559	46	0	0	7,325	756
Totals	20,031	9,177	0	0	217,034	110,734
Capital leases payable	129,089	42,542	0	0	13,616	2,908
Long-term debt without scheduled debt service:						
Arbitrage rebate payable	827	0	173	0	51	0
Sales tax ltd oblig:accretion bonds	120,653	0	0	0	0	0
Unemployment benefits loan	0	0	170,821	0	0	0
Claims and judgments	88,797	0	221,160	0	0	0
Compensated absences	126,241	0	73	0	69,101	0
Other post employment benefits	47,188	0	300	0	41,794	0
Pollution remediation	73,660	0	0	0	3,700	0
Other	0	0	17,597	0	61,395	0
Total long-term obligations	$ 3,147,260	$ 1,328,316	$ 1,178,002	$ 295,302	$ 1,098,662	$ 425,884

III. Detailed Notes On All Funds

Included in the debt service requirements to maturity table above are variable rate debt maturities for the Kansas Department of Transportation. For those variable rate bonds the following table represents the aggregate debt service requirements and net receipts/payments on associated hedging derivative instruments. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

(expressed in thousands)

Fiscal Year Ended June 30	Principal	Interest	Hedging Derivative Instruments (Net)	Total
2012	$ 20,975	$ 244	$ 16,508	$ 37,727
2013	40,295	229	15,592	56,116
2014	45,520	210	14,294	60,024
2015	113,110	170	11,773	125,053
2016	75,100	136	8,794	84,030
2017 - 2021	175,875	439	22,715	199,029
2022 - 2025	147,000	105	4,974	152,079
Total	$ 617,875	$ 1,533	$ 94,650	$ 714,058

General Obligation Bonds

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

Revenue Bonds

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

Kansas Department of Transportation (KDOT) has 13 outstanding series of Highway Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of highways in the State as part of the State's Transportation Works for Kansas (T-Works) Program. The State's T-Works Program was developed by KDOT after extensive study of the transportation needs in the State and was implemented by the 2010 Kansas Legislature. Principal and interest payments on these bond issues are paid from revenues collected in the State Highway Fund, which include motor fuels taxes, state sales taxes, compensating use taxes, and drivers' license and vehicle registration fees. KDOT also has four outstanding series secured by pledges of revenues from loans and leases. Please reference Note K. above for KDOT revenue bonds and future principal and interest payments.

The coupon interest rate on outstanding bonds varies from 2.25 percent to 5.50 percent. In addition, various bonds were issued as variable rate instruments whose rates change on a weekly basis. During the year, interest rates ranged from 0.03 percent to 1.00 percent on the weekly adjustable bonds. The Series 2002 B, C and D, 2004 C and 2008 A Bonds are subject to tender under certain conditions. If the tendered bonds cannot be remarketed, the liquidity provider has agreed to purchase the bonds and hold them for a maximum of 180 days. Through June 30, 2011, all bonds tendered have been remarketed. However, since there is not a long-term financing option

III. Detailed Notes On All Funds

in place at June 30, 2011, for these tendered bonds, these bonds have been recorded as obligations of the Transportation - Capital Project Fund resulting in a deficit fund balance in that fund.

Sales Tax Limited Obligation Bonds

In March 1998, the Unified Government of Wyandotte County/Kansas City, Kansas established the Prairie Delaware Redevelopment District (District). The District was created for development of a major tourism area, including the Kansas International Speedway. In connection with various projects in the District, the Unified Government has issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the Unified Government and the State have entered into a Redevelopment District Tax Distribution Agreement. The agreement provides that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally by the Unified Government and the State, based on each entity's respective share of sales taxes generated within the District. Prior to July 1, 2010, the State's proportional share is was approximately 72 percent. Therefore, 72 percent of the outstanding obligation on each STAR bond issue was recorded with the State's long-term debt. This proportional share changed on July 1, 2010, with the increase of 1% in the State sales tax rate. The proportional share increased to 75 percent and the increase is reflected in the amounts recorded in the long term debt. In addition, the State's proportional share in the 2010 B bond issue is capped at $144.5 million.

In March 2006, the City of Hutchinson created the Underground Salt Museum Redevelopment District. The District was created for the development of the Kansas Underground Salt Museum as a tourist destination. The City issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the City and the State have entered into a Redevelopment District Tax Distribution Agreement. The agreement provides that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally by the City and the State, based on each entity's respective share of sales taxes generated within the District. Prior to July 1, 2010, the State's proportional share was approximately 83 percent. Therefore, 83 percent of the outstanding obligation on each STAR bond issue was recorded with the State's long-term debt. This proportional share changed July 1, 2010, with the increase of 1% in the state sales tax rate. The proportional share increased to 86 percent and the increase is reflected in the amounts recorded in the long term debt. Further details regarding STAR bonds may be found in the chart at the beginning of Note III, Section K.

Special Obligation and Private Activity Bonds

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special limited obligations of KDFA, where neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by KDFA or the State. Accordingly, such special obligation bonds are not included in KDFA's June 30, 2011, balance sheet. KDFA's special obligation bonds at June 30, 2011, total $2.6 billion.

Private activity bonds are special limited obligations of KDFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on KDFA's June 30, 2011, balance sheet. KDFA's private activity bonds at June 30, 2011, total $1.7 billion.

Notes Payable

The Pooled Money Investment Board is authorized as directed by statute to loan funds from the State treasury to State agencies for various capital projects including the purchase of the State's printing plant and finance the Expanded Lottery operations.. These internal loans are recorded as loans receivable in the State treasury's cash balance in Note III, Section A, Deposits and Investments, and in corresponding amounts of notes payable in Note III, Section K, Long-term Obligations and Section J, Short-term Obligations.

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal Government over the past 37 years for water supply storage capacity in large Federal multipurpose lakes under the

III. Detailed Notes On All Funds

provisions of the 1958 Federal Water Supply Act. Nine of these agreements provide for long-term (fifty-year) repayment with interest of the costs incurred by the Federal Government in construction of the water supply storage space. The Kansas Water Office is authorized by K.S.A. 82a-934 to enter into such agreements, subject to legislative approval through appropriations. Generally, however, receipts from the sale of water to local municipal and industrial water supply users are adequate to make the annual payments due under the long-term contracts with the Federal Government. Portions of the storage in some reservoirs have been designated as “future use” storage, and as such; the State is not required to make payments on that portion of storage until it is needed by users. The State has not recorded a liability at June 30, 2011, for portions of the storage designated as “future use” storage.

Lease Commitments

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

Operating Leases

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2011 are as follows (expressed in thousands):

Fiscal Year	
2012	$ 12,013
2013	11,411
2014	10,176
2015	8,962
2016	7,420
2017-2021	28,117
2022-2026	14,254
2027-2029	3,806
Total future minimum lease payments	$ 96,159
Rent expenditures/expenses for operating leases for the year ended June 30, 2011	$ 12,616

Capital Leases

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

III. Detailed Notes On All Funds

The following schedule presents future minimum lease payments as of June 30, 2011 (expressed in thousands):

Year Ending June 30	Governmental Activities Principal	Interest
2012	$ 16,948	$ 5,173
2013	16,897	5,345
2014	16,777	6,103
2015	11,594	3,739
2016	4,667	2,930
2017-2021	24,679	11,455
2022-2026	21,339	6,165
2027-2031	16,188	1,632
Total	$ 129,089	$ 42,542

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2011, include the following (expressed in thousands):

	Governmental Activities
Land (non-depreciable)	$ 9,510
Buildings	87,726
Software	18,381
Equipment	60,830
Less: Accumulated depreciation	(46,256)
Total	$ 130,191

Master Lease Purchase Program

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

Defeasance of Debt

Primary Government

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2011, and changes for the fiscal year then ended are as follows (expressed in thousands):

III. Detailed Notes On All Funds

Bond Issue	6/30/2010 Beginning Balance	Current Year Defeased	Payments	6/30/2011 Ending Balance
Governmental Activities				
KDOT Series 1994	$ 9,825	$ 0	$ 9,825	$ 0
KDOT Series 1998	55,300	0	0	55,300
KDOT Series 2000 A	139,900	0	139,900	0
KDFA Series 2003 J	4,310	0	400	3,910
KDFA Series 2004 A	4,355	0	315	4,040
Total governmental activities	$ 213,690	$ 0	$ 150,440	$ 63,250

Bond Issue	6/30/2010 Beginning Balance	Current Year Defeased	Payments	6/30/2011 Ending Balance
Business-type Activities				
KDFA Series 2000 I	$ 1,965	$ 0	$ 1,965	$ 0
KDFA Series 2000 II (Nov.)	54,945	0	54,945	0
KDFA Series 2000 1 & 2	39,755	0	39,755	0
KDFA Series 2001 I & II	2,790	33,705	0	36,495
KDFA Series 2002 II	26,845	44,920	0	71,765
KDFA Series 2002 1 & 2	20,690	16,320	0	37,010
KDFA Series 2004 II	0	13,220	0	13,220
KDFA Series 2004 2	4,405	42,505	0	46,910
KDFA Series 2008 CW II	0	11,000	0	11,000
KDFA Series 2008 DW 2	0	31,540	0	31,540
Total business-type activities	$ 151,395	$ 193,210	$ 96,665	$ 247,940

Information on bonds defeased in the current fiscal year is as follows (expressed in thousands):

Bond Issues	Amount Defeased	Remaining Liability	Economic Gain (Loss)*	Aggregate Debt Sevice Reduction**
Business-type Activities				
KDFA Series 2001 I & II, 2002 II, 2002 1 & 2, 2004 II, 2004 2, 2008 CW II, 2008 DW 2	$ 193,210	$ 193,210	$ 19,046	$ 74,452
Total defeased	$ 193,210	$ 193,210	$ 19,046	$ 74,452

Component Unit

For financial reporting purposes, the Kansas Development Finance Authority has in substance defeased certain revenue and lease revenue bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased lease revenue bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2011, and changes for the fiscal year then ended are as follows (expressed in thousands):

III. Detailed Notes On All Funds

Bond Issue	6/30/2010 Beginning Balance	Current Year Defeased	Payments	6/30/2011 Ending Balance
KDFA Series 1998 B	$ 0	$ 5,260	$ 5,260	$ 0
KDFA Series 1998 E	0	3,415	3,415	0
KDFA Series 1998 P	0	2,080	2,080	0
KDFA Series 1999 B	0	1,785	1,785	0
KDFA Series 1999 H	10,030	0	0	10,030
KDFA Series 2000 D	0	825	825	0
KDFA Series 2000 T	1,010	0	1,010	0
KDFA Series 2000 V	7,215	0	7,215	0
KDFA Series 2001 S	7,540	0	7,540	0
KDFA Series 2001 U	0	4,120	4,120	0
KDFA Series 2001 W	17,765	0	140	17,625
KDFA Series 2002 A	8,230	0	0	8,230
KDFA Series 2002 K	3,280	0	0	3,280
KDFA Series 2002 N	28,040	0	0	28,040
KDFA Series 2003 D-1	4,275	0	4,275	0
Total component units	$ 87,385	$ 17,485	$ 37,665	$ 67,205

Information on bonds defeased in the current fiscal year is as follows (expressed in thousands):

Bond Issues	Amount Defeased	Remaining Liability	Economic Gain (Loss)*	Aggregate Debt Sevice Reduction**
KDFA Series 1998 B	$ 5,260	$ 0	$ 751	$ 804
KDFA Series 1998 E	3,415	0	297	474
KDFA Series 1998 P	2,080	0	221	281
KDFA Series 1999 B	1,785	0	249	262
KDFA Series 2000 D	825	0	99	103
KDFA Series 2001 U	4,120	0	603	752
Total defeased	$ 17,485	$ 0	$ 2,220	$ 2,676

* The economic gain is defined as the difference between the present values of the old and the new debt service payments.
** The aggregate debt service reduction is defined as the difference between the refunded debt and the refunding debt.

Arbitrage Rebate Payable

Estimated arbitrage rebate payables have been calculated and liabilities recorded of $827,000 for Governmental Activities, $173,000 for Business-type Activities, and $51,000 for Component Units.

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows debit (credit)(expressed in thousands):

III. Detailed Notes On All Funds

	Change in Fair Value		Fair Value at June 30,2011		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	$ 4,750	Debt	$ (46,876)	$ 542,280
Investment derivative instruments:					
Pay-fixed interest rate swaps	Investment revenue	(4,800)	Investment	(3,775)	98,480
Basis swap	Investment revenue	(1,713)	Investment	6,455	75,000

Kansas Department of Transportation: Recently issued and adopted accounting principles

In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. KDOT adopted GASB 53 in Fiscal Year 2010. All derivatives are to be reported on the statement of net assets at fair value, and all hedges must be tested for effectiveness to qualify for hedge accounting. The tests are outlined in GASB 53. Depending on the test results, the changes in fair value are either reported on the statement of net assets as a deferral, or in the statement of activities as investment revenue or loss. Most derivatives are stand-alone instruments. At certain instances as outlined in GASB 53, for those that have an additional embedded instrument, or hybrid instruments, the statement calls for bifurcating and accounting for the transaction as two separate components.

KDOT engaged an independent party to perform the valuations and required tests on the swaps. Of the swaps that qualify for hedge accounting under GASB 53, the changes in fair value for this period are to be offset by a corresponding deferred inflow/outflow account on the statement of net assets.

All pay-fixed swap transactions are associated with variable debt. Combining a pay-fixed receive-variable rate swap with variable debt results in what is termed "synthetic" fixed rate debt. It is called synthetic because the economics are similar to fixed rate debt, but another instrument is involved unlike regular fixed rate debt. Each time KDOT created synthetic fixed rate debt, a comparison and determination was made that the fixed rate on regular debt would have been higher than the fixed rate on the swap.

For all swaps, there are three main strategies KDOT pursues with respect to each transaction. Each swap can achieve one or more of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates on each reporting period compare to the projections of those future rates made when the derivative was put in place. The accumulated changes in fair value or total fair value of all the derivatives are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB 53, each swap transaction is then evaluated to determine what type of accounting treatment to apply.

(i) Mitigate the effect of fluctuations in variable interest rates. This is the primary function of the swaps employed where KDOT pays a fixed rate, and receives a floating rate. In an interest rate environment whose level is generally higher than the rate at which KDOT is fixed, the swap would result in a positive value to KDOT. Correspondingly, in a lower rate environment than the rate at which KDOT is fixed, the swap would result in a negative value to

III. Detailed Notes On All Funds

KDOT. The value primarily depends on the overall level of interest rates on the reporting date compared to what KDOT pays. The overall level of long term interest rates from period to period is the primary driver of changes in value recorded from the investment derivatives where KDOT pays fixed and receives a floating rate. Interest rates have trended lower since inception of the pay fixed swaps, therefore, the mark-to-market value is generally more negative to KDOT.

(ii) Reduce interest expense by expected change between short and long term rates. This is the function of a swap where KDOT receives floating rates based on a longer term index with the expectation of receiving an ongoing net benefit compared to short term rates paid on the variable bonds being hedged. Longer term interest rates, such as the 10 Year Constant Maturity Swap (CMS) Index, are generally higher than shorter term interest rates, such as a weekly rate, which KDOT pays on the variable bonds. Therefore, when shorter term interest rates came close to, or exceeded longer term rates, KDOT entered into a swap whose receipts on the floating leg are based on a longer term index that is expected to outperform the payments on KDOT's variable debt. Part of the fair value of this swap is determined by the prevailing level of short term versus long term rates, that is, the steepness of the yield curve. The higher the level of long term rates compared to shorter term rates, the higher the expected benefit to KDOT, therefore, the higher the mark-to-market value of the swap. KDOT pays a fixed rate on one of these two swap transactions, therefore the other part of the value of this swap is determined by the prevailing level of interest rates compared to when KDOT entered into the swap transaction. Since interest rates have trended lower since inception, the mark-to-market value will be more negative to KDOT, even though KDOT may be receiving a net benefit from the receipts based on the 10 Year CMS Index. Since the long term index is expected to out-perform the short-term variable rate, the tests under GASB 53 deem such transactions investment instruments.

(iii) Reduce interest expense from expected benefit resulting from the difference between tax-exempt and taxable rates. This is a function of swaps where KDOT receives a percentage of 1-Month LIBOR when hedging tax-exempt variable debt, with the expectation of receiving an ongoing net benefit from paying a lower fixed rate at the time of putting on the swap transaction. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus tax-exempt rates, a direct function of tax rates, is approximately 67 percent, but the ratio of long-term taxable rates and long-term tax-exempt rates is normally significantly higher than 67 percent. Therefore, the fixed rate payable in exchange for a smaller percentage of LIBOR will be significantly less than a long-term tax-exempt fixed rate. This reduction in fixed rate is the value of the benefit, the risk being tax rates change over the life of the percentage of LIBOR swap, or the variable rates on KDOT's hedged bonds do not closely match the percentage of LIBOR variable rate on the swap. The value of such a swap is determined by the prevailing level of taxable interest rates, with no reference to tax-exempt interest rates.

The following table provides a summary of the basic terms of the swap agreements as of June 30, 2011 (expressed in thousands):

III. Detailed Notes On All Funds

Associated KDOT Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Rating
Series 2002 D**	$ 86,875	$23,480	12/17/2002	3/1/2012	5.2400%Contractual; 2.9936%GASB 53 At-the-Market	67%of USD-LIBOR	$ (669)	Merrill Lynch Capital Services, Inc.	A2/A/A+
Series 2002 B &C[1,]*	200,000	200,000	10/23/2002	9/1/2019	3.164%	67%of USD-LIBOR	(16,845)	Goldman Sachs Bank USA	Aa3/A/A+
Series 2002 B &C[1,]*	120,005	120,005	10/23/2002	9/1/2019	3.164%	67%of USD-LIBOR	(10,102)	Citigroup Financial Products Inc.	A3/A/A+
Series 2008 A*	150,275	150,275	12/2/2003	9/1/2015	3.3590%Contractual; 2.3493%GASB 53 At-the-Market	Lesser of ABR/71%of USD-LIBOR 'til 9/2010; 71%USD-LIBOR thereafter	(11,360)	Merrill Lynch Capital Services, Inc.	A2/A/A+
Series 2004 C*	147,000	72,000	11/23/2004	9/1/2024	3.571%	63.5%USD-LIBOR +0.29'	(8,569)	Goldman Sachs Bank USA	Aa3/A/A+
Series 2004 C**	75,000	75,000	7/1/2007	9/1/2024	3.571%	62.329%of 10 Year CMS	(3,106)	Goldman Sachs Bank USA	Aa3/A/A+
Series 2004 B**	75,000	75,000	7/10/2007	9/1/2024	67%of USD-LIBOR	61.56%of 10 Year CMS	6,455	JPMorgan Chase Bank N.A.	Aa1/AA/AA-
						Total Termination Value	$ (44,196)		

[1] - two counterparties.
*- considered a fair value hedge
**- considered an investment derivative

KDOT derivative instruments detailed discussion

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

Terms, fair values, and credit risk. The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2011, are shown above. KDOT's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in the associated bonds payable.

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

Under GASB 53, the sold option described is a hybrid instrument that is constituted of a companion instrument or borrowing (intrinsic value), and an embedded derivative instrument (time value), and an at-the-market swap with a fixed rate determined on the date the swaption is sold. Governments carry borrowings at historic cost, while derivatives are carried at fair value. The subsequent swap that Merrill Lynch exercised with KDOT is also considered a hybrid instrument consisting of an embedded at-the-market swap rate computed at the time the original option was sold, and a borrowing. At June 20, 2011, a borrowing in the amount of $527,000 was recorded as a borrowing payable.

KDOT Series 2002B and C Swaps - In connection with the issuance of $320 million of variable-rate KDOT Series 2002B & C Highway Revenue Refunding Bonds, on October 3, 2002, KDOT competitively bid a floating-to-fixed

III. Detailed Notes On All Funds

67 percent of LIBOR interest rate swap. Goldman Sachs was awarded $200 million of notional principal and Salomon Smith Barney was awarded $120 million of notional principal. The executed transaction consisted of a $320 million 17-year amortizing interest rate swap under which KDOT pays Goldman/Citibank a fixed rate of 3.164 percent and receives 67 percent of LIBOR. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

KDOT Series 2008A Swap (formerly 2003C Swap) - In connection with the issuance of $150.3 million of variable-rate KDOT Series 2003C Highway Revenue Refunding Bonds, on November 20, 2003, KDOT competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a $150.3 million 12-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.359 percent and receives the lesser of the Actual Bond Rate and 71 percent of one month LIBOR until September 1, 2010, and 71 percent of LIBOR thereafter. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

On May 13, 2008, KDOT refunded the Series 2003C Bonds with KDOT Series 2008A Bonds. Under GASB 53, a refunding can be viewed as a termination of an existing hedging relationship, and a subsequent new hedging relationship is entered into between the swap and new bonds. This can result in a hybrid instrument that consists of an at-the-market fixed rate swap with a pay fixed rate computed on the date of the refunding, and an imputed borrowing that is considered a cost of refunding, and therefore amortized over the shorter of the life of the new bonds or refunded bonds. At June 30, 2011, a borrowing in the amount of $2.2 million was recorded as a borrowing payable.

KDOT Series 2004B and C Swaps - In connection with the issuance of $147 million of variable-rate KDOT Series 2004B and 2004C Highway Revenue Bonds, on November 12, 2004, KDOT competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a $147 million 20-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.571 percent and receives 63.5 percent of LIBOR plus 29 basis points. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

Since many tax-exempt and municipal issuers fund capital projects with long-term traditional or synthetic fixed-rate debt, but are constrained to investing short-term for liquidity reasons, in a normal or upwardly sloped yield curve they incur “negative carry” (cost of borrowing exceeds investment rate). KDOT determined that it could mitigate this imbalance through the execution of the two Constant Maturity Swaps (CMS). On June 15, 2007, based on the results of a previously distributed competitively bid request for quotes for a swap provider, effective July 1, 2007, KDOT amended the floating index from 63.5 percent + 29 basis points to 62.329 percent of the 10-year LIBOR CMS rate on $75 million of the existing $147 million swap. On July 10, 2007, a CMS became effective on the previously unhedged 2004B series bonds so that KDOT pays Bear Stearns Financial Products Inc. (“BSFP”) 67 percent of one-month LIBOR and receives 61.56 percent of the 10-year LIBOR CMS rate on $75 million. Following the merger of BSFP with and into JPMorgan Chase Bank N.A. (“JPM”), and an Assignment Agreement dated as of March 18, 2009, by and among BSFP, KDOT and JPM, the bank counterparty on this swap is now JPM.

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

Credit risk. As of June 30, 2011, KDOT has credit risk exposure to JPMorgan Chase Bank N.A. on the swap associated with the KDOT Series 2004B Revenue Bonds. This is because the transaction has a positive fair value, meaning KDOT is exposed to the counterparty in the amount of the derivative's fair value. However, should interest rates change and the fair value of the swap become negative, KDOT would not be exposed to credit risk.

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

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

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

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